

SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY
Minutes of the Board of Directors' Meeting
January 11, 2024

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

Mr. Mitchell, SMMPA Director of Operations, welcomed the members to Rochester.

Board Members Present:

Vice President Peter T. Moulton, Saint Peter; Secretary Roger E. Warehime, Owatonna; Mark E. Nibaur, Austin; T. Scott Jensen, Lake City; and Timothy M. McCollough, Rochester.

Board Members Present Via Conference Call:

President Bruce A. Reimers, New Prague; and Treasurer James R. Bakken, Preston.

Others Present:

David P. Geschwind, Executive Director & CEO; Miles Heide, Julie Zarling, Fairmont; Glenn Anderson, Mora; Keith R. Butcher, Princeton; Jeffery D. Amy, Wells; Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, Seth T. Koneczny, Mark S. Mitchell and Clint D. Schumacher of the Agency staff.

Others Present Via Conference Call:

Alex Bumgardner, Austin; Jerry M. Mausbach, Blooming Prairie; Mike Roth, Shane Steele, Grand Marais; Michael B. Geers, Litchfield; Joe Kohlgraf, Mora; David Olson, Owatonna; and Chris Rolli, Spring Valley.

#1 Agenda Approval:

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

#2 Consent Agenda:

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

APPROVED the December 13, 2023 board meeting minutes.

#3 NERC Compliance Review-Koneczny:

Mr. Koneczny reported on the NERC compliance activities.

SMMPA is subject to certain mandatory standards to ensure the reliability and security of the

electric grid. An overview of the standards and requirements that apply to SMMPA was presented.

In 2021, SMMPA contracted with Utility Services, Inc. to assist with NERC compliance efforts. SMMPA is shifting away from Utility Services, Inc. to an in-house staff member. SMMPA hired Shawn Timbers as the SMMPA NERC Regulatory Compliance Project Manager to handle the day-to-day activities and he starts on January 22, 2024. Utility Services will continue to assist during the transition period.

2024 NERC Audit

On March 1, 2023, Midwest Reliability Organization (MRO) notified SMMPA on the selection for a 2024 audit. A potential onsite audit is scheduled for May 28-31, 2024.

Discussion.

Physical Security Workshop

Recent physical security events have impacted the electrical industry. The Electricity Information Sharing and Analysis Center (E-ISAC) will provide valuable information during a workshop being hosted by the Agency for members and law enforcement on June 3-6, 2024 at Owatonna Public Utilities. More information and invitations will be sent in the near future.

#4 2024 Capacity Position-Mitchell:

Mr. Mitchell reported on the Agency's capacity position for the 2024-2025 planning year.

The Agency is expected to be short of capacity in the spring and summer seasons and to have excess capacity in the fall and winter seasons. Options for addressing the capacity shortfall were reviewed, and Mr. Mitchell reported on transactions entered into to date to cover the short positions. The transactions are:

- Seasonal swap and sale with Dairyland Power Cooperative (DPC).
 - SMMPA providing 99 MW to DPC for winter.
 - DPC providing SMMPA 89 MW for spring and 10 MW for summer.
 - SMMPA selling 8 MW to DPC for winter.

Discussion.

Next Steps

- Remaining short position = 39.3 MW in spring.
- Seeking other swap opportunities.
- Possible purchase from Rochester Public Utilities.
- Using Initial Seasonal Accredited Capacity (ISAC) now, recognizing the final SAC values will not be known until February 15.
- Goal is to cover short position prior to April 1 planning resource auction.
 - Final capacity submittals due to MISO March 9.

#5 Energy Storage in MISO-Mitchell:

Mr. Mitchell reported on energy storage in MISO.

Recent resource planning activities have focused on conventional dispatchable generation to meet the Agency's 2028 projected capacity need. The Agency also believes battery storage may be able to help meet capacity needs and provide a reliability benefit, particularly to members with limited transmission supply options. Mr. Mitchell provided information on battery storage proposals by a developer that focus on providing only capacity to the buyer with the developer retaining the energy market value and using that revenue to reduce the project cost to the buyer. This approach may provide a cost-effective way to supplement other capacity resources.

Mr. Mitchell discussed the possibility of installing capacity-only battery projects in member communities such as Grand Marais and Mora and negotiating with the developer for access to energy from the batteries at times when transmission service to those members is interrupted. The Agency plans to explore this option further, as well as seeking proposals for storage projects that provide both capacity and energy value. Mr. Mitchell cautioned that a potential risk to battery storage projects is MISO changing the requirements to receive capacity accreditation. MISO currently requires a minimum discharge period of 4 hours, but could increase that requirement as it continues the evolution of its capacity market structure.

Discussion.

Additional Discussion Items

- Battery storage will likely be an important part of the reliability solution as dispatchable generation is replaced with intermittent generation.
- Agency plans to evaluate capacity-only and capacity and energy battery options as part of its 2024 Integrated Resource Plan (IRP).
- Agency should consider "dipping its toes" into battery storage much like it did with solar at Lemond.
- Need to explore contract structure to be able to use energy from capacity-only battery contracts in the event of an emergency.
- Could provide additional reliability for members on single transmission feed or without sufficient local generation to carry load.
- Some level of battery storage will likely be expected as part of the preferred plan for the 2024 IRP.

President Reimers departed the meeting at 9:59 a.m.

After a short break, the board reconvened at 10:20 a.m.

#6 MISO Energy Transition Report-Geschwind:

Mr. Geschwind reported on a recent MISO energy transition presentation and discussion.

The American Public Power Association coordinated a meeting on December 14, 2023 between its members in the MISO footprint and MISO management. MISO's growing reliability concerns and steps to address the diminishing number of dispatchable resources available to the regional system were discussed.

Discussion.

MISO's resource adequacy requirements influence the Agency's need for future resources. MISO anticipates the need for significant resource additions to maintain reliability standards.

Mr. Bakken departed the meeting at 10:44 a.m.

#7 Board Retreat Summary-Geschwind:

Mr. Geschwind reported that the SMMPA Board Retreat was held November 27-28, 2023 at the Mystic Lake Casino Hotel, Prior Lake, Minnesota.

Retreat topics and the discussion that took place at the retreat were summarized. Mr. Geschwind will provide a written copy of the retreat summary to each of the members.

#8 2024 Year in Preview-Geschwind:

Mr. Geschwind presented on the 2024 year in preview. Various projects and activities that are planned for 2024 were highlighted. (Attachment A.)

Government Affairs/Member Services Report-Hoffman:

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

MMMA Legislative Conference

To avoid conflicts with other associations' meetings, the MMUA Legislative Conference was moved from March 19-20, 2024 to March 26-27, 2024 at the DoubleTree Hotel in St. Paul, Minnesota.

APPA Legislative Rally

Members were reminded of the APPA Legislative Rally in Washington, D.C. February 26-29, 2024.

SMMPA Cybersecurity Tabletop Exercise

The SMMPA cybersecurity tabletop exercise was held December 8, 2023, which was facilitated by an outside cybersecurity expert. The exercise created an awareness for an incident readiness plan.

IIJA Working Group Interest

In April 2023, a \$500 million grant application seeking federal Infrastructure Investment & Jobs Act (IIJA) funds was submitted by the Minnesota Department of Commerce, MMUA, MREA, SMMPA, and others. The application did not receive a grant award. Currently, the Agency is working to identify projects that could be included in the consortium's 2024 concept paper.

Construction of the Saint Peter Solar Project is anticipated in 2024, and the Agency expects to take advantage of the direct pay tax credits in the IRA for the project.

In November 2023, the Agency entered into an agreement with Frontier Energy to provide

monthly webinars for the members. Members interested in an IJIA working group should contact Mr. Hoffman.

Operations Report-Mitchell:

Mr. Mitchell reported:

Sherco 3 Status Report

Sherco 3 is running very well. At the Sherco 3 Management Committee meeting, the Agency and Xcel Energy (Xcel) agreed that it would be prudent to plan and schedule short maintenance outages in late spring to prepare for summer operations and late fall to prepare for winter operations, and schedule the outage at least 120 days in advance to avoid loss of capacity credit in MISO. Xcel has proposed making connections to Sherco 3 steam lines to provide steam to Liberty Paper, Inc. and doing so in a way that keeps the Agency economically whole. The Agency is awaiting a formal proposal from Xcel. If agreement can be reached, Xcel would like to make the steam line connections in the fall of 2024.

Potential Federal Grant Funding

The Agency met with two grant writing consultants to consider submitting stand-alone federal grant applications, but concluded we don't currently have projects that would meet the criteria. Concept papers for projects are due January 12, 2024. The Agency is planning to participate again with the Minnesota Department of Commerce in a joint concept paper submittal. The Agency is considering a project for a continuous dissolved gas monitor for the South Faribault transformer. The Agency plans to identify and develop details for future projects that could be included in the third round of requests for grant applications next year.

Market Price Update

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

Financial Report November 2023-Fondell:

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

SMMPA Finance & Audit Committee Meeting Recap

The SMMPA Finance & Audit Committee met on December 21, 2023. Baker Tilly conducted the 2023 audit entrance conference providing an audit overview, audit schedule, and the GASB update. After Baker Tilly departed the meeting, the SMMPA Finance & Audit Committee discussed Baker Tilly's service contract and recommended entering into another five-year agreement. A request for proposal will be done after the next five-year term to consider options.

Banking Request for Proposal

The Agency will develop and issue a request for proposal (RFP) focusing on combining the Revenue ("operating") and Custody bank accounts to improve efficiency and maximize investment income. Ms. Fondell has been working with Orrick, SMMPA's bond counsel, and Mike Pignato, SMMPA's legal counsel, regarding the requirements and limitations of SMMPA's system bond resolution. The Revolving Credit Agreement renews on May 8, 2024 and the agreement will be renewed with U.S. Bank, separate from the banking RFP.

SMPMA Budget & Rates Workshop Date

The SMPMA Budget & Rates Workshop will be scheduled for September 24, 2024 from 10 a.m. to 1 p.m. at Owatonna Public Utilities. A virtual option will be available.

SMPMA Wisconsin LLC Board of Managers Meeting

The SMPMA Wisconsin, LLC Board of Managers met on January 11, 2024. An overview of the financial information was reviewed.

Revolving Credit Agreement

The Revolving Credit Agreement taxable paydown of \$2.5 million was processed on December 19, 2023. The remaining taxable balance is \$2.5 million.

Owatonna Area Transmission Storm Damage

Received claim proceeds of \$538,000 on December 21, 2023 related to the April 2022 Owatonna area transmission storm damage. All claim proceeds have been received.

President's Report:

There was no report.

Executive Director & CEO's Report:

Mr. Geschwind reported:

- APPA Joint Action Conference: Mr. Reimers, Mr. Moulton, Mr. Bakken, Mr. McCollough, Mr. Mitchell, Mr. Hoffman, and Mr. Geschwind attended the APPA Joint Action Conference January 7-9, 2024 in Naples, Florida. The focus was on a variety of relevant current topics. It was a good conference.

Member Forum:

None.

Other Business:

There was no other business.

Adjourn:

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

The meeting was adjourned at 12:10 p.m.

Secretary