

SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY
Minutes of the Board of Directors' Meeting
January 8, 2025

President Moulton called the meeting to order at 9:00 a.m. at the Southern Minnesota Municipal Power Agency in Rochester, Minnesota.

Mr. Geschwind, SMMPA Executive Director & CEO, welcomed the members to Rochester.

Board Members Present:

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

Others Present:

David P. Geschwind, Executive Director & CEO; Jerry Mausbach, Blooming Prairie; Julie Zarling, Fairmont; Mitchell Rigelman, Lake City; Christian Fenstermacher, Owatonna; Jason Halvorson, Redwood Falls; Craig Anderson, Wells; Sandra K. Feehan, Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, Clint D. Schumacher; and Jeremy B. Sutton of the Agency staff.

Others Present Via Conference Call:

Miles Heide, Fairmont; Shane Steele, Grand Marais; Mike Geers, Litchfield; Joe Kohlgraf, Mora; Keith R. Butcher, Princeton; and Sam Mack, Josh Shones, and Alan Wagner of the Agency staff.

#1 Agenda Approval:

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

#2 Consent Agenda:

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

APPROVED the December 11, 2024 board meeting minutes.

APPROVED the West Owatonna Substation 161 kV Capacitor Bank Addition. (Attachment A.)

APPROVED the Byron Substation Circuit Breaker and Relaying Replacement. (Attachment B.)

APPROVED the Administrative Policy 421.1 Funeral Leave Revision. (Attachment C.)

#3 2025 Financing Activities-Fondell:

Ms. Fondell reported on the 2025 financing activities and preliminary timeline.

Discussion.

Various upcoming projects were highlighted, some of which will involve board actions and member representative approvals.

#4 OES & FES Cylinder Head Project-Sutton:

Mr. Sutton reported on the Owatonna Energy Station (OES) and Fairmont Energy Station (FES) Cylinder Head Project.

Cylinder head engine leaks were detected at OES in May 2024 and subsequently at FES.

Caterpillar offered a solution with a newly designed head and valve seat that is expected to fix the leaks. In December 2024, 80 new cylinder heads (\$1,239,200) were ordered for OES. OES is the first plant for the new program using rebuilt heads. Caterpillar agreed to honor discounts (45% new heads and 60% rebuilt heads) and extend the 2024 pricing if heads were ordered before January 15, 2025. Sixty-four heads will be ordered for FES.

SMMPA will attempt to reduce shipping costs.

Discussion.

Board Action

Approve OES & FES Cylinder Head Project.

- OES balance of \$766,540 for materials & shipping.
- FES \$1,587,592 (Cylinder heads \$991,360 and \$596,232 for materials & shipping).
- Contingency 10% \$182,613.

Total Amount: \$2,536,745.

- Core charges will be paid to Caterpillar for each batch of heads sent and will then be refunded for repairable heads once heads are received and inspected.
 - OES \$513,740 (25,687 x 20 heads).
 - FES \$410,016 (25,697 x 16 heads).
- Anticipate shipments 3rd quarter 2025.

Mr. McCollough moved to approve the OES & FES Cylinder Head Project as presented, seconded by Mr. Reimers, passed upon a unanimous vote of the board members present.

#5 Tranche 1 Joint Development Agreement-Sutton:

Mr. Sutton reported on the Tranche 1 Joint Development Agreement.

MISO's Board of Directors previously approved new transmission projects to address future reliability needs, including Tranche 1 project LRTP-4.

Participants SMMPA, Dairyland Power Cooperative (DPC), Rochester Public Utilities, and Northern States Power Company (NSP) are negotiating the Joint Development Agreement (JDA) for LRTP-4. The JDA would define the ownership arrangements for the project. Tranche 1 is focused on the Midwest.

Discussion.

The original expected schedule was to have a draft JDA at the February board meeting for approval consideration. That schedule is still possible, although it is likely that schedule will slip.

#6 Sherco 3 Forced Outage Self-Insurance-Fondell/Sutton:

Ms. Fondell reported on the Sherco 3 forced outage self-insurance.

SMMPA had outage insurance coverage to help mitigate economic risk that could arise from unexpected outages at Sherco 3. An overview of the policy history, analysis, and coverage were reviewed. Insurance premiums have increased due to more frequent forced outages at Sherco 3 and recent claims. SMMPA has evaluated options to make the insurance more affordable.

Mr. Sutton reported that at the November 2024 SMMPA Board Retreat, there was consensus to begin self-insuring for unplanned outages instead of securing an insurance policy. The 2025 SMMPA Budget includes \$500,000 for outage self-insurance.

Ms. Fondell reported that a proposed self-insurance program would follow a process similar to the insurance policy. A strike price would be established on the first working day of December for the following year based on Minn Hub data from The Energy Authority. Each January, the self-insurance funding would be recorded. Qualifying outage events would be tracked by SMMPA staff. Claims would be applied to the Energy Cost Adjustment calculation. Any unspent balance at year-end would roll forward to the following year.

Recommendation

Seek board approval of the Sherco 3 forced outage self-insurance program.

Discussion.

Mr. Warehime moved to approve the Sherco 3 forced outage self-insurance program as presented, seconded by Mr. Nibaur, passed upon a unanimous vote of the board members present.

After a short break, the board reconvened at 10:42 a.m.

#7 Winter Emergency Operations Preparedness-Schumacher:

Mr. Schumacher reported on the winter emergency operations preparedness.

Discussion.

SMMPA has conference calls every three weeks with all member plant operators to prepare for winter operations. SMMPA uses the emergency notification system Preparis.

#8 2025 Year in Preview-Geschwind:

Mr. Geschwind presented the 2025 year in preview. Various projects and activities that are planned for 2025 were highlighted. (Attachment D.)

Government Affairs/Member Services Report-Hoffman:

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

MMUA Legislative Conference

Members were reminded the MMUA Legislative Conference is January 28-29, 2025 in St. Paul, Minnesota.

SMMPA Member Orientation

A SMMPA member orientation will be scheduled in the upcoming months. SMMPA staff would also be happy to present information to the Commissions and Councils in the member communities.

Distributed Generation Reporting

SMMPA is sending a data request to the members regarding reimbursement for customers' net exports, and the information is required by January 24, 2025.

Members were reminded to eFile the annual (PR-25-10) Distributed Generation Report by March 1, 2025.

Members also need to file with their local governing bodies (Commission or City Council) the M-MIP Report: Schedule 1-Average Retail Energy Rate, Schedule 2-SMMPA's Average Incremental Cost, Annual QF Report to Governing Board, Notification to Customers, and Transmittal to Local Governing Body.

Operations Report-Sutton:

Mr. Sutton reported:

Steele Energy Station Site Layout

The Steele Energy Station initial site layout will be sent to MPCA accompanying the air permit application.

Redwood Falls Transmission Line Damage

Within the past 6-12 months during a routine transmission line inspection, gunfire damage was discovered on SMMPA's 115 kV transmission line. The line is in close proximity to the Redwood Falls Sportsmen's Club Shooting Range, and it's likely the shots that struck the line were fired from the range. Law enforcement and FBI were contacted, and a letter was sent to the

Sportsmen's Club asking for a plan to prevent future damage to the line. Repairs were made to the transmission line.

Agency Owned Wind and O&M Agreement

The Agency has a wind turbine maintenance agreement with Vestas American Wind Technology, Inc. The current five-year agreement (term expires February 2025) provides O&M activities and preventative maintenance.

Market Price Update

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

Financial Report November 2024-Fondell:

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

Revolving Credit Agreement

The Revolving Credit Agreement taxable paydown of \$2.55 million was processed on December 17, 2024.

SMMPA Finance & Audit Committee

The SMMPA Finance & Audit Committee meeting will be held on January 15, 2025 via Microsoft Teams.

President's Report:

Mr. Moulton reported:

- SMMPA Representatives: The change of member representative for the City of Mora from Glenn Anderson to Joe Kohlgraf and the alternate representative from Joe Kohlgraf to Derrick Lass were effective December 16, 2024. (Attachment D.)
- SMMPA Staff Recognition: SMMPA staff members Kevin Hafner, Clint Schumacher, and Naomi Goll were recognized for exemplary customer service.

Executive Director & CEO's Report:

Mr. Geschwind reported:

- Retirement Recognition: Mr. Geschwind recognized Ms. Sandy Feehan, SMMPA Human Resources & Insurance Administrator, who retires the end of this month after 42.8 years with SMMPA. An open house for Ms. Feehan will be held on January 22, 2025 from 2:00-3:30 p.m. at the Agency.

Ms. Feehan indicated it was an honor and privilege to work with SMMPA and the members.

- Market & Budget Variance Dashboard: Mr. Geschwind reported on the development of the market and budget variance dashboard that was distributed to the members prior to the meeting. The dashboard which tracks key performance indicators was discussed. SMMPA members were asked to determine if the dashboard would provide value.

Member Forum:

Mr. Jensen introduced Mr. Mitchell Rigelman, Lake City Public Utilities Assistant Public Works Director.

Other Business:

There was no other business.

Adjourn:

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

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

Secretary