

SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY
Minutes of the Board of Directors' Meeting
February 11, 2026

President Moulton 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 and introduced Mr. Tim Howard, Spring Valley Public Utilities Utility Supervisor, and Ms. Kristin Howard, Spring Valley Public Utilities Office Manager.

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, Austin; Keith Butcher, Princeton; Chris Rolli, Spring Valley; Craig Anderson, Wells; Dirk E. Bierbaum, Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, and Jeremy B. Sutton of the Agency staff.

Others Present Via Conference Call:

Jerry Mausbach, Blooming Prairie; Miles Heide, Julie Zarling, Fairmont; Mike Roth, Shane Steele, Grand Marais; Mike Geers, Litchfield; Joe Kohlgraf, Mora; Christian Fenstermacher, Tim Linders, Owatonna; Jason Halvorson, Redwood Falls; Todd Prafke, Saint Peter; and Carl Sonnenberg, Waseca.

#1 Agenda Approval:

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

#2 Consent Agenda:

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

APPROVED the January 15, 2026 board meeting minutes.

APPROVED the Fairmont Energy Station Security Camera System Replacement. (Attachment A.)

APPROVED the Owatonna Energy Station Security Camera System Replacement. (Attachment B.)

APPROVED the Rutland to Fox Lake 161 kV Protection System Upgrade. (Attachment C.)

#3 Winter Storm Fern Impact-Sutton/Fondell:

Mr. Geschwind reported that Sherco 3 experienced challenges during the coldest days of Winter Storm Fern, resulting in financial impacts that affect net energy costs and the Energy Cost Adjustment.

Mr. Sutton reported on the Winter Storm Fern impact.

Much of the United States experienced a significant cold weather event January 22-27, 2026 resulting in extremely cold temperatures and ice and snow to a broader area of the United States. Member generation was called to run by MISO during this weather event. Sherco 3 experienced an unplanned outage from January 22-25, 2026, possibly caused by nearby lines that iced up and faulted when the winds picked up. After the initial outage, the unit was derated due to a steam pressure relief valve issue.

Emergency Operations Procedures

Mr. Geschwind reported that MISO issued an Energy Emergency Alert 2 for voluntary load shedding.

Mr. McCollough reported that the SMMPA Preparis notification worked but there were some challenges. Recommend having protocols in place that are clearly understood.

Discussion.

Members suggested SMMPA explore group communications via social media (Facebook), radio stations, and newspapers for alerting the member communities. Could SMMPA have a public notification system to go out to the members and customers? Could SMMPA create a simple Facebook post to share with the members?

Mr. Hoffman reported that SMMPA explored radio stations in the recent past, but the broadcast was in wide-reaching areas and many stations are not staffed 24/7. SMMPA could provide messaging to the members and custom graphics.

Members prefer SMMPA provide alerts to the members and test the alert system on an annual basis to ensure efficiency. If MISO requests a regional alert, the alert message should make it clear that the regional grid and not a member is having issues.

Mr. Geschwind stated that SMMPA could provide sample alert language, indicating it is a regional issue. SMMPA will continue to evaluate this topic.

Member Generation Failures

Mr. Sutton reported that during the cold weather event, certain members had a variety of generation-related equipment failures.

Mr. Sutton thanked the members for their efforts.

Financial Impact

Ms. Fondell reported there was an estimated \$10 million financial impact due to the Winter Storm Fern event, stemming from Sherco 3 being offline and not providing generation revenues to act as a hedge against market prices.

Unplanned Outage Self-Insurance

The unplanned Sherco 3 outage was a qualifying event under SMMPA's self-insurance program. The self-insurance program follows a process similar to the insurance policy. Friday, January 23, 2026 qualified as the program covers on-peak hours only. January 24-25, 2026 were off-peak hours and not factored into the calculation. The claim amount was \$577,606.17, which reduces the January ECA charge. The 2025 and 2026 budgets included \$500,000 for outage self-insurance and any unspent balance at year-end rolls forward to the following year. After this claim, \$422,393.83 will remain in the self-insurance program for future unplanned outages.

Discussion

A suggestion was made to review the self-insurance program to possibly cover Saturdays for load events.

January ECA Impact

- Expect the January ECA to be capped at \$0.02/kWh as specified in the Schedule B base rates. Any energy cost adjustment charge or credit in excess of \$0.02/kWh is deferred to subsequent months.
- All net energy costs impacting the January ECA won't be finalized until around February 24th.

Recommendation

- Allow January ECA to pass through to members as designed.
- Discuss at the March board meeting the possibility of some or all the deferred January ECA being absorbed by Agency cash reserves.
 - The future rate forecast may be impacted.
 - December results were near budget despite the approximate \$2.5 million cash distribution.

Next Steps

- January ECA will be emailed as usual from SMMPA Accounting Department on February 24, 2026.
- SMMPA will email members a narrative regarding the final impact results.
- March board meeting agenda action item to decide on any SMMPA funding of deferred January ECA.

#4 2026/2027 Planning Year Capacity Position-Bierbaum:

Mr. Geschwind introduced Mr. Bierbaum, SMMPA Manager of MISO Markets and Power System Operations, to provide the Agency's capacity position.

Mr. Bierbaum reported on the Agency's capacity position for the 2026-2027 planning year.

The Agency is expected to be short of capacity in the summer and spring seasons and to have adequate capacity in the fall and excess capacity in the winter season. Options for addressing the capacity shortfall were reviewed and possible transactions are:

- Possible purchase for the spring from Rochester Public Utilities.
- Possible purchase for the summer from Missouri River Energy Services (30 MW), and Rochester Public Utilities (5 MW). Still shortfall of 12.9 MW.

Discussion.

Next Steps

- Continue working on the spring shortfall prior to April 1 planning resource auction.
- Use initial seasonal accredited capacity now, recognizing the final seasonal accredited capacity values will not be known until February 15, 2026.
- Sell excess capacity.

After a short break, the board reconvened at 10:53 a.m.

#5 2025 Economic Development Review-Hoffman:

Mr. Hoffman reported on the annual economic development review.

The Economic Development Program provides incentives to attract new business customers to SMMPA member communities. The program includes two rates: Economic Development Credit Program and Load Acquisition Credit Program.

Economic Development Credit Program

The credit program is available to new or expanding businesses with a load of 250 kW or greater, or with a load that exceeds the demand of the member's tenth largest current retail customer. There is a 5-year credit on energy charges (40% in year 1, 20% in year 2, 10% in year 3, 5% in year 4, and 2.5% in year 5) and the credit is paid by SMMPA to the member.

Load Acquisition Credit Program

The program provides credit to members who are making lost revenue payments for service territory acquisitions. In 2025, six members participated in the Load Acquisition Credit Program. The acquired load was equivalent to approximately 14.5 megawatts.

Small Business Development Centers

In 2024, SMMPA began a funding partnership with the Small Business Development Centers (SBDC) to support entrepreneurs and small businesses in member communities. SBDC provides assistance to small businesses with business plans, financial projections, accounting, marketing, and loan packaging.

Other Economic Development Initiatives

- The Agency developed customized economic development brochures for member communities.

Economic Development Credit Program Cap

At the November 2025 SMMPA Board Retreat, the board suggested setting a maximum load size eligible for economic development credits and bringing the topic to the February board meeting for member feedback. The impact of adding a large load, such as a data center, was discussed. Setting a cap of 5 MW on portion of a qualifying retail customer's load eligible for economic development credit was an option.

Discussion.

One option discussed is to sunset the economic development program and retain the load acquisition credit program. It was suggested that members discuss this option with their local economic development staff to provide feedback for continued discussion at a future board meeting.

#6 Austin Energy Station Lease Option-Sutton:

Mr. Sutton reported on the Austin Energy Station lease option.

SMMPA would lease the city-owned site at the former Austin Northeast Power Plant.

Terms of the Proposed Lease:

- A 50-year initial term.
- A nominal lease fee of \$1 to 2050.
 - In the event Austin Utilities is not a member after 2050, fair market value will be determined.
- Time for SMMPA to conduct necessary due diligence on the site to make sure it is suitable for the proposed Austin Energy Station plant.
- SMMPA would be responsible for any hazardous materials at the site resulting from operation of AES.
- Austin Utilities retain responsibility for any hazardous materials at the site that existed prior to the effective date of the lease.
- SMMPA will have 24 months after the term of the lease ends to decommission the site.

The Austin City Council and Mower County approved supporting the new plant via a property tax exemption to be pursued through state legislation.

Discussion.

Action Item

Authorize SMMPA to enter into the ground lease contract with Austin Utilities in substantially the form as presented.

Mr. Reimers moved to authorize SMMPA to enter into the ground lease with Austin Utilities in substantially the form as presented, seconded by Mr. Bakken, passed upon a unanimous vote of the board members present. Abstained: Mr. Dankert.

Mr. Sutton thanked Mr. Dankert and Mr. Bumgardner for their efforts.

#7 EDF Wapsi Wind Contract Extension-Sutton:

Mr. Sutton reported on the EDF Wapsi Wind Contract Extension.

The 100.5 MW (67 wind turbines) Wapsi Wind Project is located near Dexter, Minnesota. SMMPA received an offer from EDF to extend the purchase contract, which is scheduled to expire in 2029.

Renewable Energy Credit Balance

The Agency's current renewable energy credit (REC) balance and the expected balance based on production and retirements were discussed.

Discussion.

Mr. McCollough indicated that to the extent the extended agreement would produce additional RECs prior to the end of the Rochester power sales contract in 2030, Rochester requests a share of those RECs.

Next Steps

- Bring back to March board meeting for action.

#8 Confidential Board Report Summary-Sutton:

Mr. Sutton summarized the confidential board report.

Government Affairs/Member Services Report-Hoffman:

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

APPA Legislative Rally

Members were reminded the APPA Legislative Rally is February 23-25, 2026 in Washington, D.C.

Distributed Generation Workshop

MMUA is partnering with Star Energy to hold a Distributed Generation Workshop geared toward utilities that have not yet adopted a technical specifications manual (TSM). When additional workshop information is available, an email will be sent to the members who have not adopted the TSM.

Electric Vehicle Charging Network Usage

The 2025 electric vehicle charging network usage data reflects a decrease among members. Rochester, Grand Marais, Saint Peter, and Lake City were the top charging session locations. Level 2 charging has grown in 2025. On-peak kWh charging was 55% and off-peak kWh charging was 45% kWh.

Electric Vehicle Charger Services Provider Alternative

Based on feedback, some members may switch from ZEF Energy to another electric vehicle

charger service provider.

Cybersecurity Board Security Brief

The Cybersecurity and Infrastructure Security Agency recommends passwords of at least 16 characters. Passphrases have become popular and are more secure using 20 to 30 characters. Consider password managers to store passwords and sensitive data in a digital vault, creating the need to only remember one master password.

Operations Report-Sutton:

Mr. Sutton reported:

SES Update

As proposed, the plant nominal output is 45 MW during standard temperature conditions. During colder weather, the potential output could exceed 50 MW. SMMPA met with Minnesota Public Utilities Commission and MPCA staff to discuss whether a certificate of need would be required if the output could exceed 50 MW under certain temperature conditions. SMMPA could install software to limit output to 49.9 MW. Process is being reviewed by the MN PUC.

Fairmont Wind Turbine

One Agency-owned Fairmont wind turbine experienced a bearing failure at an estimated replacement cost of \$250k. SMMPA staff is evaluating options and will provide a recommendation at the next board meeting.

Quarterly Wind and Solar Update

Information on the performance of the Agency's wind and solar resources, including capacity factor and costs relative to market energy prices and net margins, was reviewed.

Market Update

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

Financial Report December 2025-Fondell:

Ms. Fondell summarized Agency financial results through December as provided in the board book materials. December's financial results are preliminary, as the 2025 books are held open until the annual audit is completed.

Deferred Depreciation

The deferred depreciation concept is used to make sure the Agency generates enough revenue and cash to pay the debt service. It accounts for the difference between long-term debt principal payments and depreciation expense. In the early years of a bond issuance, principal payments are less than depreciation expense on the financed assets. During the later years, the additional expense is recorded to make sure the entity is recovering cash to pay large principal payments. The intent is to defer depreciation and amortization in early years, record depreciation and amortization in later years, and the balance zeros out over the term of the bonds. The balance in deferred depreciation hit its highest balance of \$232,637,750 in 2011. Since then, with some large principal payments for the 1994A bonds, the entire previously deferred balance was recognized as expense and zeroed out in 2024. The deferred depreciation approach doesn't serve

a purpose going forward. SMMPA's outside auditor, Baker Tilly, recommends discontinuing using deferred depreciation within financial statements beginning in 2025.

2025 Investment Results

The 2025 year-end investment results were reviewed. The investment portfolio balance at the end of 2025 was approximately \$247 million. Interest rates improved from the prior year with some lower-yielding investment maturing during the year.

Short-Term & Long-Term Debt Review

The 2025 Revolving Credit Agreement short-term borrowing program activity was reviewed along with an amortization schedule, paydown plan, and summary. The long-term debt payment schedule for 2025 through 2046 was reviewed.

SMMPA Budget & Rates Workshop Date

The SMMPA Budget & Rates Workshop will be scheduled in late September 2026.

Annual Review of Financial

Ms. Fondell will email materials to the members explaining the financial and operation reports provided in monthly board books.

Rate Changes

February 1, 2026 marks the end of transitioning transmission rates from 100% ratchet to monthly metered coincident peak. Also, an overall ten percent rate decrease will be applied as a 10.812% rate decrease to the power supply demand and energy base rates.

ECA Monthly Base Rate

Effective January 2026, the Energy Cost Adjustment base rate will be adjusted monthly based on the monthly budgeted net energy costs.

President's Report:

Mr. Moulton reported:

- SMMPA Staff Recognition: SMMPA staff members were recognized for their outstanding presentations today and also thanked Ms. Deb Donahue for supplying information to the board for Mr. Geschwind's annual performance evaluation.

Executive Director & CEO's Report:

Mr. Geschwind reported:

- SMMPA Board Seat: Lake City resigned their SMMPA Board seat, and the term of that seat expires in October 2026. A Member Representatives meeting will be scheduled next month for election to fill the vacant board seat to serve the remainder of the term.
- Sherco 3 Tours: During the Sherco 3 planned major overhaul from March to May 2026, tours will be scheduled for interested members including commissioners/council members. SMMPA will send an email to the members with further details.

- Email Impersonation Attempt: A member received an email that appeared to be from the SMMPA Board President, but it was a phishing attempt. Thanks were expressed for being alert to email phishing attempts.
- TAPS and APPA Committee Meetings: During this week's TAPS and APPA Committee conference calls, artificial intelligence (AI) notetaking was discussed. TAPS will be adopting a policy prohibiting AI notetaking, unless prior approval is given. Concerns with AI notetaking software includes losing attorney-client privilege and data practices act issues.

Member Forum:

None.

Other Business:

There was no other business.

Adjourn:

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

The meeting was adjourned at 12:22 p.m.

Secretary