

TERRITORIAL AGREEMENT

THIS AGREEMENT is entered into between Union Electric Company, hereinafter referred to as "Company," and Macon Electric Cooperative, Inc., hereinafter referred to as "Cooperative."

WHEREAS, Company is authorized by law to provide electric service within the State of Missouri, including all or portions of Macon, Randolph, Monroe, Shelby, Adair, Linn, Knox, Sullivan and Chariton Counties; and

WHEREAS, Cooperative is authorized by law to provide electric service within the State of Missouri, including all or portions of Macon, Randolph, Monroe, Shelby, Adair, Linn, Knox, Sullivan and Chariton Counties; and

WHEREAS, the Missouri Legislature has authorized electrical corporations and rural electric cooperatives to enter into written territorial agreements; and

WHEREAS, Company and Cooperative desire to promote the orderly development of the retail electric service within portions of the above referenced counties in Missouri, to avoid wasteful duplication and to minimize disputes which may result in higher costs in serving the public;

NOW, THEREFORE, Company and Cooperative, in consideration of the mutual covenants and agreements herein contained, agree as follows:

1. For purposes of this Agreement:
 - a. "Customer" includes any natural person, firm, association, partnership, business trust, public or private corporation, political subdivision or any agency, board, department or

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bureau of the state or federal government or any other legal entity which has requested or is receiving electric service. Any customer who has requested or is receiving electric service at one structure shall be a new and different customer at each structure at which electric service has been requested.

b. "Structure" is defined as an agricultural, residential, commercial, industrial or other building or a mechanical installation, machinery or apparatus but shall not include customer-owned meter wiring. A "structure" shall include an original structure and any contiguous addition to or expansion thereto and a replacement of a previously existing structure.

c. "Company" shall mean Union Electric Company and any subsidiary or other corporate entity owned or controlled by Union Electric Company.

d. "Cooperative" shall mean Macon Electric Cooperative, Inc. and any subsidiary or other corporate entity owned or controlled by Macon Electric Cooperative, Inc.

e. "Customer service equipment" shall mean all lines or conductors with nominal voltage of 35,000 volts or less, phase to phase; all transformers, regulators, capacitors, poles, meters, equipment and installations connected thereto necessary for the distribution of electricity through said lines or necessary for the support of said lines; and all rights, privileges, easements, appurtenances and immunities in land on which such lines, conductors, poles, equipment and installations are located; provided, however, "customer service equipment" shall not include poles and any structures supporting lines and conductors with nominal voltage of more than 35,000 volts regardless of whether such poles or structures also support lines and conductors with nominal voltage of 35,000 volts or less; and provided further that "customer service equipment"

shall not include any equipment identified on Exhibit 4 which is attached hereto and made a part hereof for all purposes.

f. "Transfer" shall mean grant, convey or assign any and all interests the transferor has in the customer service equipment and any and all rights to serve customers, free of any and all liens and liabilities, to the transferee. The parties understand this to be an exchange of property and service right and not a sale. Any reference herein to transferor or transferee shall apply to both parties in their capacity in effecting such transfer or accepting such transfer, respectively.

2. As between the parties each shall have the exclusive right to furnish electric service to all electric consuming structures located within its respective territory described in paragraphs 3 and 4 of this Agreement, regardless of the size of the load or the characteristics of the customers' requirements. Neither party may furnish, make available, render or extend electric service to a structure or for use within the territory of the other party either directly, indirectly or through a subsidiary corporation or other entity controlled by the party, in whole or in part, excepting sales to each other.

However, during the period of implementation prior to the time when all transfers have been made, a new customer shall be served by the party with adequate customer service equipment closer to the new customer than the other party. Unless the parties agree otherwise, the new customer shall be served from such customer service equipment which is closer to the customer. In the event the new customer is located in a party's exclusive service area and the other party serves the new customer therein during the period of implementation, the other party

shall only have the right to provide such service until the customer service equipment from which the new customer is served is transferred.

3. The electric service area of Company shall be all of Macon, Randolph, Monroe, Shelby, Adair, Linn, Knox, Sullivan and Chariton counties except such portions thereof as are described by metes and bounds in Exhibit 1 to this Agreement and as illustrated by the map marked Exhibit 2, both exhibits being incorporated herein by reference and made a part of this Agreement as if fully set out verbatim.

Cooperative shall transfer all of its customer service equipment and customers located within Company's service area to Company within three (3) years of the effective date of this Agreement ("period of implementation"). Company shall thereafter provide electric service to all existing and future customers located within its electric service area, and Cooperative shall not provide electric service to customers in Company's area.

4. The electric service area of Cooperative shall be such area as is described by metes and bounds in Exhibit 1 and as illustrated by the map marked Exhibit 2 which are incorporated herein by reference.

Company shall transfer all of its customer service equipment and customers located within Cooperative's service area to Cooperative during the period of implementation. Cooperative shall thereafter provide electric service to all existing and future customers located within its electric service area, and Company shall not provide electric service to customers in Cooperative's area. Notwithstanding Cooperative's electric service area, Company retains the

right and facilities to continue to serve Amoco Oil Company's pump station located in or near Rothville, Missouri.

5. The electric service area of the Cooperative as defined in paragraph 4 above includes incorporated communities of Marceline, Macon, LaPlata and Shelbina, each of which operates and maintains municipally-owned electric facilities. Should any of these municipalities cease to operate and maintain municipally-owned electric facilities and sell such facilities to the Company, notwithstanding this Agreement, Company may serve within the incorporated boundaries of such municipality as it exists on the date the municipality and Company agree on a sale of the municipality's facilities to Company pursuant to the following conditions and agreement. Company shall, notwithstanding this Agreement, have the power to serve the structures being served by the municipality on the date Company and municipality agree on the purchase of the municipality's facilities by Company. Following the purchase by Company and the receipt of all required regulatory approvals, Company and Cooperative shall agree on an amendment to this Agreement which excludes from the exclusive territory of the Cooperative under this Agreement, territory lying within the incorporated boundaries of the municipality whose facilities were purchased by Company. Boundaries of the area to be excluded from the exclusive service territory of the Cooperative shall be that portion of the incorporated limits of the municipality as it exists on the effective date of this Agreement plus such portion of any territory annexed by the municipality after the effected date of this Agreement which territory is closer to the facilities acquired by Company from the municipality than to facilities of Cooperative as both such facilities exist on the date of the agreement between Company and municipality for sale of

the municipality's facility to Company. In the event the parties cannot agree on the boundaries defined above within six (6) months after the date of agreement between the municipality and Company, the parties shall submit the issue of the appropriate boundaries to determination by the Missouri Public Service Commission as provided in Section 394.312.2 RSMo. Company shall be entitled to serve all of the structures served by municipality prior to the purchase of the facilities by Company regardless of whether the structures are located in territory determined to be served by Company or Cooperative. The Cooperative shall be entitled to serve all of the structures it was serving prior to the purchase of the municipal system by Company regardless of whether the structures are located in territory deemed to be served by Company or Cooperative.

6. Customers and customer service equipment shall be transferred by identifiable lines or line segments. The customers and customer service equipment shall be transferred in the sequence listed in Exhibit 3 which is incorporated herein by reference. The timing of such transfers shall be in accordance with future agreement of the parties.

The time of the transfer of any line shall be the point in time the line is energized by the transferee's system or at such time as the parties agree the transferee is receiving power pursuant to the Interchange Agreement between Associated Electric Cooperative and Company, entered into on June 28, 1978, as amended, without regard to the execution or delivery of any documentation evidencing the transfer. Upon the transfer of a line, the transferee shall become responsible and liable for the condition of the facilities and service provided by such facilities and shall have unlimited access thereto, except as otherwise provided herein. After the transfer, transferee shall indemnify, defend and hold transferor harmless against any loss, harm, claim or

cost, including reasonable attorneys' fees, arising out of the possession or operation of the facilities, including but not limited to any personal injury to employees of the transferee and personal injury or property damage of persons not parties to this Agreement.

7. The location of a structure for purposes of this Agreement shall be the geographical location at which electric power and energy is used, regardless of the metering point or point of delivery. The first owner of a new structure who requests and receives electric service at a structure which is located on or crossed by any mutual boundary line described in paragraphs 3 and 4 dividing the electric service territories of the parties shall be permitted to choose either party for permanent electric service, provided that the customer's meter is installed within that party's service area. Thereafter that party shall exclusively serve that structure.

8. The parties may agree on a case-by-case basis by an Addendum hereto to allow a structure to receive service from one party though the structure is located in the electric service area of the other.

Such Addendum referred to above shall be filed with the Executive Secretary of the Missouri Public Service Commission in the same manner as a motion or other pleading, with a copy submitted to the Office of Public Counsel. There will be no filing fee for these addenda.

Each Addendum shall consist of a notarized statement identifying the structure, the party to serve the structure and the justification for the Addendum and indicating that the parties support the Addendum.

Each Addendum shall be accompanied by a notarized statement, signed by the customer to be served which acknowledges such customer's receipt of notice of the contemplated

electric service to be provided and that the Addendum represents an exception to the territorial boundaries approved by the Public Service Commission and shall indicate the customer's consent to be served by the Party contemplated by the Addendum.

If the Staff or Office of Public Counsel do not submit a pleading objecting to the Addendum within forty-five (45) days of the filing thereof, the Addendum shall be deemed approved by the aforesaid parties. However, if a pleading in opposition to the Addendum is filed by the above listed parties, the Commission shall schedule an evidentiary hearing at the earliest reasonable opportunity to determine whether the Addendum should be approved. Each Addendum shall contain a statement in bold uppercase typeface indicating that the Staff or Office of Public Counsel has forty-five (45) days to oppose the Addendum or else the Addendum shall be deemed approved by the aforesaid parties.

Each party, pursuant to an executed Addendum, shall have the right to provide temporary service, as defined in Section 393.106 RSMo., until the Commission approves or disapproves the Addendum. No party shall be required to remove any facilities installed pursuant to an Agreement until the effective date of an Order of the Commission or a court regarding the removal of same.

9. This Agreement shall become effective upon approval by the Missouri Public Service Commission pursuant to Section 394.312 RSMo. The term of this Agreement shall be perpetual. Performance of the parties is contingent upon all of the following having occurred no later than December 31, 1996, unless such condition is waived, extended or modified by agreement in writing signed by an officer of each party hereto:

- a. All required approvals of the Cooperative's Board of Directors.
 - b. Approval of the transaction by the Public Service Commission of Missouri, including but not limited to, a waiver of provisions of the Utility Billing Practices Rule, 4 CSR 240-13.010 et seq., which would prohibit Company or Cooperative from discontinuing service for a customer's failure to pay a delinquent account owed to the other party;
 - c. Approval of the transaction, if necessary, to the extent of its jurisdiction, by the Federal Energy Regulatory Commission.
 - d. Company reaching agreement with Northeast Missouri Electric Power Cooperative and Associated Electric Cooperative regarding generation and transmission issues affected by this agreement, which shall be approved by the Federal Energy Regulatory Commission, to the extent of its jurisdiction.
 - e. Approval by the Missouri Public Service Commission of an Application for a Certificate of Public Convenience and Necessity by Company to own, operate and maintain the electric transmission and distribution facilities acquired by the Company.
10. Continuing performance of the parties is contingent upon the following having occurred for each line segment prior to the transfer of the line segment unless such condition is waived, extended or modified by agreement in writing signed by an officer of each party hereto:
- a. Approval of the transaction by the Rural Utility Services ("RUS") including the release of Cooperative's customer service equipment located within Company's electric service area from all liens held by RUS. Cooperative shall make a good faith effort to release the easements from all such liens.

b. Cooperative shall have obtained the release of Cooperative's customer service equipment located within Company's electric service area from all liens held by the National Rural Utilities Cooperative Finance Corporation and shall make a good faith effort to release the easements from all such liens.

c. Company shall have obtained the release of Company's customer service equipment located within Cooperative's electric service area from all liens created by the Company, including the lien of its Mortgage and Deed of Trust dated June 15, 1937, as supplemented, and the lien of its predecessor Missouri Power and Light Company's Mortgage and Deed of Trust dated July 1, 1946, as supplemented, and it shall make a good faith effort to release the easements from all such liens.

If reasonable grounds arise to believe that the transferor will be unable to perform the applicable conditions, the transferee may demand adequate assurance of performance. If the transferor fails to provide adequate assurance of performance to the transferee, the parties shall treat this agreement as void in its entirety and shall transfer all facilities back to the original owner or shall within one year negotiate a compromise transaction which is mutually agreeable.

11. The parties agree to undertake all actions reasonably necessary to implement this Agreement. This shall include, but not be limited to, the following:

a. Each party shall calculate, as of the date of transfer of a customer, the active and outstanding accounts receivable and unbilled revenues ("receivables"), including all amounts which have been billed to the customer as well as bill amounts which have been calculated but not yet rendered, for such customer the party was serving to the date of transfer. It shall then remit to

the customer a final bill. If the party does not receive payment of the final bill within sixty (60) days of the date of its remittance, it may identify the other party as its agent to collect the accounts receivable. The other party shall take such actions as may be necessary to collect the final bill, including but not limited to the disconnection of service. Any payments on said accounts received by the other party shall be remitted promptly to the party to which payment is due.

b. Security deposits and accrued interest existing at the time of transfer shall be credited to the customer on the final bill.

c. During the period of implementation, transferor shall execute and deliver to the transferee bills of sale with accurate inventories of the facilities and assignments of existing easements, permits and licenses being transferred. Transferor shall also assign to transferee all joint use pole agreements and street light agreements for facilities or areas being transferred. Such bills of sale and assignments of property rights or contracts shall be delivered concurrently with the actual transfer.

d. During the period of implementation, transferor shall conduct such work on its existing lines at its own expense as will allow for them to be cut free from the transferor's system. By way of example, transferor shall build the deadends at the borderline and on the day of transfer shall cut open the span between the deadends. Transferor shall be responsible to install all necessary 12kV primary metering.

During the period of implementation, transferee shall conduct any work necessary to connect the transferred facilities to its system, excluding the work to be done by the transferor. By way of example, transferee shall build line extensions, as necessary; convert the

transferred lines from one voltage to another, as necessary; string additional phases, as necessary; install protective devices on the transferred lines, as necessary; and on the day of transfer, make connections at the borderline after the transferor has cut open the span between the deadends.

e. Company shall maintain at Cooperatives expense a 34.5 kV line from Bucklin to Macon and a 34.5kV line from Cairo to LaPlata. Company will account for accrued expenses and periodically submit to Cooperative an invoice. Within thirty (30) days of receipt, Cooperative will pay for the labor and materials as indicated on the invoice. The lines shall be transferred to Cooperative as of the date meters are installed and readings taken at Bucklin and Cairo pursuant to paragraph 6 above. Notwithstanding the transfer, Company shall have exclusive jurisdictional and functional control of the 34.5kV lines and shall respond to requests for line maintenance from Cooperative and emergency circumstances as it would its own lines. For scheduled work, a representative of the Cooperative shall be present for the duration of the work to act as an inspector. If a representative of the Cooperative is not present when Company's work crew is present at the scheduled work location, Cooperative shall be liable for Company's costs associated with mobilizing crew(s) to and from the work site along with the time spent at the work site awaiting the representative of the Cooperative. Company reserves the right to refuse to perform any work if the Company's employees identify a violation of Company's safe work practices, the National Electric Safety Code, or Occupational Safety and Health Administration rules. For storm restoration work, Company will treat outages on these lines as having the same priority as Company 34kV line outages. The obligation to maintain and right to control said lines

shall terminate when the lines are downgraded to a lesser voltage and cut free from Company's 34.5 kV system.

Company shall continue to own and operate all substations connected to the aforesaid 34.5 kV line (which have been identified on Exhibit 4) in order to supply Cooperative's customer service equipment connected thereto. Company shall grant Cooperative access to the low voltage side of such substations in order to operate its customer service equipment. Cooperative, its employees, agents and contractors, shall enter said substations at their own risk, and Cooperative shall indemnify, defend and hold Company harmless for and against any claim, loss or damage arising out of Cooperative's presence in the substations. The right to access shall terminate when the substations are taken out of service.

f. Company will grant Cooperative easements which are mutually agreeable across the substation properties identified on Exhibit 4.

12. Transferor shall give to transferee during the implementation period access to books, records, contracts and commitments of transferor related to the customer service equipment transferred in accordance with this Agreement and shall furnish transferee during such period with information concerning the transferor's affairs as transferee may reasonably request with respect to the various transactions contemplated herein. In the event any controversy or claim by or against either party arises out of this transaction or the subject matter hereof after closing, each party shall make available to the other copies of such relevant records as may reasonably be requested pertaining to the controversy or claim.

Transferee will have the right to retain copies of all original accounting records, customer business records, operating manuals, maps and all other documents containing information about customer service equipment or customers transferred by this Agreement and normally maintained by transferor in the ordinary course of business.

Each party shall have the right, at its own expense, to make or to have the other party make copies of all such documents during the implementation period.

13. All property exchanged is transferred and accepted AS IS and where they stand at the transferee's risk. Each party warrants only that it has the lawful right to transfer and dispose of the same and that it will warrant and defend the title thereto against all claimants whatsoever. No other warranties are given. THE PARTIES AGREE THAT THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, ARE EXCLUDED FROM THIS AGREEMENT. Each party shall have the right to inspect the customer service equipment of the other party in its service area at any time during the implementation period.

14. Each party will cooperate in presenting a joint application showing such transfer to be in the public interest. If the Public Service Commission of Missouri does not approve the provisions of this Agreement, then it shall be nullified and of no legal effect between the parties. Further, if any part of this Agreement is declared invalid or void by a Court or agency of competent jurisdiction, then the whole Agreement shall be deemed invalid and void.

15. Payment to the taxing jurisdiction of all taxes on the property for the year in which closing takes place shall be the responsibility of the Transferor. Transferee shall be responsible for the payment of all taxes thereafter.

16. Neither the boundaries described by this Agreement nor any term of this Agreement may be modified, repealed or changed except by a writing mutually approved by the respective parties and by the Missouri Public Service Commission.

17. This Agreement shall be binding on the parties and all subsidiaries, successors, assigns and corporate parents or affiliates of Company and Cooperative.

18. Company has service territories outside of the areas covered by this Agreement. For service outside of the areas described by this Agreement, Company will continue to operate without regard to this Agreement.

19. This Agreement shall in no way affect either party's right to construct such electric distribution and transmission facilities within the designated electric service area of the other as that party deems necessary, appropriate or convenient to provide electric service to its customers not inconsistent with the terms of this Agreement and as otherwise allowed by law.

20. This contract constitutes the entire agreement between the parties relating to the allocation of service rights in the territory described herein.

IN WITNESS WHEREOF, the parties have executed this agreement this 5TH day of

JUNE, 1996.

UNION ELECTRIC COMPANY

By William J. Carr

Title: Vice President

ATTEST:

[Signature]
Secretary

MACON
ELECTRIC COOPERATIVE

By David L. Williams

Title: PRESIDENT

ATTEST:

Bernard Hegworth
Secretary

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CERTIFICATE

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I, Bernard D. Hepworth, do hereby certify that: I am the secretary of Macon Electric Cooperative (hereinafter called the "Cooperative"), the following is a true and correct copy of a resolution duly adopted by the board of directors of the Cooperative at the regular meeting held May 28, 1996, and entered in the minute book of the Cooperative; the meeting was duly and regularly called and held in accordance with the bylaws of the Cooperative, and said resolution has not been rescinded or modified.

RESOLVED: that the proposed Territorial Agreement between Macon Electric Cooperative, Inc., and Union Electric Company, as presented to this meeting, be and the same is hereby approved; and

Be it further resolved that the officers are hereby authorized and instructed to execute the contract substantially in the form presented to this meeting for and in the name of Macon Electric Cooperative; and

Be it further resolved that the officers, general manager, staff and general counsel are hereby authorized to take such actions and execute such documents as are in their judgement necessary or appropriate to carry out the intent of this resolution including but not limited to filing an application with the Missouri Public Service Commission for approval of the proposed territorial agreement, transfer of consumers and purchase and sale of facilities with Union Electric Company.

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Cooperative this 28th day of May, 1996.

Bernard D. Hepworth
Bernard D. Hepworth

CERTIFIED COPY OF RESOLUTIONS ADOPTED AT THE
REGULAR MEETING OF THE BOARD OF DIRECTORS OF
UNION ELECTRIC COMPANY
HELD ON FRIDAY, JUNE 9, 1995

Attachment C

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RESOLVED, that the form of territorial agreement with Macon Electric Cooperative, as presented to this meeting, be and hereby is in all respects approved, ratified and confirmed, and the officers of this Company be and hereby are authorized to execute and deliver an agreement in such form, with such changes therein as the officers executing the same may approve, such approval to be conclusively evidenced by their execution thereof; and further

RESOLVED, that the exchange of properties provided for in the proposed territorial agreement referred to in the preceding resolution be and hereby is approved; that the trustees for indentures creating liens on the properties to be exchanged be and hereby are authorized and requested to release such properties from the liens of said indentures in accordance with the provisions thereof; that J. L. Nolte be and hereby is appointed as an independent engineer for the purpose of furnishing certificates that may be required by the provisions of the applicable indenture; and that the officers of the Company be and hereby are authorized and directed to seek, with the advice of counsel, regulatory approvals required to implement the territorial agreement referred to in the foregoing resolution; and further

RESOLVED, that the officers of this Company be and hereby are authorized to execute and deliver all such instruments and do or cause to be done all such further acts and things as they may consider necessary or desirable in order to carry into effect the purposes and intent of the foregoing resolutions and the terms and provisions of the documents referred to therein.

I hereby certify that the foregoing is a true and correct copy of resolutions adopted at the regular meeting of the Board of Directors of Union Electric Company, held pursuant to due notice on Friday, June 9, 1995 at the General Office Building of the Company, St. Louis, Missouri, and that such resolutions are still in full force and effect.


Asst. Secretary