

**SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY**  
**Minutes of the Board of Directors' Meeting**  
**April 10, 2024**

President Reimers called the meeting to order at 9:00 a.m. at the Gustavus Adolphus College Arboretum Melva Lind Interpretive Center in Saint Peter, Minnesota.

Mr. Moulton, Saint Peter Municipal Utilities Public Works Director, welcomed the members and guests to Saint Peter, and introduced Saint Peter Finance Director/Treasurer Sally Vogel, Saint Peter Electric Superintendent Jason Lee, and Gustavus Adolphus College Director and Interpretive Naturalist Scott Moeller.

Mr. Moeller welcomed the members and guests to Saint Peter and gave a brief overview of the Gustavus Adolphus College Arboretum.

On behalf of Mayor Nowell, Mr. Prafke, Saint Peter City Administrator, welcomed the members and guests to Saint Peter. Mr. Prafke thanked SMMPA and the SMMPA Board for embracing electric industry changes to assist Saint Peter.

Mr. Geschwind introduced Mr. Craig Anderson, who was hired as the Wells Public Utilities Manager, replacing Mr. Amy who retires the end of this month.

**Board Members Present:**

President Bruce A. Reimers, New Prague; Vice President Peter T. Moulton, Saint Peter; Treasurer James R. Bakken, Preston; Mark E. Nibaur, Austin; T. Scott Jensen, Lake City; and Timothy M. McCollough, Rochester.

**Board Member Present Via Conference Call:**

Secretary Roger E. Warehime, Owatonna.

**Others Present:**

David P. Geschwind, Executive Director & CEO; Jerry M. Mausbach, Blooming Prairie; Miles Heide, Julie Zarling, Fairmont; Jason Halvorson, Redwood Falls; Todd Prafke, Sally Vogel, Jason Lee, Saint Peter; Chris Rolli, Spring Valley; Jeffery D. Amy, Craig Anderson, Wells; Dan La Haye, Baker Tilly; Scott Moeller, Gustavus Adolphus College; Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, and Jeremy B. Sutton of the Agency staff.

**Others Present Via Conference Call:**

Alex Bumgardner, Austin; Mike Roth, Shane Steele, Grand Marais; Mike Geers, Litchfield; and Glenn Anderson, Joe Kohlgraf, Mora.

**#1 Agenda Approval:**

Mr. Moulton moved to approve the agenda, seconded by Mr. Bakken, passed upon a unanimous

vote of the board members present.

## **#2 Consent Agenda:**

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

APPROVED the March 13, 2024 board meeting minutes.

APPROVED the Weighted Votes. (Attachment A.)

## **#3 Sherco 3 Operations Review-Sutton/Michelle Neal-Xcel Energy:**

Mr. Sutton introduced Ms. Michelle Neal, Sherco Plant Director.

Ms. Neal reported on the Sherco 3 2023 operating performance and indicated that 2023 was not the best performance year, but first quarter 2024 had a solid performance. Sherco 3 performance improved due to the work performed during the 2023 outage.

Key issues were highlighted related to reliability performance, environmental performance, and O&M and capital performance. Ms. Neal also provided an update on potential environmental regulations that could impact Sherco 3 operations, including the EPA's proposed Good Neighbor Rule and greenhouse gas regulations.

Ms. Neal addressed the significant capital projects that are scheduled for 2024 to 2028 to make sure Sherco 3 is reliable.

### **Liberty Paper, Inc.**

Proposing low-pressure steam connection from Unit 3 to Liberty Paper, Inc. (LPI) to replace steam which is currently supplied by Units 1 and 2 due to retirements. Xcel Energy and SMMPA are negotiating an agreement that would address the steam connection and provision of steam to LPI.

### **Sherco 3 Planned Outage**

A Sherco 3 planned outage will occur in fall 2024 to implement the steam connection to LPI.

Discussion.

Mr. Sutton expressed appreciation toward Ms. Neal for her efforts.

## **#4 Financial Audit-Fondell/Baker Tilly:**

The Agency's financial statements along with the Independent Auditors' Report and required communication related to the conduct of the audit were distributed electronically prior to the meeting.

Ms. Fondell introduced Mr. Dan La Haye, Baker Tilly Senior Manager, to report on the audit results.

Mr. La Haye presented an overview of SMMPA's audited financial statements for the year ended December 31, 2023. Baker Tilly stated that the audit went well, and they are providing an unmodified (clean) audit opinion.

Baker Tilly met with SMMPA Finance & Audit Committee members, Mr. Moulton (Saint Peter), Mr. Bakken (Preston), and Mr. Amy (Wells), along with the SMMPA team members on April 10, 2024, prior to the board meeting, to review the audit results.

Mr. La Haye thanked Ms. Fondell, Ms. Beth, and her team for their efforts.

Ms. Fondell thanked Mr. La Haye and Baker Tilly for a very well-run audit, and also thanked Ms. Beth for her efforts.

Mr. McCollough moved to accept the audit as presented by Baker Tilly for the year ended December 31, 2023, seconded by Mr. Moulton, passed upon a unanimous vote of the board members present.

After a short break, the board reconvened at 10:27 a.m.

#### **#5 Revolving Credit Agreement Amendment-Fondell:**

Ms. Fondell reported on the Revolving Credit Agreement (RCA) Amendment.

U.S. Bank is willing to extend the agreement for 18 months from the closing date of May 2, 2024. The Bloomberg Short-Term Bank Yield Index (BSBY) used in the current agreement will be discontinued in November 2024 and will be replaced. The amended RCA will reference the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index and Secured overnight Financing Rate (SOFR) plus basis point spreads for tax-exempt and taxable borrowing, respectively. The amended RCA terms are expected to reduce the Agency's interest expense.

#### **Recommendation**

The Agency recommends adoption of the board resolution provided in the board materials to amend the existing RCA based on the terms proposed by U.S. Bank, including replacing the BSBY index used for calculating interest rates with SIFMA and SOFR indices and extending the agreement for 18 months from the date of closing (planned for May 2, 2024).

Mr. McCollough moved to approve the Resolution, seconded by Mr. Bakken, passed upon a unanimous vote of the board members present. (Attachment B.)

#### **#6 RES Compliance Outlook-Sutton:**

Mr. Sutton reported on the Renewable Energy Standard (RES) Compliance.

Each year the Agency is required to retire Renewable Energy Certificates (RECs) to meet the requirements of Minnesota's RES as outlined in Minn. Stat. §216B.1691. The types of resources that meet the renewable requirements were described. A history of how the Agency has met the RES requirements was provided. Mr. Sutton reviewed the process by which RECs can be banked for

future use and outlined how the Agency plans to meet the renewable and carbon-free requirements, assuming new wind and solar resources are added.

Discussion.

#### Summary

- Current renewable resource portfolio would meet 25% RES requirement through life of Stoneray agreement.
- With addition of new wind and solar in the Integrated Resource Plan, portfolio would meet new RES and carbon-free requirements through 2040.
- SMMPA will continue to evaluate the number of excess RECs available for sale to member customers.

#### **#7 Annual Review of SMMPA's Sustainability Efforts-Hoffman:**

Mr. Hoffman reported on the sustainability topic. SMMPA continues working toward goals established in the SMMPA 2.0 initiative.

SMMPA is updating the brochure that highlights the Agency's carbon reduction efforts.

#### *Our Commitment to Sustainability - Reducing our Carbon Footprint Brochure*

The carbon reduction report takes a focused look at changes in the Agency's carbon emissions. The brochure will be distributed to the members at the May board meeting, as well as electronically.

Discussion.

#### Solar Choice Program

The Solar Choice Program allows customers of participating members to join the solar movement without installing panels on their property. Customers agree to purchase electricity from the Agency's Lemond Solar Project located near Owatonna, Minnesota. The pricing of the Solar Choice subscriptions is unique to each member and is based on current and projected retail rates. Members were asked to contact SMMPA if their customers are interested in participating.

#### Pollinator Habitat

The pollinator habitat program started in 2016 to create habitat for monarch butterflies and other pollinators. Mr. Hoffman will contact the members to determine interest in ordering plants and/or seed packets for distribution in the member communities.

#### Mission: Renew Program

The Agency offers the Mission: Renew Renewable Energy Credits (RECs) Retirement Program geared toward residential customers. The program allows customers to determine what percent of renewable energy they would like to purchase and have RECs retired on their behalf to achieve that goal. Currently, Owatonna and Princeton offer this program to their customers. Members were asked to contact SMMPA if they would like more information about offering this program in their community.

## **Government Affairs/Member Services Report-Hoffman:**

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

### **SMMPA Scholarship Program Update**

SMMPA's legal counsel indicated SMMPA's funds may be used for offering a scholarship program for members. A virtual working group will explore the issue(s) and report back to the SMMPA Board.

### **SMMPA Member Orientation**

A SMMPA member orientation will be held on April 23, 2024 from 9:30 a.m. to noon at the SMMPA office. A virtual option will be available.

### **Electric Vehicle Charging Retail Rate Working Group**

An Electric Vehicle Charging Retail Rate Working Group will be held June 4, 2024 at the SMMPA office. Dave Berg Consulting, LLC will facilitate the DCFC's rate setting workshop. A virtual option will be available.

### **SMMPA Board Meetings – Microsoft Teams**

Starting in May 2024, SMMPA will transition from GoToMeeting to Microsoft Teams for virtual attendance at SMMPA Board meetings.

## **Operations Report-Sutton:**

Mr. Sutton reported:

### **MISO Capacity**

MISO's seasonal capacity rules require four seasons to balance capacity within. SMMPA is expected to have excess capacity in the winter and be short in other seasons during the 2024/2025 planning year. SMMPA swapped capacity with Dairyland Power Cooperative and made purchases from Rochester Public Utilities. SMMPA will take a limited amount of excess zonal resource credits to the annual MISO auction on April 19, 2024.

### **Titan 130 Gas Turbine**

SMMPA staff (Pete Reinarts and Clint Schumacher) visited Missouri for site tours of gas-fired Titan 130 generator turbines. This type of generating unit requires less O&M and is a good unit, but labor, installation, and financing are driving the costs. Seeking equipment bids which will be reviewed with the board and members once received.

### **Sherco 3 Outage Hedge**

A planned one-week Sherco 3 outage will occur in May 2024 and the recommendation is not to hedge based on current forward prices as it is expensive for a short duration outage. However, this will continue to be monitored up to the date of the outage.

### **Quick Start Working Group**

The Quick Start Working Group is scheduled for April 30, 2024 in New Prague starting at 10:30 a.m.

### Redwood Falls Damaged Pole

A person driving a rental truck hit and damaged a SMMPA transmission pole near Redwood Falls, Minnesota. Working with the rental car company for reimbursement of replacing the damaged pole at an estimated cost of \$160,000.

### NERC Compliance Update

Xcel Energy gave notice to SMMPA that MISO identified NERC standards on the Byron Substation that would change the designation of the substation from a low to medium impact facility. SMMPA staff questioned the designation, and after further review, MISO decided to keep the current low-impact designation. Mr. Sutton thanked SMMPA staff Seth Koneczny and Shawn Timbers for their efforts.

### Market Price Update

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

### **Financial Report February 2024-Fondell:**

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

### De Minimis Policy Changes

SMMPA Administrative Policies may require minor changes that do not alter the fundamental policy that was approved. SMMPA Legal Counsel indicated de minimis changes are inconsequential and board approval would not be required. To clearly distinguish that a de minimis change has occurred, the approval information in the modified policy would remain intact but a modified date would be added. There was board consensus to handle de minimis policy changes in this manner.

### Revolving Credit Agreement Paydown

The Revolving Credit Agreement tax-exempt paydown of \$2.5 million will be done in late April 2024 due to a \$4 million rate stabilization investment maturity.

### SMMPA Finance & Audit Committee Meeting Recap

The SMMPA Finance & Audit Committee meeting was held prior to today's board meeting. Mr. Dan LaHaye, Baker Tilly Senior Manager, reported on the 2023 audit results. The SMMPA Finance & Audit Committee Charter was reviewed for updates and the only changes noted are de minimis and will therefore not require board approval. The Agency has a thorough internal control review every five years. The 2024 review will be conducted by Baker Tilly this fall in conjunction with the 2024 preliminary audit fieldwork. Mr. Amy, who plans to retire at the end of the month, was thanked for serving on the SMMPA Finance & Audit Committee for several years. The Committee will have an open seat for another member representative due to Mr. Amy's retirement. Ms. Fondell will send an email to the members asking for volunteers.

### **President's Report:**

Mr. Reimers reported:

- Retirement Recognition: Mr. Amy, Wells Public Utilities Manager, who retires the end of this month was recognized.

### **Executive Director & CEO's Report:**

Mr. Geschwind reported:

- SMMPA Key Metrics: Mr. Geschwind highlighted the coal inventory reflected on the key metrics. Coal inventory has increased above the target level and SMMPA is working to slow down coal deliveries.
- Austin Post-2030: On March 25, 2024, Mr. Mitchell, Mr. Sutton, and Mr. Geschwind met with the Austin Utilities Commission to discuss post-2030. Austin is evaluating their post-2030 power supply options.
- Ground Wire Theft: Fourteen pole structures had ground wire theft in the Austin area.
- Solar Working Group: Years ago, the Solar Working Group identified a solar appetite of 7 MW, including 2 MW interest set aside for member-area projects. The Agency will work with the members to determine if there is enough interest in re-establishing a working group to consider increasing the Agency's appetite in member-area solar projects.
- MMUA Municipal Electric Distribution System Sale Resolution: North Branch and two other Minnesota municipal utilities recently sold their municipal electric distribution systems without a vote of their citizens. Minnesota Municipal Utilities Association (MMUA) has drafted a resolution to be adopted by city councils whereby electric system sales would require approval of the city council and a 2/3 vote of the municipal citizens.
- MISO Reliability Imperative: Mr. Geschwind provided a summary of the key reliability concerns outlined by MISO in a recent update to its Reliability Imperative document.
- Awards Recognition: Recently, SMMPA was recognized as one of Minnesota's 2024 Best Places to Work. On April 25, 2024 at an awards ceremony in Washington, D.C., the U.S. Environmental Protection Agency will recognize SMMPA and its members with a 2024 ENERGY STAR Partner of the Year award.
- Retirement Recognition: Mr. Geschwind recognized Mr. Amy, Wells Public Utilities Manager, who retires the end of this month, and he was thanked for his involvement in Agency matters over the years. At the June 2024 APPA National Conference, Mr. Amy will be receiving the APPA Larry Hobart Seven Hats Award, which recognizes managers of small utilities who have a small staff and must assume multiple roles.

### **Member Forum:**

None.

**Other Business:**

There was no other business.

**Adjourn:**

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

The meeting was adjourned at 11:59 a.m.

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Secretary