

**SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY**  
**Minutes of the Board of Directors' Meeting**  
**October 17, 2025**

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

President Moulton introduced and welcomed Mr. Dankert, Austin Utilities General Manager, and also reported the change of representative for the City of Austin from Mark Nibaur to Tom Dankert was effective October 6, 2025. (Attachment A.)

Mr. Dankert thanked President Moulton and he looks forward to working with SMMPA and the members.

**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; Alex Bumgardner, Jay Lutz, Austin; Jerry Mausback, Doug Hillson, Tony Martens, Blooming Prairie; Miles Heide, Julie Zarling, Fairmont; Mike Roth, Grand Marais; Joe Kohlgraf, Mora; Christian Fenstermacher, Sharon McLane, Owatonna; Damian Baum; Keith Butcher, Princeton; Jason Halvorson, Redwood Falls; Patty Hanson, Peter Hogan, Patrick Keane, Rochester; Brad DeVos, Saint Peter; Chris Rolli, Doug Plaehn, Michelle Plaehn, Craig Seabright, Spring Valley; Craig Anderson, Wells; Mark Mitchell, SMMPA Retiree; Sandy Feehan, SMMPA Retiree; Eric J. Atkinson, Julie A. Beth, Dirk E. Bierbaum, Deb A. Donahue, Beth A. Fondell, Naomi A. Goll, Marcus C. Hendrickson, Joseph A. Hoffman, Ben S. Ipsen, Carrie L. Jensen, Jodie K. Long, Sam S. Mack, Robin E. Mechura, Tracy L. Morrow, Scott T. Passentino, Rebecca J. Schmitz, Clint D. Schumacher, Josh Shones, Jeremy B. Sutton, and Alan D. Wagner of the Agency staff.

**#1 Agenda Approval:**

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

**#2 Consent Agenda:**

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

APPROVED the September 10, 2025 board meeting minutes.

### **#3 2026 Proposed Budget and Rates-Fondell:**

Ms. Fondell reported on the 2026 proposed budget and rates.

The details of the draft 2026 budget were reviewed during the SMMPA Budget & Rates Workshop held on September 22, 2025. Minor adjustments were made to the draft budget version presented at the workshop. The proposed 2026 budget and key budget assumptions were distributed electronically prior to the board meeting.

Adjustments to the draft budget reviewed during the SMMPA Budget & Rates Workshop were:

- 2025A Refunding Impact - Debt service reduction resulting from the 2025A refunding transaction.
- Accounting Software - Added NetGain, accounting software within NetSuite, for fixed asset accounting/reporting.
- Cost of Service Study - Cost of Service Study reviewing current and 2030 rates will be conducted by Dave Berg Consulting.
- Monthly ECA Base Rate - Reduction in investment income due to monthly ECA base rate that budgets \$0 each month.
- Transmission Costs - Updated zonal rates that become available this time each year.
- 2025 Summer Peak - Added actual August peak data.

The budgeted rate stabilization contribution decreased by \$1.1 million as a result of these adjustments.

#### **Member Rates**

Proposing a 10% rate decrease effective February 1, 2026, applied as a 10.812% rate decrease to the power supply demand and energy charges.

#### **Transmission Rates**

Effective February 1, 2026, the transmission charges from the Agency to the members will be solely based on actual monthly metered coincident peak (three-year transition was approved by the board on May 10, 2023). The transmission rate as of February 1, 2026 will be \$3.40/kW, not \$3.39/kW as originally presented in 2023.

#### **Energy Cost Adjustment**

The Energy Cost Adjustment (ECA) base rate will be adjusted monthly based on the monthly budgeted net energy costs rather than using an annual ECA base rate.

#### **Revolving Credit Agreement**

A tax-exempt Revolving Credit Agreement draw of \$33 million is planned for June 2026 related to the new Steele Energy Station in Owatonna and various transmission projects. A \$2.65 million paydown is planned in May 2026.

#### **Sherco 3 Planned Outages**

The Sherco 3 planned maintenance outage is planned for February 28, 2026 through May 22, 2026 and a two-week maintenance outage is planned in October 2026.

Discussion.

### Recommendation

Seek board approval of the 2026 budget and rates as presented including the ECA base cost calculated on a monthly basis.

Mr. Reimers moved to approve the 2026 budget and rates including the Energy Cost Adjustment base cost calculated on a monthly basis, seconded by Mr. McCollough, passed upon a unanimous vote of the board members present.

### Cash Distribution

A proposed one-time \$2,565,113.50 cash distribution to the members relates to the Wapsi curtailment and train expenses paid to Western Fuels Association that were recorded in Sherco fuel expense but have not been included in prior ECA base cost budgets. If these costs had been included in the ECA base rate, the result would have been fewer ECA charges to members in 2025.

### Recommendation

- Issue the cash distribution payments in January 2026.
- Allocation of \$2,565,113.50 based on total kWh's purchased by members in calendar year 2025.
  - Consistent with prior cash distribution allocation methods.
  - Aligns with the impacted 2025 budget period.
  - Calculation can be completed after final December 2025 billing data is available in early January 2026.
  - Final allocation totals can be communicated to members by January 10, 2026.
  - Cash distributions can occur shortly thereafter.

### Action Item

Seeking board approval of a 2025 cash distribution in the amount of \$2,565,113.50, to be allocated in early January 2026 based on total kWh's purchased by members in calendar year 2025 and paid to members by January 31, 2026.

Mr. Bakken moved to approve the \$2,565,113.50 one-time cash distribution to the members, seconded by Mr. Dankert, passed upon a unanimous vote of the board members present.

Ms. Fondell thanked Ms. Becca Schmitz for coordinating the budget and the SMMPA staff who had roles in the budget process.

### **#4 2025 Refunding Recap-Fondell:**

Ms. Fondell reported on the 2025 refunding recap.

SMMPA refinanced all outstanding 2015A bonds and a portion of the 2010A bonds. Only those 2010A Build America Bonds maturities that were projected to generate net savings for the Agency were refunded, with a goal of reducing risk of future additional interest subsidy sequestration. The bond pricing was held at the SMMPA office on September 23, 2025. Representatives from Public Financial Management and Bank of America participated alongside SMMPA staff and SMMPA Board President Pete Moulton.

As part of the bond refunding process, the Debt Service Reserve (DSR) was reviewed to ensure full compliance with applicable tax regulations. Approximately \$2.8 million of DSR funds were released into the 2025A transaction, reducing the borrowing amount.

An additional \$12,374,003 of DSR funds were released and transferred to the Debt Service account at the time of closing. These funds will be used for future debt service payments to ensure the money is used for tax-exempt expenditures. Funds totaling the \$12.4 million released DSR funds that are typically transferred to the Debt Service account each month will instead be transferred to the Agency's capital reserves and be designated for Sherco 3 decommissioning expenses after a decommissioning fund is approved by the board. A similar process will be used in 2026 and 2027 when additional DSR funds are released. This approach will ensure that approximately \$60 million will become designated for Sherco 3 decommissioning upon maturity of the 1994A bonds in January 2027. Additionally, the funds in the decommissioning fund will be generated from Agency revenues, free of limitations associated with tax-exempt financing.

Discussion.

Two escrow accounts have been established with Computershare, the Agency's Trustee. The first escrow account is for the 2010A bonds, which are callable immediately with a 30-day notice. The redemption notice was provided after closing on October 7, 2025. The second escrow account is for the 2015A bonds that are callable on January 1, 2026. The redemption notice will be sent on December 2, 2025.

#### Next Steps

- Assembling final documents for files.
- Develop accounting entries and amortization schedules (consult with auditor Baker Tilly).
- Manage monthly debt service transfers.
- Board resolution to establish Sherco 3 decommissioning fund.
- Allocate capital reserves to decommissioning fund.

#### **#5 New Prague Quick-Start-Sutton:**

Mr. Sutton reported on the New Prague Quick-Start Agreement.

New Prague started construction on four Caterpillar C175-16 diesel generators (11.3 MW) and the Agency plans to purchase the rights for capacity and energy out of the facility under the updated Quick Start agreement template recently approved by the board.

The terms of the agreement were reviewed. The agreement has a 20-year term with extension clauses for two additional 5-year periods.

If other members are interested in adding additional Quick Start generation, at least 28 MW of capacity has been identified by the Agency.

Discussion.

Mr. Reimers reported that the New Prague Utilities Commission Board approved the Quick-Start Agreement between SMMPA and New Prague.

#### Action Item

Authorize the Agency to sign the New Prague Quick-Start Capacity and Energy Purchase Agreement substantially in the form presented.

Mr. Warehime moved to approve the New Prague Quick-Start Capacity and Energy Purchase Agreement substantially in the form presented, seconded by Mr. Bakken, passed upon a unanimous vote of the board members present.

#### **#6 MISO Tranche 1 Projects LRTP-4 and LRTP-6-Sutton:**

Mr. Sutton reported on the MISO Tranche 1 Projects LRTP-4 and LRTP-6.

In July 2022, MISO's Board of Directors approved \$10.3 billion in new transmission projects. Tranche 1 is the first of four tranches of transmission solutions developed to provide reliable and economic energy delivery to address future reliability needs.

SMMPA has potential investment opportunities in LRTP-4 and LRTP-6.

Participants SMMPA, Dairyland Power Cooperative (DPC), Rochester Public Utilities (RPU), and Northern States Power Company (NSP) are working toward a final document for LRTP-4 (Joint Development Agreement) that defines the ownership allocation and other key details. The joint Certificate of Need for LRTP-4 was filed on April 2, 2024. The project is expected to be in-service by the first quarter of 2028.

SMMPA also has investment rights in LRTP-6 (Tremval-Rocky Run-Columbia in Wisconsin). Project participants include Xcel Energy, WPPI, and SMMPA. In-service date is anticipated a year after LRTP-4.

Discussion.

#### Next Steps

- LRTP-4 Joint Development Agreement may be available for signature by the end of the year.
- LRTP-6 Joint Development Agreement Draft will start after LRTP-4 agreements are finalized.
- SMMPA Member vote for financing approval in December 2025 or January 2026.
  - \$35 million plus contingency needs approval.
- LRTP-4 will likely be funded by the Revolving Credit Agreement and then rolled into a larger bonding once funds are due for LRTP-6.

Once regulatory approvals for LRTP-4 and LRTP-6 are received, SMMPA and other project participants will have a relatively short window of time to sign the Joint Development Agreements and commit to the project.

After a short break, the board reconvened at 9:34 a.m.

## **#7 Wapsi Contract-Sutton:**

Mr. Sutton reported on the Wapsi Contract.

SMMPA received an offer from EDF Renewables to extend the Wapsi wind project contract, which expires in 2029. SMMPA staff ran analyses through the financial modeling software to study the impact of the proposal compared to a variety of alternatives.

Discussion.

### **Next Steps**

- In contact with other renewable developers.
  - Determine landscape of current projects and pricing.
- Determine Agency's REC purchase appetite.
- Determine Agency's renewable portfolio percentage.
- Run analysis on net present value, congestion, and energy hedging solar vs wind.

Mr. Sutton thanked Ms. Becca Schmitz and Ms. Heather Schmitz for their efforts.

## **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 23-25, 2026 in Washington, D.C. at the Mayflower Hotel. MMUA may obtain an early-access hotel room block at the Mayflower Hotel. Members interested in being included in the MMUA room block are to contact Mr. Hoffman.

### **The Future of Nuclear Energy in Minnesota**

The Minnesota Nuclear Energy Alliance (SMMPA is a member) will be hosting a nuclear energy forum on October 28, 2025.

### **MN PUC Dockets**

The Minnesota Public Utilities Commission has opened a docket to receive comments on how the off-ramp process will be coordinated by the department. The Agency is monitoring the process.

### **SMMPA Member IT Roundtable**

SMMPA will hold an IT Roundtable for members on November 6, 2025 from 10 a.m. to 12 noon at the SMMPA office.

### **SMMPA/Eaton Users Group**

SMMPA and Eaton hosted a meeting in New Prague in December 2024. Members were asked to provide feedback to Mr. Hoffman whether there is value in continuing the user group meetings on an annual basis.

### Cybersecurity Board Security Brief

The Agency is utilizing the Resilience Edge product to obtain the latest information on threats and ensure we are following the industry's best practices.

### **Operations Report-Sutton:**

Mr. Sutton reported:

#### OES/FES Head Project Update

Engine cylinder heads (20 for Owatonna Energy Station and 16 for Fairmont Energy Station) were shipped from Germany on October 7, 2025. Tariff impacts are unknown. Crews will install the heads as they arrive, which takes one day per head to install.

#### Sherco 3 2026 Outage/Hedge Update

During the 2026 Sherco 3 planned outages, SMMPA has executed hedging purchases of 25 MW each for March, April, and May 2026. Hedging purchases of 150 MW for March/April 2026 and 75 MW for May 2026 are being considered.

#### Market Update

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

### **Financial Report August 2025-Fondell:**

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

#### Revolving Credit Agreement

The Revolving Credit Agreement with Bank of America closed on September 19, 2025. All proceeds from the November 2024 draw of \$6 million have been spent. An additional draw will be completed in December 2026.

#### Continuing Disclosure Report

The annual SMMPA Continuing Disclosure Report was filed on September 30, 2025.

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

Mr. Moulton reported:

- SMMPA Staff Recognitions: SMMPA staff members recognized were Becca Schmitz, Heather Schmitz, and the financial team for the budget and the refinancing project; and Carrie Jensen, Jodie Long, Sam Mack, and Scott Passentino for the outstanding SMMPA Annual Meeting; and to all SMMPA staff for their efforts.

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

Mr. Geschwind reported:

- **Cybersecurity Board Security Brief:** Participated in last week's APPA conference call with the North American Electric Reliability Corporation (reliability regulator) and discussed the Davidson Window relating to a concept that establishes 2027 as the year when China's military is to be prepared to invade Taiwan. China is also working to obtain access to all critical infrastructure. Regulators recommend that utilities need to be prepared for cybersecurity risks and ensure risk management efforts.
- **2026 SMMPA Board Meetings:** Proposed moving the January 2026 board meeting one day later to Thursday, January 15, 2026 to avoid conflict with the APPA Joint Action Conference; and moving the November 2026 board meeting to either Tuesday, November 10 or Thursday, November 12 to avoid conflict with Veterans Day on Wednesday, November 11. An email will be sent to the members with a tentative 2026 SMMPA Board meeting schedule, and the schedule will be finalized at the November board meeting.

## **Member Forum:**

Mr. McCollough reported that Rochester will be hosting the November SMMPA Board meeting at the Westside Energy Station in Rochester.

## **Other Business:**

There was no other business.

## **Adjourn:**

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

The meeting was adjourned at 10:39 a.m.

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Secretary