

SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY
Minutes of the Board of Directors' Meeting
June 13, 2024

President Reimers called the meeting to order at 9:00 a.m. at the Spring Valley Ambulance Service Building in Spring Valley, Minnesota.

Mr. Rolli, Spring Valley Public Utilities Superintendent, welcomed the members to Spring Valley.

Board Members Present:

President Bruce A. Reimers, New Prague; Secretary Roger E. Warehime, Owatonna; Treasurer James R. Bakken, Preston; Mark E. Nibaur, Austin; T. Scott Jensen, Lake City; and Timothy M. McCollough, Rochester.

Board Member Absent:

Vice President Peter T. Moulton, Saint Peter.

Others Present:

David P. Geschwind, Executive Director & CEO; Alex Bumgardner, Austin; Miles Heide, Julie Zarling, Fairmont; Chris Rolli, Spring Valley; Craig Anderson, Wells; Parker Ormonde, Chris Lewis, The Energy Authority; Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, Todd W. Heins, and Jeremy B. Sutton of the Agency staff.

Others Present Via Conference Call:

Keith R. Butcher, Princeton; and Jason Halvorson, Redwood Falls.

#1 Agenda Approval:

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

#2 Consent Agenda:

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

APPROVED the May 9, 2024 board meeting minutes.

APPROVED the Byron Substation Potential Transformers Replacement. (Attachment A.)

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

Mr. Sutton introduced Mr. Parker Ormonde, The Energy Authority (TEA).

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

Discussion.

Mr. Chris Lewis, TEA, reported on current natural gas projections.

Hedge Recommendations

Potential hedge opportunities exist during Sherco 3 planned outages and the summer months if there are emission constraints based on the Environmental Protection Agency's proposed ozone rule. The analysis shows the potential for forward energy sales during the months of September, November, and December 2024. The Agency will evaluate further.

#4 Five-Year Forecast-Fondell:

Ms. Fondell reported on the five-year forecast.

The forecast and assumptions were reviewed. Results of this forecast are similar to the long-term forecast that was prepared in December 2023.

Discussion.

Financial Cases

- **Case 1** – Sherco 3 Ozone Limits in Effect: Sherco 3 fully available for most of the year with a summer limit (May-September).
- **Case 1a** – Sherco 3 Ozone Limits in Effect with High LMPs & Natural Gas: Case 1 with LMPs and Natural Gas increased by 35%.
- **Case 2** – Sherco 3 Ozone Limits not in Effect: Sherco 3 fully available for the whole year without any summer limit.
- **Case 2a** – Sherco 3 Ozone Limits not in Effect with High LMPs & Natural Gas: Case 2 with LMPs and Natural Gas increased by 35%.

After a short break, the board reconvened at 10:35 a.m.

#5 SMMPA Finance & Audit Committee New Member-Fondell:

Ms. Fondell reported that the SMMPA Finance & Audit Committee has a vacancy due to the retirement of Mr. Amy (Wells). The Charter requires member representatives serving on the committee be approved by the board of directors. The Committee is comprised of the board vice president and the board treasurer and up to two member representatives.

The Agency recommends approval of member representative Mr. Chris Rolli (Spring Valley) to serve on the SMMPA Finance & Audit Committee.

Mr. Warehime moved to approve Mr. Rolli, Spring Valley, to serve on the SMMPA Finance & Audit Committee, seconded by Mr. Jensen, passed upon a unanimous vote of the board members present.

#6 New Dispatchable Generation Update-Sutton:

Mr. Sutton reported on the new dispatchable generation status.

Discussion.

Request for proposal was issued for 45-50 MW generation to maintain capacity requirements. Bids were received and SMMPA is waiting for two additional bids. The equipment delivery lead time is 1½ years. Targeting in-service by March 2028. More analysis will be provided at future board meetings.

#7 Quick Start Agreement Extension-Sutton:

Mr. Sutton reported on the Quick Start Capacity and Energy Purchase Agreement Extension.

The Quick Start Agreement with Grand Marais expires December 31, 2024, and the Agency must provide formal notice of its intent to extend the term for five years by June 30, 2024.

Discussion.

Mr. Bakken moved to approve extending the Grand Marais Quick Start Capacity and Energy Purchase Agreement for five years without change to any provisions other than extension of the term and to provide formal notice to Grand Marais extending the agreement through December 31, 2029, seconded by Mr. Jensen, passed upon a unanimous vote of the board members present.

#8 OES Cylinder Heads Replacement-Sutton:

Mr. Sutton reported on the Owatonna Energy Station cylinder heads replacement.

SMMPA staff noticed cylinder heads leaking glycol around the exhaust valves on Units 3 and 4. Caterpillar sent SMMPA two heads at no cost for utilization and are inspecting the two failed heads in Germany.

To expedite returning Units 3 and 4 to service, the Agency is recommending purchasing six cylinder heads at a total cost of \$240,000. Depending on the analysis results, this may start a larger project of head replacements estimated at \$1.263 million, including the \$240,000 for the initial new six heads.

Discussion.

Mr. McCollough moved to authorize expenditure of \$240,000 for six cylinder heads to get Units 3 and 4 back in-service, seconded by Mr. Warehime, passed upon a unanimous vote of the board members present.

#9 Austin Power Sales Contract Extension-Geschwind:

Mr. Geschwind reported on the Austin Power Sales Contract extension.

The Agency and Austin Utilities have been discussing the possibility of Austin extending their Power Sales Contract (PSC) from 2030 to 2050. Austin's current PSC will expire March 31, 2030, if not extended. Austin has been working with an outside consultant to evaluate options for Austin to move forward. The Austin Utilities Board of Commissioners approved a recommendation to the Austin City Council to seek an extension of the Power Sales Contract with SMMPA. Austin anticipates the council could approve the extension at its July 2024 meeting. The PSC extension would also require SMMPA Board approval.

Discussion.

If the PSC extension is approved, Austin currently intends to keep their 70 MW contract rate of delivery (CROD) in effect. The CROD was established on January 1, 2016.

Another consideration is the Badger Coulee Transmission Project Agreement with Austin Utilities and SMMPA related to Austin's potential post-2030 participation in the Badger Coulee Transmission Project after their Power Sales Contract expires in 2030. Under the agreement, Austin would be responsible for 12% of the project costs and receive 12% of the project revenues. If the PSC is extended, the Project Agreement would not go into effect and Austin would effectively share in the Badger Coulee Transmission Project through the PSC.

Mr. Nibaur indicated he appreciates the patience of the SMMPA members during the due diligence of Austin's Board through this process, and he thanked Mr. Bumgardner for his efforts too.

Government Affairs/Member Services Report-Hoffman:

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

MISO Public Appeals Program Update

The Agency coordinated the development of a public appeals message to be used when members' customers need to reduce electricity consumption. While the use of radio stations for public appeals message remains an option, social media or direct messaging to customers may be a better option. An email containing radio, social media, or direct messaging options will be sent to the members to respond on their preferred option.

DCFC Pricing Update

DC fast chargers (DCFCs) have a new charging fee of \$0.43/minute and no connection fee effective June 1, 2024. One member requested a different rate.

Scholarship Program

The Agency will convene a virtual workgroup in July 2024 to discuss and potentially develop a SMMPA Scholarship Program.

DEED Fall 2024 Grant Application

Members were reminded of the DEED fall 2024 grant applications due August 15, 2024 for funding of up to \$125,000 for initiatives aimed at increasing efficiency, reducing costs, introducing new services, or enhancing processes and practices for improved customer service.

Operations Report-Sutton:

Mr. Sutton reported:

Quick Start Working Group

The next Quick Start Working Group conference call will be held June 20, 2024 to review the renewal language and discuss contingency dollars for the engine package.

MISO Generator Interconnect Requests

Power producers interconnecting generators into MISO at Agency-owned facilities require SMMPA to facilitate those interconnections. This includes engineering, facilities, and network upgrades. SMMPA direct bills the interconnection customers for facility upgrade costs. All costs are recaptured minus 10% of the required network upgrades, which SMMPA will recover through Attachment GG of the MISO tariff. A requested interconnection at the Byron Substation has an estimated facility upgrade cost of \$1,584,500, with SMMPA's 10% of network upgrade costs estimated at \$230,500.

MRO Audit – NERC Audit Results

In May 2024, the Midwest Reliability Organization (MRO) performed an audit of the Agency's compliance with reliability standards, which resulted in "no findings".

Tranche 2.1 Update

MISO proposed a near-final Tranche 2.1 portfolio to build 765 kV transmission lines in the Midwest to meet transmission needs.

Sherco 3

Due to constant rain in the Sherco area, runoff ponds are full and other ponds are at or above their normal operating levels. Xcel is running Sherco units to try to evaporate pond water through scrubbing. Xcel is building pond 4 with an anticipated completion date in July 2024. No impact to SMMPA's share of Sherco 3 is expected.

Austin Storm Damage

On May 21, 2024, strong winds damaged eleven transmission structures on the Austin-Adams 161 kV line. SMMPA worked with DGR Engineering to order materials that should arrive by the end of this month and Dairyland Power Cooperative will rebuild the line. On June 18, 2024, State disaster relief representatives will meet with SMMPA staff to assess the damage, and SMMPA may be eligible for reimbursement of 75% of the eligible costs.

Market Price Update

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

Financial Report April 2024-Fondell:

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

SMMPA Credit Ratings

Moody's conducted its annual SMMPA financial review, and SMMPA will maintain the A1 credit rating with a stable outlook. Fitch Ratings' review is underway and nearing completion.

President's Report:

Mr. Reimers reported:

- APPA National Conference: The APPA National Conference was held June 9-12, 2024 in San Diego, California. Representatives from Austin, New Prague, Rochester, and SMMPA attended the conference. It was a good conference.

Executive Director & CEO's Report:

There was no report.

Member Forum:

Mr. McCollough announced that a new SMMPA alternate representative may be named due to Rochester's recent hire of a new Power Resource Director.

Other Business:

There was no other business.

Adjourn:

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

The meeting was adjourned at 12:14 p.m.

Secretary