

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

President Reimers called the meeting to order at 9:00 a.m. at the Owatonna Public Utilities in Owatonna, Minnesota.

Mr. Olson, Owatonna Public Utilities Chief Financial Officer, welcomed the members to Owatonna, and introduced Owatonna Public Utilities Commissioners Mr. Randall Doyal and Mr. Greg Vetter. Mr. Olson announced that Owatonna Public Utilities will celebrate 100 years of service in 2024.

President Reimers welcomed Mr. McCollough to the SMMPA Board.

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; Miles Heide, Julie Zarling, Fairmont; David Olson, Damian Baum, Kris Busse, Randall Doyal, Greg Vetter, Owatonna; Keith R. Butcher, Princeton; Jason Halvorson; Redwood Falls; Chris Rolli, Spring Valley; Jeffery D. Amy, Wells; Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, and Mark S. Mitchell of the Agency staff.

Others Present Via Conference Call:

Jerry M. Mausbach, Blooming Prairie; Mike Roth, Shane Steele, Grand Marais; Michael B. Geers, Litchfield; and Glenn Anderson, Joe Kohlgraf, Mandi Yoder, Mora.

#1 Agenda Approval:

Mr. Nibaur moved to approve the agenda, seconded by Mr. Moulton, 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 August 9, 2023 board meeting minutes.

#3 2024 Budget and Rates Preview-Fondell:

Ms. Fondell presented the 2024 budget and rates preview.

Member Rates

The Agency is currently proposing no change in the Agency's wholesale power and energy rates for 2024. The transmission rates will transition from a 100% ratchet based on the prior year's summer coincident peak as approved at the May 2023 board meeting.

Discussion.

Next Steps

- Finalize proposed 2024 budget.
- Distribute detailed budget book on September 21, 2023.
- Budget and Rates Workshop on September 26, 2023.

The proposed 2024 budget and rates will be presented at the October board meeting for action by the board.

#4 MPCA Title V Air Permits-Geschwind:

Mr. Geschwind reported on the Minnesota Pollution Control Agency (MPCA) Title V air permits.

SMMPA received a request from Glencoe Light & Power Commission (Glencoe) relating to their ongoing dispute with MPCA. Glencoe had submitted a request to MPCA to renew their power plant Title V air permit. MPCA requested Glencoe use detailed air dispersion modeling to show compliance with applicable nitrogen dioxide (NO₂) limits. Glencoe is objecting to the proposed requirement and suggested that MPCA look at how nearby states Iowa and Wisconsin issue permit renewals without requiring air dispersion modeling. Glencoe desires to resolve this issue and plans to schedule another meeting with MPCA to continue discussions. Glencoe is reaching out to other utilities to see if they are interested in participating in the discussions.

The board and members discussed the issue, and there were a variety of opinions expressed.

After discussion, it was agreed that SMMPA would participate in meetings with the MPCA on this topic if other utilities are also participating. If other utilities elect not to attend the meetings, SMMPA would do the same. If SMMPA attends the meetings with Glencoe and other utilities, SMMPA will not advocate a position that is a "one-size-fits-all" approach for municipal power plants to demonstrate compliance with applicable NO₂ standards. Rather, SMMPA supports a flexible approach to demonstrating compliance that provides options during the renewal process.

After a short break, the board reconvened at 10:32 a.m.

#5 Fairmont Transmission Expansion Project-Mitchell:

Mr. Mitchell reported on the Fairmont transmission expansion project.

Fairmont Public Utilities (FPU) is updating and expanding their distribution system. Fairmont has a growing need for capacity to serve an industrial park area that is currently served from a distribution feeder out of the power plant substation. Transmission system upgrades are necessary to accommodate the distribution system expansion.

The Agency's total estimated cost is \$9.35 million and will be spent over the next four years. The estimated cost for FPU's system upgrade is \$14.4 million. The Agency's project consists of the 69 kV portion of a new power plant substation and new West Industrial Park substation, a share of a new power plant substation transformer, new 69 kV lines from the power plant substation to the industrial substation and from the industrial substation to an existing Great River Energy substation. This project will be included in the ITC transmission pricing zone for cost recovery.

Mr. Mitchell provided a summary of how costs for projects like this flow through the MISO Attachment O cost recovery process when included in another entity's transmission pricing zone and the basis for the Agency's allowed return on debt.

Discussion.

Potential Additional Costs

- Relocate Fairmont Energy Station (FES) diesel fuel tanks.
 - May be needed to accommodate new power plant substation.
 - Site survey will determine if necessary.
- Relocate switchgear for Agency's Cooper engines at FES.
 - Co-located with FPU's switchgear as part of old power plant substation.
 - FPU will install new switchgear in new power plant substation in the future.
 - Need to evaluate feasibility of keeping Cooper switchgear in original position or relocating.
- Estimated potential cost of both items = \$600,000 (not included in project costs at this time and would require separate approval).

Recommendation and Request

- FPU's load is growing and they need to expand their system, including additional delivery points from the Agency.
- Project will be funded initially using the Revolving Credit Agreement and may be included in future long-term debt issuance.
- Investment will be included in ITC transmission pricing zone for cost recovery.
- Agency recommends and requests the board approve this project at a cost of \$9.35 million to be spent over the next four years.

Mr. Nibaur moved to approve the Fairmont transmission expansion project at an estimated cost of \$9.35 million, seconded by Mr. Moulton, passed upon a unanimous vote of the board members present.

#6 Resource Planning Update-Mitchell:

Mr. Mitchell reported on the resource planning update.

MISO's capacity accreditation process and the new Minnesota carbon-free requirement has prompted the need to update the Agency's resource plan.

Various assumptions and scenarios were reviewed. The Agency expects to be approximately 60

to 65 MW short of capacity in both summer and winter by the end of the decade. A significant change from the conclusions of SMMPA 2.0 and the Agency's 2021 Integrated Resource Plan is that more new conventional generation will be required than previously thought. Changes in MISO's capacity accreditation process have significantly reduced the amount of capacity credit from renewable resources, particularly solar generation that will only get a 1% credit in the winter. In addition, accreditation for conventional generation has also been reduced. These changes have increased the amount of new capacity needed and also advanced the need from 2030 to 2028. The analysis points to the need to add 50 to 55 MW of new natural gas generation and 8 to 16 MW of quick start generation, in addition to sufficient renewable generation to meet the state carbon-free requirements.

Discussion.

Mr. Warehime entered the meeting at 11:20 a.m.

Because of the lead time to site, permit, and build conventional generation, Mr. Mitchell recommends to begin the process now to meet the 2028 capacity resource needs. The next steps in the planning process will be to perform detailed analysis to identify the type of new natural gas generation that best meets the Agency's long-term needs. The Agency will continue to meet with renewable developers and refine the type and timing of renewable additions.

Quick Start Program Update

Quick start generation is important to members and to the Agency. The modeling shows a need for 8 to 16 MW of new quick start generation by 2028. Mr. Mitchell presented information on a new quick start program, including a draft proposal for the amount of capacity payments and the term of new agreements. He also discussed permit requirements and the importance of preserving permitted run hours of existing member generation. He asked members to consider their interest in adding new generation based on the draft proposal and notify the Agency of their interest and number of units they would like to add. To move forward with this program, the Agency would seek board approval at a future board meeting.

#7 Sherco 3 MISO Coordination Agreement Termination-Mitchell:

Mr. Mitchell reported on the Sherco 3 MISO Coordination Agreement termination.

Last month, Mr. Mitchell reported that the Agency and Xcel Energy were continuing to negotiate an amendment that would allow the agreement to remain in place. However, when trying to address some final details of the agreement, it became evident that the agreement was becoming too complicated for the potential benefit that could be derived if MISO ever changes its unit commitment process in the future. The Agency decided to allow the agreement to terminate on December 1, 2023, as planned under the Agency's termination notice from November 2022.

Discussion.

SMMPA and Xcel Energy will revisit the option of jointly offering the unit for economic commitment in the future if MISO's processes are improved.

#8 2022 Board Retreat Follow-Up-Geschwind

Due to time constraints, President Reimers deferred the 2022 board retreat follow-up to the November SMMPA Board meeting.

Government Affairs/Member Services Report-Hoffman:

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

Public Power Week

Public Power Week will be held October 1-7, 2023.

Cybersecurity Issue

Microsoft will discontinue support for Windows 10 on October 14, 2025.

MISO Energy Emergency Public Appeals

The energy emergency alert radio language drafts will be emailed to the members to review. The message would be published during a public appeals situation when reducing electricity consumption is necessary.

SMMPA Member Orientation

The SMMPA member orientation session will be held October 6, 2023 from 9:30 a.m. to noon at the SMMPA headquarters.

SMMPA Annual Meeting

The SMMPA Annual Meeting will be held October 12-13, 2023 at the Sheraton Hotel, Bloomington, Minnesota.

2022 eReliability Benchmarking Report

SMMPA provides each member a subscription to APPA's eReliability software, which is an outage data tracking system. The report indicates members have shorter interruptions compared to other utilities.

Operations Report-Mitchell:

Mr. Mitchell reported:

Sherco 3 Status Report

Sherco 3 is running well.

E-ISAC Physical Security Workshop

The Electricity Information Sharing & Analysis Center (E-ISAC) will be offering a Physical Security Workshop in spring of 2024 that will be hosted by the Agency. More information to follow.

MISO EEA Event

MISO issued a step 2A energy emergency alert for our region on August 24, 2023. The Agency

notified members and staff via the new Prepara application. Mr. Mitchell asked for member feedback on how they felt the new notification process went, and the response was positive. He presented graphs that showed the load serving challenges MISO was trying to address with the emergency alert.

Market Price Update

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

Financial Report July 2023-Fondell:

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

Sherco 3 Outage Insurance Claims Update

Received \$436,000 on September 5, 2023 for the first Sherco 3 outage insurance claim, which will be factored into the September 2023 Energy Cost Adjustment calculation.

SMMPA Credit Rating

Standard & Poor's is still completing their review of SMMPA's credit rating.

Coal Inventory Cash Flow Impact

Coal inventory is putting strain on cash flow and SMMPA may need to do an additional taxable Revolving Credit Agreement draw.

Member Financial Metrics Update

SMMPA sent the financial metrics to each member on September 11, 2023. Members will have the option to discuss results with SMMPA staff.

President's Report:

Mr. Reimers reported:

- SMMPA Alternate Representative: The change of SMMPA alternate representative for the City of Lake City from Neil Postians to Travis Dunn was effective August 14, 2023. (Attachment A.)
- SMMPA Representative: The change of SMMPA representative for the City of Redwood Falls from Charles Heins to Jason Halvorson was effective September 1, 2023. (Attachment B.)

Executive Director & CEO's Report:

Mr. Geschwind reported:

- SMMPA Board Position: New Prague announced their candidacy for re-election for the SMMPA Board position, currently held by New Prague, with the election on October 13, 2023.

- SMPMA Coincident Peak Demand: SMPMA staff received several inquiries during recent hot weather asking if SMPMA could set a peak for billing purposes at times other than on-peak hours. Mr. Geschwind clarified that the Schedule B rate indicates a billing peak is not limited to on-peak hours, and a peak could occur on holidays, weekends, or other off-peak hours.

Member Forum:

None.

Other Business:

There was no other business.

Adjourn:

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

The meeting was adjourned at 12:17 p.m.

Secretary