§ 361. Service beyond territorial limits. 1. Whenever a surplus of such public utility service exists over the amount thereof required by the municipal corporation and the residents thereof, such municipality may sell such surplus outside the municipal corporation to persons, public or private corporations or other municipal corporations. Any such municipal corporation, by agreement with any other municipal corporation which is authorized to exercise the powers specified in the preceding section, may extend such service to such other municipal corporation under such terms and conditions as may be agreed upon between them provided that if at the time of such extension, a public utility service is actually being furnished in such other municipal corporation, such extension shall not be effected without the approval of the public service commission.

2. Agreements may also be made between two or more municipal corporations, authorized as provided in this article to exercise the powers specified in the preceding section, for the joint ownership, leasing, construction, acquisition, use or operation of a public utility service, within the combined territorial limits of such contracting parties. The method of operation of and the rates, rentals and charges for such service and the procedure for their collection shall be fixed by such agreements.