

SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY
Minutes of the Board of Directors' Meeting
October 13, 2023

President Reimers called the meeting to order at 8:00 a.m. at the Sheraton Hotel in Bloomington, Minnesota.

President Reimers welcomed the members, guests, and SMMPA staff.

Board Members Present:

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

Others Present:

David P. Geschwind, Executive Director & CEO; Dan Ulland, Austin; Jerry M. Mausbach, Curt Espland, Melanie Aeschliman, Dennis Heimerman, Blooming Prairie; Miles Heide, Julie Zarling, Fairmont; Mike Roth, Shane Steele, Grand Marais; Michael B. Geers, George Baldwin, Litchfield; Glenn Anderson, Joe Kohlgraf, Mora; Christian Fenstermacher, Doug Zirngible, Owatonna; Keith R. Butcher, Jeremy Linden, Princeton; Jason Halvorson, Redwood Falls; Peter Hogan, Rochester; Sally Vogel, Saint Peter; Chris Rolli, Doug Plaehn, Michelle Plaehn, Spring Valley; Jeffery D. Amy, Wells; Lou Rosatone, The Energy Authority; Julie A. Beth, Beth A. Fondell, Adam T. Gerhart, Naomi A. Goll, Todd W. Heins, Joseph A. Hoffman, Carrie L. Jensen, Jodie K. Long, Sam S. Mack, Robin E. Mechura, Mark S. Mitchell, John P. O'Neil, Scott T. Passentino, Heather B. Schmitz, Rebecca J. Schmitz, and Clint D. Schumacher, of the Agency staff.

#1 Agenda Approval:

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

#2 Consent Agenda:

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

APPROVED the September 13, 2023 board meeting minutes.

APPROVED the Mora Landfill Gas Unit Overhaul. (Attachment A.)

#3 2024 Proposed Budget and Rates-Fondell:

Ms. Fondell presented the 2024 proposed budget and rates.

The details of the draft 2024 budget were reviewed during the SMMPA Budget & Rates

Workshop held on September 26, 2023. Minor adjustments were made to the draft budget version presented at the workshop. The proposed 2024 budget and key budget assumptions were distributed electronically prior to the board meeting.

Member Rates

Effective February 1, 2024, the transmission rates begin transitioning from 100% ratchet to monthly coincident peak (approved by the board on May 10, 2023). No other changes to base rates are proposed.

Discussion.

Energy Cost Adjustment base cost calculated for the 2024 calendar year at \$31.31/MWh, to be used for charge/credit determination from January through December 2024.

Recommendation

- Seek board approval of the 2024 budget and rates as presented.

Mr. Warehime moved to approve the 2024 budget and rates, seconded by Mr. Moulton, passed upon a unanimous vote of the board members present.

President Reimers thanked Ms. Fondell and staff for their efforts.

#4 Value of Public Power-Hoffman:

Mr. Hoffman reported on the value of public power.

Promoting the value of public power builds a sense of local ownership and fosters community engagement with the local utility. Various key areas were highlighted.

Discussion.

SMMPA would be happy to assist interested members in promoting the value of public power in their communities. Communication materials could include brochures, social media posts, posting a summary of benefits on members' websites, orientation sessions, and visits by the SMMPA team to member communities.

#5 Regional Transmission Expansion-Mitchell:

Mr. Mitchell reported on the regional transmission expansion project.

In 2022, MISO identified Tranche 1 transmission projects from Wilmarth to North Rochester to the Mississippi River (LRTP4) and Tremval to Rocky Run in Wisconsin (LRTP6), among many other projects, totaling more than \$10 billion. SMMPA's load ratio share of that total is approximately \$35 million. The Agency may have the opportunity to invest up to that level in projects in Minnesota and Wisconsin.

LRTP4, also called Mankato to Mississippi River transmission project, or MMRT, is divided into four segments. Mr. Mitchell presented information on the four segments, indicating the Agency

has rights to invest in segments 3 and 4, which are additions and modifications to existing CapX2020 facilities in which the Agency previously invested. He also provided a general scope and schedule of activities related to MMRT, including public open houses Xcel Energy held in multiple locations in May and September 2023 to discuss the need and purpose for the project and to receive input on route alternatives. The MMRT project is anticipated to be in service in 2028.

Mr. Mitchell further reported that a term sheet is being developed among the potential participants in MMRT and LRTP6 that will guide the contract development. Potential project participants include Dairyland Power Cooperative, Rochester Public Utilities, WPPI Energy, Xcel Energy, and SMMPA.

He also reported that the Agency engaged MCR Performance Solutions (MCR) to evaluate the economic benefits of investing in these projects. MCR provided a similar analysis of the Agency's participation in the Badger Coulee transmission project. MCR will present their findings at the November board meeting.

Discussion.

Next Steps

- Review economics of investment at the November board meeting.
- Finalize term sheet with investment opportunities and cost obligations.
- Determine deadline for commitment with other parties.
- Develop internal timeline for committing to project and funding share of development costs.
- Develop funding strategy. Traditionally fund development costs with Revolving Credit Agreement and convert to long-term debt upon completion. Other potential strategies?
- Engage legal counsel to support development of project agreements.

Government Affairs/Member Services Report-Hoffman:

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

APPA Legislative Rally

The APPA Legislative Rally will be held February 26-28, 2024 in Washington, D.C. Minnesota Municipal Utilities Association may discontinue the hotel room reservation block and members were asked to contact SMMPA if they need assistance with hotel accommodations.

2023 Be Bright Campaign

The annual fall program offering discounted ENERGY STAR® LED bulbs at retailers in member communities runs October 1 through December 31, 2023. This is the final year of the Be Bright ENERGY STAR LED campaign.

After a short break, the board reconvened at 9:17 a.m.

#5 Regional Transmission Expansion-MISO Tranche 2 (continued)-Mitchell:

Mr. Mitchell reported that MISO Tranche 2 is underway and final approval from MISO's Board of Directors is anticipated in 2024. The Agency may have additional opportunities for future transmission investment in Tranche 2 projects. More information will be provided.

Operations Report-Mitchell:

Mr. Mitchell reported:

Sherco 3 Status Report

Sherco 3 is running well. An outage is being planned the week of November 11, 2023 to replace springs on pressure relief valves that were not replaced during the spring maintenance outage.

LPI Steam Sale Discussion

Steam is currently supplied by Xcel Energy from Sherco Units 1 and 2 to Liberty Paper, Inc. Since Sherco 2 is retiring in December 2023, Xcel Energy is evaluating the possibility of steam supply from Sherco 3. SMMPA and Xcel Energy are continuing to discuss the feasibility and economics of a Sherco 3 steam supply. At a minimum, the Agency will need to be kept whole and may have the opportunity to benefit from steam sales.

MISO EEA Event Correction

Mr. Mitchell corrected an error he presented last month regarding a MISO-declared step 2A emergency on August 24, 2023.

Market Price Update

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

Financial Report August 2023-Fondell:

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

Sherco 3 Outage Insurance Claims

The second Sherco 3 outage insurance claim of \$62,000 was filed on September 29, 2023. Total claims filed so far for 2024 were \$498,000.

SMMPA Finance & Audit Committee Meeting

The SMMPA Finance & Audit Committee meeting will be scheduled in December 2023.

Taxable RCA

A temporary taxable Revolving Credit Agreement (RCA) draw was avoided in October 2023 due to available liquid capital reserve dollars.

SMMPA Credit Rating

Standard & Poor's conducted the annual SMMPA financial review. Although the press release hasn't been issued, it appears SMMPA will maintain its current rating and stable outlook.

President's Report:

Mr. Reimers reported:

- SMMPA Alternate Representative: The change of SMMPA alternate representative for the City of Preston from Robert Hanson to Ryan Throckmorton was effective October 1, 2023. (Attachment B.)

Executive Director & CEO's Report:

Mr. Geschwind reported:

- SMMPA Member Representatives Meeting: The SMMPA Member Representatives meeting will be held today immediately following the SMMPA Board of Directors meeting.
- SMMPA Annual Meeting: Appreciation was expressed toward Ms. Jensen, Ms. Long, Mr. Passentino, Mr. O'Neil, and Mr. Hoffman for planning the SMMPA Annual Meeting.
- 2024 SMMPA Board Meetings: Proposed moving the January 2024 board meeting one day later to Thursday, January 11, 2024 to avoid conflict with the APPA Joint Action Conference and moving the June 2024 board meeting to Thursday, June 20, 2024 to avoid conflict with the APPA National Conference. An email will be sent to the members with a tentative 2024 SMMPA Board meeting schedule, and the schedule will be finalized at the November board meeting.
- SMMPA Annual Meeting: Discussed whether the members have an opinion on changing the October 2024 SMMPA Annual Meeting dates one week later to avoid meeting conflicts.

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. Jensen, passed upon a unanimous vote of the board members present.

The meeting was adjourned at 9:50 a.m.

Secretary