

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

President Reimers called the meeting to order at 9:00 a.m. at the Mille Lacs County Historical Society in Princeton, Minnesota.

Mr. Butcher, Princeton Public Utilities General Manager, introduced Princeton Public Utilities Commission Electric Superintendent Jeremy Linden and Princeton Public Utilities Commissioner/City Council Member Jack Edmonds.

Mr. Edmonds welcomed the members to Princeton.

**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; Keith R. Butcher, Mayor Thom Walker, Jeremy Linden, Jack Edmonds, Princeton; Jason Halvorson, Redwood Falls; Chris Rolli, Spring Valley; Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, Mark S. Mitchell, and Rebecca J. Schmitz of the Agency staff.

**Others Present Via Conference Call:**

Alex Bumgardner, Austin; Miles Heide, Julie Zarling, Fairmont; Mike Roth, Shane Steele, Grand Marais, and Mike Geers, Litchfield.

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

APPROVED the November 8, 2023 board meeting minutes.

APPROVED the Administrative Policies Revisions. (Attachment A.)

**#3 Long-Term Financial Forecast-Schmitz:**

The long-term financial forecast and key assumptions packets were distributed electronically to

the members prior to the board meeting.

Ms. Schmitz presented on the long-term financial forecast for 2024-2038. The forecast and key assumptions were summarized.

Austin is evaluating their post-2030 power supply options. A scenario was included in the long-term forecast for serving 100% of Austin's electrical load after 2030.

Debt Service Reserve dollars released in 2026 and 2027 are not included in the forecast as the plan is to utilize those funds for Sherco 3 decommissioning and lingering costs after the 2030 retirement date.

Discussion.

#### Continuing Evaluation

- Capital Reserves Study planned for 2025.
- Future resource timing and cost structure.
- Fixed cost reduction opportunities.
- New debt issuance timing and strategy.
- Sherco 3 decommissioning/lingering costs and funding strategy.

#### **Welcome:**

Mayor Walker welcomed the members to Princeton and expressed appreciation to SMMPA for providing reasonable rates and for SMMPA's initiative in working hard for Princeton and the SMMPA member communities.

#### **#4 Sherco 3 Outage Insurance-Mitchell:**

Mr. Mitchell reported on the Sherco 3 outage insurance. Outage insurance helps mitigate economic risk that could arise from an unexpected outage at Sherco 3.

#### Insurance Coverage Proposal

- Term: Calendar year 2024.
- Capacity Coverage: 350 MW.
- Annual Coverage Limit: \$12 million.
- Event Duration Limit: Agency responsible for first 3 days of each outage. Covers 90 consecutive calendar days per outage. Covers on-peak hours only and pays difference between daily average day ahead on-peak LMP and the strike price defined in the policy.

#### Recommendation

The Agency recommends purchasing Sherco 3 outage insurance from Archer Insurance for 2024 at a premium cost of up to \$691,000 after consideration of The Energy Authority analysis to determine the potential reduction in cashflow at risk.

Discussion.

Mr. Nibaur moved to approve purchasing Sherco 3 outage insurance coverage from Archer

Insurance for 2024 at a premium cost of up to \$691,000, seconded by Mr. Warehime, passed upon a unanimous vote of the board members present.

#### **#5 Sherco 3 O&O Agreement Amendment 5-Mitchell:**

Mr. Mitchell reported on the Sherco 3 Ownership and Operating Agreement (O&O).

The Agreement defines rights, responsibilities, cost sharing, and decision making of the owners (SMMPA and Xcel Energy) and the Project Manager (Sherco Plant Director).

Amendment 4 defines percentage cost responsibility for common facilities for Sherco Units 1, 2, and 3. There is no mechanism defined in Amendment 4 to automatically change the cost share percentages as units retire, so modifying the common facilities cost percentages when Unit 2 retires the end of 2023 and Unit 1 at the end of 2026 will require another amendment.

Because changing the cost percentages requires amending the O&O, the Agency has proposed additional changes to the O&O that give the Agency more direct involvement in operating and budgeting decisions for Unit 3. Xcel Energy and the Agency have been negotiating the terms of a proposed Amendment 5.

Discussion.

#### **Next Steps**

- Awaiting Xcel Energy legal counsel's comments on draft agreement.
- Possible additional negotiations following legal review.
- Will finalize amendment as soon as possible, but no changes to Agency's common cost shares until amendment is executed.
- Will provide summary of the final amendment when executed.

After a short break, the board reconvened at 10:39 a.m.

#### **#6 New Resource Decision-Mitchell:**

Mr. Mitchell reported on the new resource decision. He provided a summary of the information provided at previous board meetings. Because of changes in MISO's capacity construct, the Agency will be short of capacity in both summer and winter in 2028. To meet MISO capacity requirements and State carbon-free generation requirements, the Agency will need to have additional dispatchable resources and additional renewable resources. While renewable resources can help meet MISO capacity requirements in summer, they are not effective at meeting winter requirements. Based on current forecasts, the Agency needs 63 MW of new dispatchable generation. Members have expressed interest in adding 14 MW of new quick-start diesel generation, leaving 49 MW for the Agency to develop. Dispatchable generation will be needed by 2028, and renewable generation will be needed in 2030.

Mr. Mitchell discussed siting options the Agency has evaluated for new Agency-owned natural gas generation, with the best alternatives to meet a 2028 in-service schedule being interconnected to member systems in Austin and Owatonna. To make use of an expedited MISO interconnection option, a member must have sufficient load to absorb the new generation.

Because Austin is still evaluating its long-term power supply alternatives, the Agency is focusing on siting a 49 MW generating plant in Owatonna.

#### Requested Board Action

- Authorize the Agency to spend the \$264,000 included in the 2024 budget for preliminary engineering, siting, and permitting for a new 49 MW generating plant in Owatonna, with interconnection to the Owatonna Public Utilities system.
- Approve the Agency to proceed with developing a proposal for a 49 MW Agency-owned generating plant for future board and member consideration.
- Approve the Agency pursuing locating a new 49 MW generating plant in Owatonna, with interconnection to the Owatonna Public Utilities system.

Discussion.

Mr. McCollough moved to approve authorizing the Agency to spend the \$264,000 included in the 2024 budget for preliminary engineering, siting, and permitting for a new 49 MW generating plant in Owatonna, with interconnection to the Owatonna Public Utilities system, and authorizes technology assessment, seconded by Mr. Jensen, passed upon a unanimous vote of the board members present.

#### **#7 Highway 14 Interchange Line Relocation-Mitchell:**

Mr. Mitchell reported on the Highway 14 interchange line relocation.

The Minnesota Department of Transportation is planning a major interchange project at the intersection of Highway 14 and 60<sup>th</sup> Avenue SW on the western edge of Rochester, Minnesota.

This project will require relocation of the Agency's 1.2 miles of double circuit 161 kV transmission lines at the Agency's expense to be completed by 2025.

Discussion.

#### Next Steps

- Relocation was not included in the 2024 budget.
- Preliminary estimate of the total cost is approximately \$2.5 million, with approximately \$375,000 to be reimbursed by the State of Minnesota.
- A portion of the projected costs could be funded from the Agency's transmission contingency budget (\$1.5 million budgeted annually for storm damage and unforeseen transmission system needs).
- The first step is to engage engineering firm (DGR Engineering) for preliminary design, surveying, easement acquisition preparation, and detailed estimate.
- Preliminary engineering (estimated at \$75,000 within CEO authority) will be funded from transmission contingency.
- Following completion of preliminary engineering, the total project will be presented to the board for approval.

## **#8 Board Retreat Summary-Geschwind:**

Due to time constraints, President Reimers deferred the board retreat summary to the January SMMPA Board meeting.

## **Government Affairs/Member Services Report-Hoffman:**

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

### **IJA/IRA Grant Opportunity Information**

The next grant opportunities webinars are scheduled for December 19, 2023 at 10 a.m. and January 18, 2024 at 9 a.m.

### **Annual Distributed Energy Resources Reporting**

Members were reminded to e-file the annual Distributed Energy Resources documents with MPUC by March 1, 2024. Members were reminded to file the reimbursement for net exports paid to a customer in 2023.

### **Load Acquisition Credit Reimbursement**

Members were reminded to submit a summary of their load acquisition actual payment amount or an estimate by January 20, 2024.

## **Operations Report-Mitchell:**

Mr. Mitchell reported:

### **Sherco 3 Status Report**

Sherco 3 is running well.

### **SMMPA Diesel Workshop**

The SMMPA Diesel Workshop was held yesterday in New Prague, Minnesota, with 33 people attending and it went very well.

### **Winter Emergency Operations Preparedness**

As part of the emergency preparedness process, SMMPA has been working with the members to make sure units are ready for cold weather operations. SMMPA is holding weekly calls with member plant operators to verify fuel inventories and discuss/address any concerns. Members have been encouraged to follow up with their gas suppliers to verify the gas supply curtailment notification process. The Agency's emergency notification system, Prepara, is up and running and is tested regularly.

### **Potential Federal Grant Application for Transmission Projects**

The Agency is evaluating options to pursue federal grant funds related to transmission. The Agency plans to work with a grant writing consultant to provide advice regarding pursuing federal grants. The concept papers for grant funded projects are due in January 2024.

### Future Renewable Options

Meeting with Xcel Energy in mid-January to discuss renewables.

### Battery Storage

In discussions with battery developer, Delorean, on small scale battery storage options that could be located in member communities and a larger scale battery storage option that could be located at Sherco.

### Market Price Update

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

### **Financial Report October 2023-Fondell:**

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

### Sherco 3 Outage Insurance Claims

Total Sherco 3 outage insurance claims filed for 2023 were \$498,000. All claim proceeds have been received and have been included in the ECA calculations for September and October.

### SMMPA Finance & Audit Committee Meeting

The SMMPA Finance & Audit Committee meeting will be held on December 21, 2023 via Microsoft Teams meeting. The audit fieldwork is scheduled for the week of February 5, 2024.

### Revolving Credit Agreement

The Revolving Credit Agreement taxable paydown of \$2.5 million, representing half of the outstanding balance, is scheduled for December 19, 2023.

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

Mr. Reimers reported:

- SMMPA Diesel Workshop: Appreciation was expressed toward the SMMPA staff for a great SMMPA Diesel Workshop held on December 12, 2023 in New Prague, Minnesota.
- SMMPA Wisconsin LLC Board of Managers Meeting: The SMMPA Wisconsin, LLC Board of Managers meeting will be held today immediately following the SMMPA Board of Directors meeting.

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

Mr. Geschwind reported:

- Retirement Recognitions:
  - Mr. Mitchell, SMMPA Director of Operations & COO, will retire on March 31, 2024. Mr. Jeremy Sutton, Rochester Public Utilities, replaces Mr. Mitchell and will start on March 1, 2024.

- Mr. Rick Schacht, SMMPA Metering, SCADA & Communications Associate Engineer, retires the end of December 2023. Eric Atkinson, Xcel Energy, replaces Mr. Schacht and will start on January 16, 2024.
- Mr. George Baldwin, Litchfield Public Utilities Generation Plant Supervisor, will retire the end of December 2023.
- Mr. Chris Clark, President of Xcel Energy – Minnesota, North Dakota, and South Dakota, retires on March 1, 2024.
- SMMPA Key Metrics: Mr. Geschwind highlighted that coal and financial performance and cooling degree days are reflected on the key metrics.

**Member Forum:**

Mr. McCollough announced that Mr. Malachi McNeilus was appointed to the Rochester Public Utilities Board effective January 1, 2024.

**Other Business:**

There was no other business.

**Adjourn:**

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

The meeting was adjourned at 12:08 p.m.

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Secretary