

SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY
Minutes of the Board of Directors' Meeting
March 11, 2026

President Moulton called the meeting to order at 9:00 a.m. at the Waseca City Hall in Waseca, Minnesota.

Mr. Sonnenberg, Waseca City Manager/Utilities & Public Works Director, welcomed the members to Waseca.

Board Members Present:

President Peter T. Moulton, Saint Peter; Vice President Roger E. Warehime, Owatonna; Secretary James R. Bakken, Preston; Treasurer Bruce A. Reimers, New Prague; Thomas J. Dankert, Austin; and Timothy M. McCollough, Rochester.

Others Present:

David P. Geschwind, Executive Director & CEO; Jerry Mausbach, Blooming Prairie; Julie Zarling, Fairmont; Mike Roth, Grand Marais; Jason Halvorson, Redwood Falls; Todd Prafke, Saint Peter; Chris Rolli, Spring Valley; Carl Sonnenberg, Waseca; Craig Anderson, Wells; Beth Fondell, Naomi Goll, Joe Hoffman, Becca Schmitz, and Jeremy Sutton of the Agency staff.

Others Present Via Conference Call:

Miles Heide, Fairmont; Shane Steele, Grand Marais; Mike Geers, Litchfield; Joe Kohlgraf, Mora; and Christian Fenstermacher, Owatonna.

#1 Agenda Approval:

Mr. Dankert moved to approve the agenda, seconded by Mr. Warehime, passed upon a unanimous vote of the board members present.

#2 Consent Agenda:

Mr. Bakken moved to approve the consent agenda, seconded by Mr. Warehime, passed upon a unanimous vote of the board members present.

APPROVED the February 11, 2026 board meeting minutes.

APPROVED the Rutland Substation Station Power Transformer Replacement. (Attachment A.)

#3 Fairmont Transformer Short-Term Solution-Sutton:

Mr. Sutton reported on the Fairmont transformer short-term solution.

On January 17, 2026 a fault occurred on the load side of Fairmont's southwest feeder within the Fairmont Energy Station (FES) 12.5 kV switchgear. Testing of the transformer identified

numerous issues concluding that the transformer should not be energized.

In 2023 the board authorized a cost sharing project with Fairmont to replace this transformer. The new transformer is scheduled to be delivered and energized by fall 2026. The FES plant is limited to 13 MW of output. Temporarily increasing the plant's output capability until the new transformer can be installed involves repurposing the FES to 10th Street 69 kV transmission line to a 12.5 kV dedicated distribution tie between the switchgear at FES and 10th Street.

Appreciation was expressed toward Fairmont for their efforts.

Discussion.

Action Item

Authorize FES to 10th Street temporary distribution tie using 69 kV line at a cost not to exceed \$205,000. Project expected to be in service prior to MISO summer season.

Mr. Reimers moved to authorize the Fairmont Energy Station to 10th Street temporary distribution tie using 69 kV line at a cost not to exceed \$205,000, seconded by Mr. Warehime, passed upon a unanimous vote of the board members present. (Attachment B.)

#4 Financial Forecast Assumptions-Schmitz:

Ms. Schmitz reviewed the annual financial planning calendar and presented the proposed financial assumptions and scenarios for the upcoming financial forecast.

Financial Planning Calendar

- May – Develop short-term forecast. Budget preparation begins.
- June – Short-term forecast to board.
- July – Load forecast summary to board.
- August – Budget preparation continues.
- September – Budget and rates preview. Budget & Rates Workshop.
- October – Budget and rates for board approval.
- November – Develop long-term forecast.
- December – Long-term forecast to board.

The General Operating Reserves target includes a 2.35% inflationary increase in 2026. Data from the Bureau of Labor Statistics and Energy Information Administration (EIA) is used to apply inflation rate historical averages for the next year, and EIA forecasted inflation is used for subsequent years.

A Sherco 3 planned outage is scheduled from late February 2026 into May 2026, which will require the Agency to purchase replacement capacity. A fall outage is planned for October 10, 2026 to October 23, 2026.

Recommended Forecast Case Run Options

- Base case.
- No forward price premium case.
- High PPA costs case.

- Six-month congestion factor case.

Discussion.

It was suggested that a case be built around Sherco 3 being unavailable for 6 months and unavailable winter or summer seasons in 2028 or 2029.

These assumptions and cases will be used in the short-term forecast.

#5 Investment Policy Review-Fondell:

Ms. Fondell reported on the Investment Policy, which is reviewed every three years by the board.

The SMMPA Finance and Audit Committee reviewed the proposed changes and supports moving forward with the revised policy. The committee was thanked for their assistance.

Proposed Changes

- Extend the allowable maturity for General Reserve Account (capital reserves) to 120 months, as allowed in the senior bond resolution.
- Increase the Money Market Mutual Fund Portfolio limit from 50% to 75% to allow for increased liquidity.
- Clarify that the Agency's Trustee manages settlement of investments.
- Modify the Safekeeping section to be consistent with senior bond resolution.
- Minor grammar and formatting edits.

The Agency considered modifying the Investment Policy to align with allowable investments noted in the Minnesota Statute 118A. Any changes to authorized investments are deferred until after the adoption of the new senior bond resolution later this year.

Discussion.

Action Item

Seeking approval of the revised Investment Policy.

Mr. Dankert moved to approve the Investment Policy with proposed changes, seconded by Mr. McCollough, passed upon a unanimous vote of the board members present. (Attachment B.)

#6 Winter Storm Fern Impact-Fondell:

Ms. Fondell reported on the Winter Storm Fern impact.

The financial impact from the storm was estimated last month as \$10 million, primarily attributed to market price fluctuations during the Sherco 3 unplanned outage. The actual Energy Cost Adjustment (ECA) for January was \$9,333,346, limited to \$4,871,521 by the \$0.02 cap and deferring the remaining \$4,461,827 in accordance with Schedule B base rates. The Sherco 3 outage was a qualifying event under the unplanned Sherco 3 outage self-insurance program. The claim amount of \$577,606.17 was applied towards the MISO net market expenses, reducing the ECA charge. The Agency's General Operating Reserves surplus could absorb the deferred

portion of the January ECA.

Discussion.

Recommendation

Seeking board approval to forego billing members for the deferred January 2026 ECA and instead reduce Agency General Operating Reserves (Rate Stabilization) by \$4,461,827.

Mr. Dankert moved to approve to forego billing members for the deferred January 2026 Energy Cost Adjustment and instead reduce Agency General Operating Reserves (Rate Stabilization) by \$4,461,827, seconded by Mr. Bakken, passed upon a unanimous vote of the board members present.

#7 SMMPA Wind Turbine Repairs-Sutton:

Mr. Sutton reported on the SMMPA wind turbine repairs.

One of the 1650 kW wind turbines in Fairmont experienced a bearing failure in late January 2026.

The Vestas wind turbines maintenance contract only covers preventative maintenance. While the replacement of a bearing does show to be a cost-effective solution by itself, the possibility of further component failure within the next five years is high.

Recommendation Factors

- Renewable energy standard compliance achieved without the generation of the turbine.
 - Renewable Energy Credit bank balance is sufficient.
- Failure of next component imminent.
- Lease contract was reviewed and deemed to allow for the retirement of a unit.
- Cheaper alternatives are currently being explored.

Action Item

Approve retirement of the Fairmont wind turbine with no further repairs. The unit will be retired in place. Demolition or repowering options will be evaluated as additional information becomes available.

Discussion.

Mr. McCollough moved to approve retiring the Fairmont wind turbine with no further repairs with the understanding that the demolition or repowering options will be evaluated as additional information becomes available, seconded by Mr. Reimers, passed upon a unanimous vote of the board members present.

After a short break, the board reconvened at 10:20 a.m.

#8 Steele Energy Station Project Authorization-Sutton:

Mr. Sutton reported on the Steele Energy Station (SES) project authorization.

The Minnesota Pollution Control Agency flagged the air permit for further review based on the new provision in the Minnesota Statute 2161.04 defining the size-based requirements for large energy facilities capable of producing over 50 MW. SMMPA filed the air permit application for SES as a 45 MW nominal facility. During colder temperatures, the unit could exceed the 50 MW threshold, but the controls software would limit output to 49.9 MW. On February 12, 2026, SMMPA submitted an Applicability Determination form as required to the Minnesota Public Utilities Commission (MPUC), and the Agency is waiting for MPUC's decision.

Under the Combustion Turbine Procurement Contract, the Notice to Proceed deadline to Solar Turbines is April 15, 2026.

Discussion.

Next Steps

- Working with DGR Engineering on schedule impacts and permit expectations.
- Reached out to Solar Turbines for generation queue options.
- Overall industry trends on supply chain.

April Board Meeting

- DGR Engineering will attend the April Board meeting to share insights on the air permit process, timeline, and cost estimates.
- Member Representatives vote for funding the SES Project.

Government Affairs/Member Services Report-Hoffman:

Mr. Hoffman summarized the government affairs/member services report detailed in the board book.

APPA Legislative Rally

SMMPA members from Austin, Blooming Prairie, Owatonna, Rochester, and Saint Peter, along with SMMPA staff, attended the APPA Legislative Rally February 22-26, 2026 in Washington, D.C.

MMUA Legislative Conference

Members were reminded of the MMUA Legislative Conference March 24-25, 2026 in St. Paul, Minnesota.

Nuclear Energy Education Day

The Minnesota Nuclear Energy Alliance (SMMPA is a member) will hold a rally in the Minnesota State Capitol Rotunda on March 17, 2026 from 9:30 a.m. – 11:30 a.m.

AES Personal Property Tax Exemption

The Austin Energy Station personal property tax exemption has been drafted and will be introduced in legislation this week. Senator Dornink (R-Austin) has agreed to author the legislation in the Senate and Senator Hauschild (DFL-Grand Marais) as co-author. This week SMMPA will meet with Representative Mueller (R-Austin) regarding authoring the bill in the

House and Representative Liebling (DFL-Rochester) as co-author. The Steele Energy Station tax exemption bill is still active in the Senate and House.

Electric Vehicle Charging New Pricing and Signage

In 2025 a new Minnesota law required electricity sold for electric vehicles (EV) must be expressed in kilowatt-hour units. SMMPA EV charging at both the Level 2 and DCFCs have been billed by ‘time used’ rather than ‘energy delivered’. Based on conversations with ZEF Energy and pricing around the region, SMMPA has determined the following pricing is fair:

- Public Level 2 Chargers: \$0.25/kWh
- Public DC Fast Chargers: \$0.40/kWh
- If requested by the member, an ‘Idle Fee’ (perhaps \$2/hour after 1 hour of idle time) can be added.

SMMPA has updated the pricing on the Level 2 at the SMMPA office. SMMPA will update the pricing on the remaining L2s and DCFCs in the member communities on April 1, 2026.

Members should contact SMMPA if they prefer a different pricing structure or would like to adjust the pricing themselves. The new law also requires signage display service expressed in kilowatts or if a fee is assessed for other services (idle time fee) must be displayed on the face of the device. SMMPA will prepare and distribute new signage to the members for both the Level 2 and DCFC chargers.

DER Technical Specification Manual Training

The DER Technical Specification Manual Training will be held on April 20, 2026 in Saint Peter, Minnesota.

Cybersecurity Board Security Brief

Firewall is a hardware device, with associated software/firmware, that serves as a security control that sits between trusted systems (like SMMPA’s internal network) and untrusted networks (such as the internet) and decides what digital traffic is allowed in or out based on defined rules. During a cybersecurity incident, firewall rules can be updated quickly to isolate affected systems and stop threats from spreading and firewalls also produce logs that help IT staff spot unusual activity and support investigations, compliance, and collaboration with insurers and responders.

Operations Report-Sutton:

Mr. Sutton reported:

Sherco 3 Tours

Members will have the opportunity to tour Sherco 3 during its current planned outage. An email will be sent to the members with the tour dates, and we are aiming to keep tour groups to 10 people per day.

Sherco 3/Hedge Position

The current Sherco 3 planned outage is scheduled from late February 2026 to May 2026. Energy hedge purchases recommended by The Energy Authority are in place. TEA will re-run the analysis model to determine if SMMPA’s remaining hedge budget of 25 MW (May) should be purchased.

Capacity Position

Mr. Sutton provided review of the Agency's current MISO capacity situation. Since MISO implemented the Reliability-Based Demand Curve, capacity prices in the auction have been higher. The market is tight, with not a lot of excess generation available for bilateral transactions.

Litchfield Air Permit

The Minnesota Pollution Control Agency (MPCA) requested SMMPA be a signatory on the Litchfield air permit. SMMPA submitted a letter to MPCA requesting not to be a signatory on the Litchfield air permit. More details to follow.

Market Update

A graph of recent natural gas and on-peak electricity prices was discussed.

Financial Report January 2026-Fondell:

Ms. Fondell summarized Agency financial results through January as provided in the board book materials.

SMMPA Financial Audit

The SMMPA financial audit has gone well.

SMMPA Finance & Audit Committee

The SMMPA financial audit report will be presented at the April SMMPA board meeting, and the SMMPA Finance & Audit Committee will meet prior to the board meeting. The annual review of the Audit Committee Charter and the internal controls review will be on the agenda.

Annual Review of Financial Information

Members were asked for feedback on the financial and operational reports included in monthly board books. A member suggested adding budget information to the board book income statement, which will be implemented going forward.

Bond Issuance 2027

The 2027 bond issuance timeline prepared by Public Financial Management was presented. Pricing is planned for the second week of January 2027 and closing the end of January 2027. A Member Representatives meeting will be required for approval of the debt issuance, likely in October or November 2026.

SMMPA Personnel

Ms. Fondell announced her retirement at the end of January 2027.

President's Report:

Mr. Moulton reported:

- SMMPA Staff Recognition: Congratulations to Ms. Fondell on her upcoming retirement. SMMPA staff members recognized were Beth Fondell and Becca Schmitz for their work on the January Energy Cost Adjustment issue; Jeremy Sutton and staff work with Winter

Storm Fern impacts; and Joe Hoffman and staff for coordinating events at the APPA Legislative Rally in Washington, D.C.

Executive Director & CEO's Report:

Mr. Geschwind reported:

- APPA Board of Directors Meeting: Mr. Geschwind serves on the APPA Board of Directors as a Regional Representative. The APPA Board of Directors meetings are held three times a year during the APPA Legislative Rally, APPA National Conference, and a stand-alone meeting in October. Mr. Geschwind reported on a few items of interest from the board meeting held in conjunction with the recent Legislative Rally.
- SMMPA Board Meeting December: An email will be sent to the members proposing holding the December 2026 board meeting on December 10, 2026 to avoid conflict with the MMUA Technical & Operations Conference.
- Rochester Post-2030 Option: Rochester is exploring post-2030 options for power supply. Mr. Geschwind reported on recent conversations he has had with Rochester Public Utilities to explore the possibility of partial-requirements power supply to Rochester after 2030.
- SMMPA Member Representative Meeting: Next month a Member Representatives meeting will be held to seek financing approval for the Steele Energy Station.

Member Forum:

None.

Other Business:

There was no other business.

Adjourn:

A motion to adjourn the meeting was made by Mr. Warehime, seconded by Mr. Reimers, passed upon a unanimous vote of the board members present.

The meeting was adjourned at 12:02 p.m.

Secretary