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February 15, 2017

Mr. Daniel Wolf
Executive Secretary
Minnesota Public Utilities Commission
350 Metro Square Building
121 7th Place East
St. Paul, MN 55101-2147

RE: Electric Service Territory Agreement with North Star Electric Cooperative
and the City of Warroad

Dear Mr. Wolf:

Enclosed is a Service Territory Agreement entered into by North Star Electric Cooperative and the City of Warroad. With the submission of this agreement and filing, the two parties seek approval of this agreement and request the Commission update its official records as to the electric service territory boundaries.

Customer Notice

Notice was given to the one affected customer within the service area.

Electronic Service

The following persons shall be placed on the Commission's official service list for this proceeding.

Ann Ellis
General Manager
North Star Electric Cooperative, Inc.
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Ron Kleinschmidt
Utility Superintendent
City of Warroad
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The legal description of the property and the intent to comply with Minnesota Statute 216B.39 is indicated within the attached Service Territory Agreement, page 1. This agreement reflects a permanent boundary change, and both parties have agreed upon appropriate compensation. A map indicating the service area change is attached following the executed Service Territory Agreement.

Sincerely,



Marty Mollberg
Operations Manager
martynsec@wiktel.com

Enclosures

SERVICE TERRITORY AGREEMENT

This agreement (Agreement), made and entered into the 9 day of Sept., 2013, by and between North Star Electric Cooperative, Inc., a rural electric cooperative organized and existing under the laws of the State of Minnesota ("Cooperative"), and the City of Warroad, existing under the laws of the State of Minnesota ("City"), individually or collectively referred to as the "Party" or "Parties."

WHEREAS, the laws of the State of Minnesota, namely Minnesota Statutes 216B.37-216B.47, provide terms and conditions under which the City may extend retail electric service throughout the corporate limits of the City, as well as authorize and permit electric utilities to define and revise their electric service territories by their written consent and agreement; and,

WHEREAS, the City has annexed certain real property located within Lake Township to the City of Warroad, County of Roseau, Minnesota, described as: Government Lots One (1) and Two (2) and the South Half of the Northwest Quarter (S $\frac{1}{2}$ NW $\frac{1}{4}$) of Section Thirty-three (33), Township One Hundred Sixty-three (163) North, Range Thirty-six (36) West, excepting therefrom the township road right of way along the eastern and southern boundaries of said NW $\frac{1}{4}$ of Section 33; and Government Lots Five (5) and Seven (7), Section Twenty-eight (28), Township One Hundred Sixty-three (163) North, Range Thirty-six (36) West, ("Annexed Area") (Attached Exhibit A), portions of which property is currently within the electric service territory of the Cooperative and portions of which property are in an area disputed; and,

WHEREAS, the City wishes to provide exclusive electric service to the Annexed Area, and the Parties have agreed that the Annexed Area shall hereafter be exclusively within the electric service territory of the City; and,

WHEREAS, it is the intention of the parties that the City pay to the Cooperative those payments contemplated pursuant to Minnesota Statutes 216B.37-216B.47; and,

WHEREAS, the Parties have negotiated a mutual settlement and wish to avoid litigation regarding compensation for such electric service territory matters related to the Annexed Area described above; and,

WHEREAS, the recitals herein shall be adopted as a part of this Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein, the Parties agree as follows:

ARTICLE I
Transfer of Electric Service Territory Rights

1.1 All property that is within the City's electric service territory at the time of signing this agreement will remain within the City's electric service territory, whether it is in the city limits of the City of Warroad or not.

1.2 With regard to the Annexed Area (Exhibit A), the date of transfer specified in Section 1.3 below ("Transfer Date") shall govern.

1.3 The exclusive right and obligation to provide electric service to the Annexed Area shall automatically transfer to the City effective as of the date of this Agreement. ("Transfer Date")

ARTICLE II
Settlement Payment

As and for payment as contemplated by Minnesota Statutes 216B.37-216B.47 and in consideration of the covenants, releases, and representations made by the Cooperative herein, the City agrees to make the following payment to the Cooperative:

2.1 Payment. Within sixty (60) days of the execution of this agreement, the City shall pay the Cooperative a one-time payment of Six Hundred Thousand Dollars (\$600,000.00).

ARTICLE III
Filings

3.1 Promptly after the execution of this Agreement, the Cooperative consents and authorizes and the City agrees to notify the Minnesota Public Utilities Commission ("MPUC") regarding this Agreement.

3.2 The Cooperative consents and authorizes and the City agrees that the City shall file the Parties' joint request under Minnesota Statute 216B.39, subd. 3, legally describing and depicting the Annexed Area, asking that the MPUC modify the service territory boundary and recognize the service territory transfer.

3.3 If the MPUC or the Office of Energy Security raises any question or challenges any provision of this Agreement, the service territory transfer contemplated under this Agreement, or the due performance thereof, the Parties shall each, at their own expense, exercise any and all lawful efforts reasonable and necessary to respond to said questions and to assure the transfer of the service territory. If for any reason the MPUC refuses to recognize the service territory transfer described in Article 1, the Cooperative shall return any payments made by the City pursuant to Article 2, upon demand by the City.

3.4 To the extent that approval of RUS may be necessary for completing the transfer of service rights under this Agreement, including release of any lien on physical facilities to be transferred to the City, the Cooperative shall promptly seek such approval, exercising all reasonable efforts and due diligence. To the extent that RUS delays, denies, or objects to the Parties' performing under this Agreement, the Cooperative will use its best efforts to resolve any such issues, with the Cooperation of the City.

ARTICLE 4

Representations and Warranties

4.1 The City and the Cooperative hereby mutually represent and warrant, each to the other, as follows:

- (a) Each is duly organized and existing in good standing under the laws of the State of Minnesota and each has all requisite power and authority to own, lease, and operate its electric service facilities;
- (b) Each has the power and authority to execute, deliver and carry out the terms and provisions of this Agreement and has taken all necessary corporate action to authorize the execution, delivery, and performance of this Agreement; and
- (c) This Agreement constitutes a valid and binding obligation of each Party enforceable in accordance with its terms.

ARTICLE 5

Mutual Wavier and Release of Claims

5.1 The Parties do hereby each unconditionally release and waive any and all claims, known or unknown, which they may now have or have in the future arising from any action or omission of the Parties or any fact or circumstance first occurring prior to the date hereof, whether or not continuing in nature, which relate to or arise from the right of either Party to provide electric service to any particular third party, area, facility, or site by reason of the electric service territory laws of the State of Minnesota, now or hereafter in effect, or any prior agreement of the Parties, oral or written. Provided, however, the foregoing provisions of this Article 5 do not waive or release any claim either of the Parties may have for any breach of any covenants or any misrepresentations contained in this Agreement.

5.2 The City does hereby agree to indemnify and hold harmless the Cooperative from all costs and damages arising from each and every claim made by any third party against the Cooperative arising from or related to the transaction described or contemplated by this Agreement, including the reasonable costs and fees of legal counsel incurred in the defense thereof.

5.3 The Cooperative does hereby agree to indemnify and hold harmless the City from all costs and damages arising from each and every claim made by any third party against the City arising from or related to the transaction described or contemplated by

this Agreement, including the reasonable costs and fees of legal counsel incurred in the defense thereof.

5.4 The City agrees that if any facilities are being transferred, they are being transferred "as is" and without warranty or representation relating to their condition or design. The City shall indemnify and hold the Cooperative harmless against all claims or loss, injury, or damages of any kind, including reasonable attorneys fees that may arise from the condition, maintenance or operation of all transferred facilities, including any abandoned cable that is identified at the time of the transfer.

ARTICLE 6

General Terms and Conditions

6.1 The effective date of this Agreement is the date upon which the Agreement has been signed by both Parties. This Agreement constitutes the entire Agreement, and, with respect to the specific subject matter, supersedes all prior agreements and understandings, oral and written, between the Parties hereto. The recitals herein are an integral part of this agreement and are incorporated herein.

6.2 In the event that a dispute arises between the Parties as to the interpretation or performance of this Agreement, then upon written request of either Party, representatives with settlement authority for each party will meet in person and confer in good faith to resolve the dispute. If the Parties are unable to resolve the dispute, they shall make every effort to resolve the dispute through mediation or other dispute resolution methods. If the Parties are unable to resolve the dispute through these methods, either Party may commence an action in Roseau County District Court. The Transfer Date is not affected by any dispute or action to determine compensation.

6.3 Any notice permitted or required by this Agreement shall be made in writing by letter, electronic mail, personal service, facsimile, or other documentary form and shall be deemed given upon actual receipt by the Party to which such notice is given.

6.4 This Agreement will inure to the benefit of the Parties hereto and shall be binding on them and their respective legal representatives, successors and assigns. Provided, however, that neither Party hereto may assign any of its rights herein to any person without the prior written consent of the other Party, except that Cooperative does not need City's consent to assign this agreement to the Rural Utilities Services, however Cooperative will provide prompt written notice of any such assignment.

6.5 Each of the Parties acknowledges that the adjustment of electric service territory boundaries provided for herein is unique in that neither Party will have an adequate remedy at law if the other Party fails to perform any of its obligations hereunder. In such event, either Party shall have the right, in addition to any other rights it may have, to petition for and obtain specific performance of this Agreement in Roseau County District Court.


6.6 This Agreement may be amended only in writing.

6.7 This Agreement may be executed in counterpart copies by the Parties and each counterpart, when taken together with the other, shall be deemed one and the same executed Agreement.

6.8 By executing this Agreement, the Parties acknowledge that they: (a) enter into this Agreement knowingly, voluntarily, and freely; (b) have had an opportunity to consult an attorney before signing this Agreement; and (c) have not relied upon any representation or statement not set forth herein.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

NORTH STAR ELECTRIC COOPERATIVE, INC.



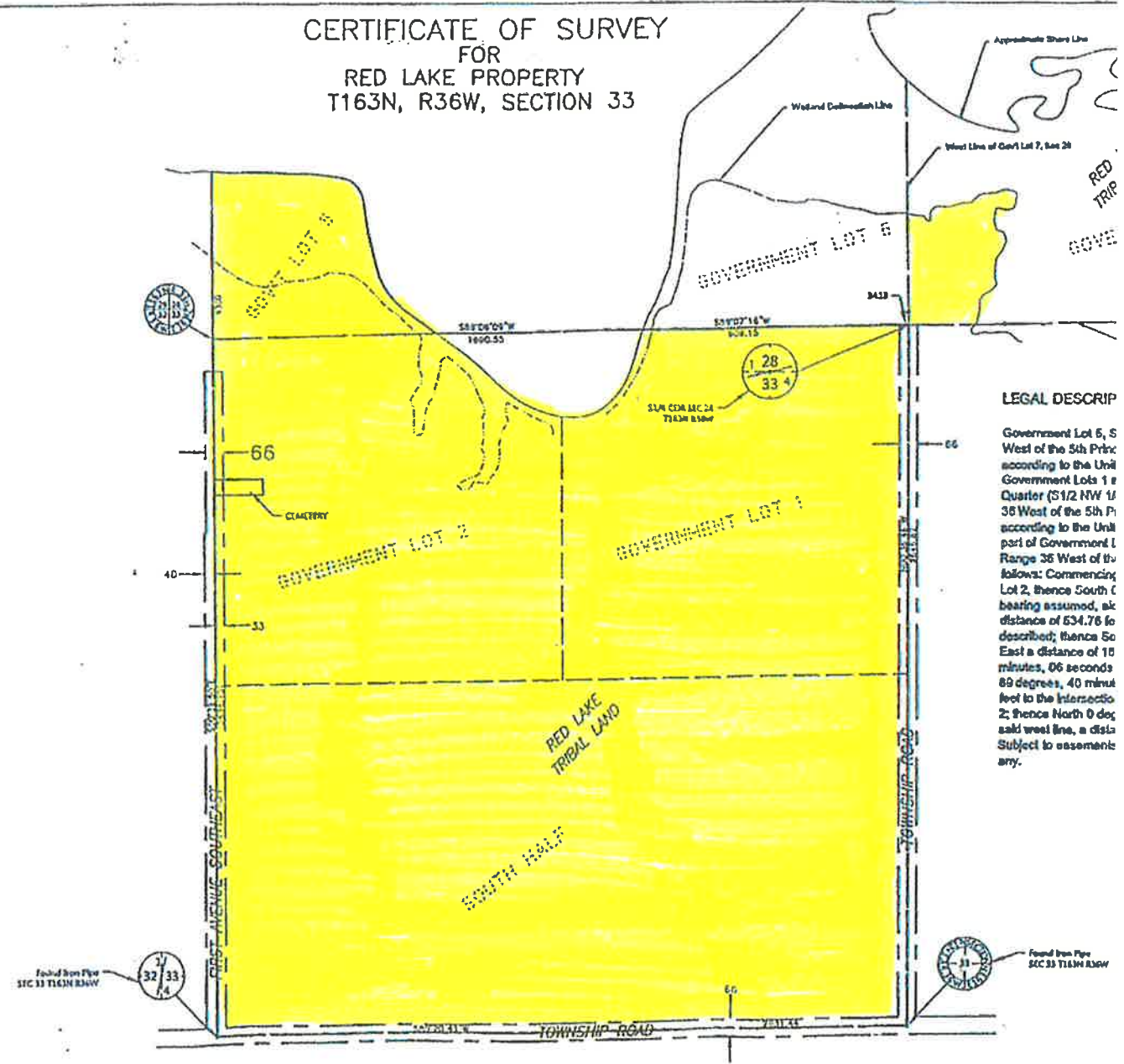
By:
Its:

CITY OF WARROAD



By:
Its:

CERTIFICATE OF SURVEY
 FOR
 RED LAKE PROPERTY
 T163N, R36W, SECTION 33



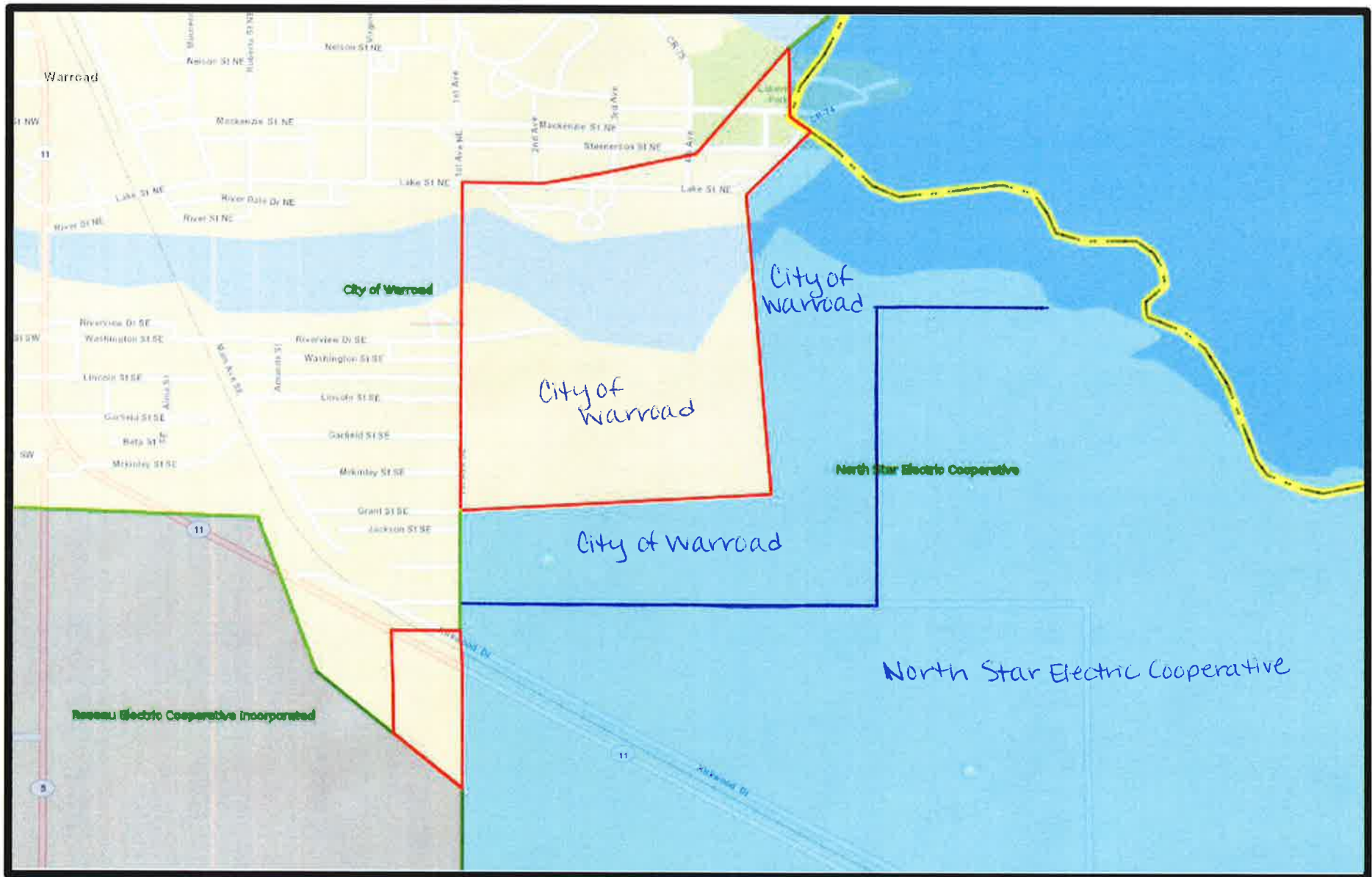
LEGAL DESCRIP

Government Lot 6, S West of the 5th Principal Meridian according to the Unit Government Lots 1 & 2 Quarter (S1/2 NW 1/4 Sec 36 West of the 5th Principal Meridian) according to the Unit part of Government Range 36 West of the 5th Principal Meridian follows: Commencing at the intersection of the line of Government Lot 2, thence South (bearing assumed, as distance of 534.76 (as described); thence South East a distance of 15 minutes, 06 seconds 89 degrees, 40 minutes to the intersection of the line of Government Lot 2; thence North 0 degrees said west line, a distance Subject to easement any.

EXHIBIT A

City of Warroad/North Star

DRAFT - For
Review and
Comment Only



Electric Utility Service Areas

