SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY
Minutes of the Board of Directors' Meeting
July 8, 2026

President Moulton called the meeting to order at 9:00 a.m. at the Pizza Cellar in Blooming Prairie, Minnesota.

Mr. Mausbach, Blooming Prairie Public Utilities General Manager, welcomed the members and guests to Blooming Prairie and introduced Mayor Ressler and Blooming Prairie Public Utilities Commissioner Doug Hillson.

Mayor Ressler welcomed the members and guests.

Doug Hillson welcomed the members and guests.

Board Members Present:

President Pete Moulton, Saint Peter; Vice President Bruce Reimers, New Prague; Secretary Keith Butcher, Princeton; Treasurer Tom Dankert, Austin; Christian Fenstermacher, Owatonna; and Tim McCollough, Rochester.

Others Present:

David P. Geschwind, Executive Director & CEO; Jerry Mausbach, Mike Ressler, Doug Hillson, Blooming Prairie; Miles Heide, Julie Zarling, Fairmont; Dave Olson, Damian Baum, Owatonna; Michelle Marotzke, Preston; Chris Rolli, Spring Valley; Craig Anderson, Wells; Marquees Kimmey, Kevin Martin, The Energy Authority; Dirk Bierbaum, Beth Fondell, Naomi Goll, Joe Hoffman, Becca Schmitz, and Jeremy Sutton of the Agency staff.

Others Present Via Conference Call:

Alex Bumgardner, Austin; Mike Roth, Shane Steele, Grand Marais; Mike Geers, Litchfield; Joe Kohlgraf, Mora; and Brandon Williams, The Energy Authority.

#1 Agenda Approval:

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

#2 Consent Agenda:

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

APPROVED the June 10, 2026 board meeting minutes.

APPROVED the New SMMPA Finance & Audit Committee Members. (Attachment A.)

#3 Risk Analysis Study Results-Sutton/The Energy Authority:

Mr. Sutton announced that SMMPA has decided to have The Energy Authority (TEA) conduct a single risk analysis study each year instead of two as has been the past practice. The funds that would have been used for the second risk analysis study will instead be used for the load forecast. He then introduced Mr. Marquees Kimmey and Mr. Kevin Martin, TEA.

Mr. Kimmey, TEA Portfolio Analyst, reported on the results of the risk study. The risk study is a detailed analysis of the Agency's load, generation, natural gas prices, and energy market prices that evaluates many different scenarios to identify potential economic risks to the Agency.

Discussion.

Hedge Recommendations
Based on the results of the analysis, TEA recommended hedge purchases during the Sherco 3 October 2026 planned outage and no purchase recommendations during 2027 and 2028 assuming there are no planned Sherco outages.

#4 2026 Load Forecast-Schmitz/The Energy Authority:

Ms. Schmitz introduced Mr. Brandon Williams, The Energy Authority (TEA), to present the 2026 load forecast.

SMMPA transitioned from nFront Consulting Services to The Energy Authority to develop the load forecast, with input from the Agency staff.

Mr. Brandon Williams, TEA Senior Quantitative Analyst, provided an overview and highlighted the forecast analysis.

Discussion.

Mr. McCollough asked whether the load forecast incorporates projected load reductions for the Rochester Public Utilities load that will result from certain generator additions planned by Mayo Clinic. Agency staff will review and follow up.

The new forecast will be used in the development of the 2027 budget.

Ms. Schmitz thanked Mr. Williams for his efforts.

After a short break, the board reconvened at 10:30 a.m.

#5 Financial Reserves Policy-Fondell:

Ms. Fondell reported on the Financial Reserves Policy.

Last month Mr. Chris Lover, Public Financial Management, presented the Financial Reserves Study results. The most significant change from the 2023 Financial Reserves Study was the two new risk areas related to the Sherco 3 generation unit – the first relating to replacement capacity and the second related to replacement purchased power for member loads. These two new risk areas account for $25 million of the recommended $62.1 million General Operating Reserve (GOR) target. The current GOR target is $51.5 million.

Because the GOR target is expected to decrease in 2030 after Sherco 3 is retired and Rochester's Power Sales Contract expires, an alternative was presented at the June board meeting to use short-term borrowing under the Agency's Revolving Credit Agreement (RCA) to reduce the target GOR level. This approach would avoid member rate impacts to increase the GOR balance for an event that might happen, versus reserving RCA borrowing capacity to assist with working capital needs.

Discussion.

<u>Suggested GOR Target Level</u>

- Implement a GOR target level of $54.3 million.
    - PFM's $62.1 million recommendation less $7.8 million representing the Resource Availability & Replacement Power risk area, since this risk area falls within net energy costs and would ultimately be recovered through the Energy Cost Adjustment.
- Formalize reserving $7.8 million Revolving Credit Agreement borrowing capability within the Financial Reserves Policy.

There was board consensus to support the revised GOR target level and the use of $7.8 million of the RCA.

<u>Additional Discussion Item</u>
In the past, GOR target revisions have taken place immediately after each Financial Reserves Policy update, but no inflationary adjustment to the target has been made for the following year. Should inflation adjustments to the target be built into the 2027 budget? Agency staff will analyze the potential rate impact of an inflationary adjustment effective for 2027 and this topic will be brought back next month to determine the preferred practice going forward.

<u>Capital Reserves</u>
The Capital Reserves (CR) Study was intended to revisit the target cash reserve level and evaluate the current funding approach. Because additional long-term debt issuances are planned for 2027 and 2030, increasing the debt service coverage that primarily funds the CR, the CR balance is forecasted to remain within or near the target range for the foreseeable future. As a result, a CR study is not needed at this time and may be considered at a later date.

<u>Next Steps</u>

- August board meeting action item to approve the updated Financial Reserves Policy.
- Revised GOR target will be reflected on reports after board approval (beginning with August financial reports in October).
- Upcoming budgeting and forecasting will use the updated current target and estimated future year targets based on inflation projections.

#6 LRTP-4 Mankato to Mississippi River Transmission Project Eminent Domain-Sutton:

Mr. Sutton reported on the continued discussion on the LRTP-4 Mankato to Mississippi River Transmission Project Eminent Domain.

Easements, rights-of-way, and related property rights are required to construct, operate, and maintain the LRTP-4. Northern States Power Company (NSP) will take the lead role in coordinating land-rights acquisition and condemnation proceedings for the project participants.

Discussion.

Action Item
SMMPA staff recommends approval of the resolution contained in the board book. Approval will provide the authority necessary to begin condemnation-related actions in August, if needed, while preserving the ability to continue negotiating voluntary agreements with landowners.

Mr. McCollough moved to approve the Board Resolution authorizing use of eminent domain for the LRTP-4 Mankato to Mississippi River Transmission Project, seconded by Mr. Butcher, passed upon a unanimous vote of the board members present. (Attachment B.)

The SMMPA Board of Directors Officers executed the written consent resolution acknowledging consent of the Board Resolution. (Attachment C.)

#7 Power Sales Contract Extension-Geschwind:

Mr. Geschwind reported on the continued discussion on Power Sales Contract Extension.

The Power Sales Contract (PSC) Extension Resolution would give each member the opportunity to enter into an amendment to extend the PSC from 2050 to 2065 with September 30, 2027 proposed as a deadline for the decision. This timeframe enables each member to seek authorization from their governing body to amend the term of the contract to 2065.

Discussion.

SMMPA would be happy to present PSC information to the commissions and councils in the member communities if requested.

This topic will be brought back for action at the August board meeting.

Government Affairs/Member Services Report-Hoffman:

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

Load Reduction Public Appeals
SMMPA will email members the social media postings that may be used when MISO requests public appeals for load reduction, and the information will be available on the SMMPA Member Portal site.

SMMPA Carbon Reduction Report
The carbon reduction report focuses on the changes in the Agency's carbon emissions and highlights the Agency's cumulative total CO_2 reduction since 2005. Members may request printed copies of the report from SMMPA.

Cybersecurity BoardSecurity Brief
Two separate ransomware attacks targeted Winona County, one on April 6, 2026 and the earlier attack in January 2026, affecting critical county systems and digital services. It took approximately three weeks for the county to return to full operations. On April 29, 2026, Winona County announced that the criminals released information stolen during the cyberattack. The trend of ransomware is being used to target local government and threaten to release compromised information if the ransom is not paid.

SMMPA Electric Vehicle Charging Network O&M Support
In 2020 and 2021, SMMPA partnered with the members to install DC fast chargers and Level 2 chargers in the member communities. Currently, 15 DCFCs and 72 L2 chargers are in the member communities. In 2019 the Board committed to providing operations and maintenance (O&M) support for the chargers for five years that concluded in 2025. In 2024 the Board agreed to continue O&M support covering two additional years, 2025 and 2026. For 2026, the Agency has included a placeholder of approximately $40,000 for EV charger O&M within the broader "Outside Services" budget line item. O&M expenditures have remained minimal, approximately $1,100 in 2025, due to repairs being covered under the now-expired warranty. DC fast chargers in Grand Marais, Lake City, Mora, and Redwood Falls were upgraded this spring and are once again under warranty. O&M support helps ensure that chargers remain dependable and accessible. Based on feedback, funding for continued O&M support will be included in the 2027 budget submittal this fall.

Operations Report-Sutton:

Mr. Sutton reported:

Sherco Outage
Sherco experienced a steam safety relief valve issue on July 7, 2026. Anticipate the unit to be back online July 10, 2026. SMMPA executed hedge purchases of 50 MW for all of July 2026 and an additional 50 MW hedge on-peak July 6, 2026 - July 10, 2026.

Emergency Operations Guidelines
SMMPA established emergency operations guidelines (sent under separate cover to members) for SMMPA and member plant staff when MISO issues conservative operations notices, emergency communications, or energy emergency alert conditions. No plant operator should independently assume that a MISO alert, by itself, suspends environmental permit obligations.

Steele Energy Station
The Steele Energy Station Project change orders include a fire suppression system and micron mesh filter. The air permit process is taking longer than expected. The land purchase for the SES Project is being executed.

Austin Energy Station
Anticipate the Austin Energy Station contract for the purchase of the Solar Turbines combustion turbines may be available next month.

Financial Report May 2026-Fondell:

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

Possible Prepay Transaction
The Wapsi Wind Contract Extension provides an opportunity for a possible prepay transaction. SMMPA will provide historical renewable production data to Public Financial Management for analysis. This topic will be brought back at a future board meeting.

RCA Draw
The Revolving Credit Agreement draw of $22 million was completed on July 1, 2026.

Cost of Service Study
Dave Berg Consulting will share results of the Cost of Service Study at the August board meeting.

President's Report:

Mr. Moulton reported:

- APPA National Conference: The APPA National Conference was held June 28 – July 1, 2026 in Boston, Massachusetts. Representatives from Austin, New Prague, Princeton, Rochester, Saint Peter, Wells, and SMMPA attended the conference.

- SMMPA Staff Recognition: SMMPA staff members recognized were Dirk Bierbaum for his work with the Risk Analysis Study; Becca Schmitz for her work with the load forecast; and Jodie Long for coordinating plants and seed packets for the pollinator habitat program.

Executive Director & CEO's Report:

Mr. Geschwind reported:

- APPA Board of Directors Meeting: Mr. Geschwind reported on a few highlights from the APPA board meeting held in conjunction with the recent APPA National Conference, including that some communities in the Upper Midwest are exploring municipalization as a way to create their own electric utility.

- APPA Electric Utilities 101: APPA is offering Electric Utilities 101, a two-part virtual course, which is intended for new staff, council members, or commission members. The next course is scheduled for October 20 and 22, 2026. APPA indicated this has become a popular course offering.

- SMMPA Personnel: Marcus Hendrickson, SMMPA Energy Services Representative, and Jane Cocker, SMMPA Power System Operator, recently retired, and SMMPA filled their open positions.

- SMMPA Director of Finance and Accounting & CFO: Cory Poncelet was hired for the SMMPA Director of Finance and Accounting & CFO position replacing Beth Fondell who retires January 2027. Cory Poncelet will start September 21, 2026.

- New Ulm Request for Proposal: New Ulm Public Utilities received seven proposals in response to their RFP, including SMMPA's. SMMPA submitted follow-up information to address New Ulm's additional questions.

Member Forum:

Ms. Marotzke reported that Preston interviewed 12 candidates in June 2026 for the Preston Public Utilities General Manager/Public Works Director position. Following the final interviews of two candidates on July 17, 2026, Preston will select its next general manager/public works director.

Mr. Olson reported that Owatonna interviewed 14 candidates in June 2026 for the Owatonna Public Utilities General Manager position. Following the final interviews of three candidates on July 21, 2026, Owatonna will select its next general manager.

Other Business:

There was no other business.

Adjourn:

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

The meeting was adjourned at 12:27 p.m.

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Secretary