

SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY
Minutes of the Board of Directors' Meeting
May 9, 2024

President Reimers called the meeting to order at 8:00 a.m. at the Cook County Courthouse in Grand Marais, Minnesota.

Mr. Roth, Grand Marais City Administrator, welcomed the members to Grand Marais and introduced Mayor Tracy Benson.

Mayor Benson welcomed the members to Grand Marais.

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; Mike Roth, Tracy Benson, Shane Steele, Grand Marais; Keith R. Butcher, Princeton; Jason Halvorson, Redwood Falls; Chris Rolli, Spring Valley; Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, and Jeremy B. Sutton of the Agency staff.

Others Present Via Conference Call:

Alex Bumgardner, Austin; Jerry M. Mausbach, Blooming Prairie; Miles Heide, Julie Zarling, Fairmont; Mike Geers, Litchfield; and Glenn Anderson, Mora.

#1 Agenda Approval:

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

#2 Consent Agenda:

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

APPROVED the April 10, 2024 board meeting minutes.

APPROVED the Rutland Substation Cost Overrun. (Attachment A.)

#3 SMMPA Financial Metrics-Fondell:

Ms. Fondell reported on the SMMPA financial metrics.

The Agency has been tracking financial metrics since 2014.

Various financial metrics were reviewed, and the results were compared to the Fitch Ratings methodology, when available.

Discussion.

#4 MISO Generation Accreditation-Sutton:

Mr. Sutton reported on the MISO generation accreditation.

MISO is changing their capacity accreditation methodology in a way that may potentially impact SMMPA with new resource developments. On March 28, 2024, MISO filed with FERC to revise its Open Access Transmission, Energy and Operating Reserve Markets Tariff.

MISO proposes a transition to a two-step resource accreditation method and is changing rules to group like units together as a class average for step one. Step two uses specific resource performance during high-risk periods defined as critical hours. MISO plans to implement the new methodology in planning year 2028/2029.

Discussion.

SMMPA joined five other utilities to file a protest at FERC. Utilities are concerned with the methodology, outage impacts on accreditation, and overall timing.

#5 Battery Storage-Sutton:

Mr. Sutton reported on battery storage.

Different types of battery technologies were reviewed. Battery storage systems provide opportunities on the electric grid including arbitrage, provision of ancillary services, and transmission deferral.

Discussion.

The Minnesota Department of Commerce (DOC) is providing energy storage grant incentive programs and is expected to issue a request for grant applications this summer. The Agency is evaluating options.

After a short break, the board reconvened at 9:43 a.m.

#6 New Dispatchable Generation Status-Sutton:

Mr. Sutton reported on the status of new dispatchable generation in the Owatonna area.

In addition, the Distributed Generation Working Group met on April 30, 2024 in New Prague. Discussion items with the working group included the project purpose, capacity payment

amounts and project cost risk, capacity credit, load shedding within the communities, and air permitting.

Discussion.

Next Steps

- Draft contract language.
- Schedule next working group meeting.
- Discussion at the July board meeting.

SMMPA Dispatchable Site

- Generation equipment request for proposal bids are due May 31, 2024.
- Met with Owatonna officials to discuss five potential sites.
- Decision made to pursue Title V permit.
- Distributed Energy Resource Affected Systems Study (behind the meter).

#7 Regulatory Developments-Geschwind:

Mr. Geschwind reported on recent regulatory developments that may have the potential to impact the electric utility industry.

EPA's Recently Released Greenhouse Gas Final Rule

Last week, EPA released a package of rules to regulate emissions from coal- and gas-fired power plants. The rule applies to combustion turbines (CTs) that commence construction or reconstruction on or after May 23, 2023. CTs that operate at a capacity factor of less than 20% aren't expected to be impacted. Coal-fired units that permanently cease operations before January 1, 2032 are exempt from the rule.

SEC GHG Disclosure Rule

On March 6, 2024, the Securities and Exchange Commission adopted rules that would require public companies to disclose greenhouse gas emissions and climate-change related risks.

Discussion.

NERC IBR Reliability Standards and Other Issues

NERC is attempting to address the challenges posed by the rapid growth of inverter-based resources on the bulk power system. This is causing some tension between the industry and NERC.

#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.

2024 ENERGY STAR Partner of the Year Award

SMMPA and its members received the 2024 ENERGY STAR Partner of the Year at the ENERGY STAR awards ceremony on April 25, 2024 in Washington, D.C.

Electric Vehicle Charging Retail Rate Working Group

The Electric Vehicle Charging Retail Rate Working Group will meet on June 4, 2024 at 10 a.m. at the SMMPA office with Dave Berg Consulting as the facilitator. A virtual option will be available.

DEED Grants Available

DEED's fall 2024 grant applications are available. Applications are 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.

DCFC Connection Fees Discontinued

Currently, the DCFCs on the SMMPA network charge a \$5 connection fee and a \$0.30/minute charging fee. Electric vehicle manufacturer Tritium is discontinuing the ability to charge connection fee on June 1, 2024. DCFCs are owned by the members and each member may set their own rate. Unless a member specifies a different rate, SMMPA will work with ZEF Energy to implement a \$0.43/minute charging fee effective June 1, 2024.

Operations Report-Sutton:

Mr. Sutton reported:

MISO Capacity Auction Results

MISO's 2024-2025 planning resource auction had capacity shortfalls in the north/central region (Zone 5 - Missouri). The Agency had sufficient capacity to meet its requirements and did not have to purchase any capacity in the auction. The Agency sold some excess capacity in the auction.

Sherco 3 Hedge Position

SMMPA will determine if there is a need to hedge during the May 2024 Sherco 3 planned outage.

Market Price Update

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

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.

Financial Report March 2024-Fondell:

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

RCA Taxable Paydown

The Revolving Credit Agreement taxable paydown was completed on April 23, 2024. The remaining tax-exempt borrowed balance is \$28.4 million.

RCA Amendment Closing

The Revolving Credit Agreement Amendment closing occurred on May 2, 2024. The expiration date of the new amended agreement is October 31, 2025.

SMPA Finance & Audit Committee

The SMPA Finance & Audit Committee has an open seat for another member representative due to Mr. Amy's (Wells) retirement. At the June board meeting, the Committee will provide a replacement recommendation for board approval.

Property Insurance

Substation equipment replacement values have sharply increased lately. As recommended by the Agency's insurance broker, certain replacement values will be adjusted upward by 25% to avoid being underinsured.

2023 Financial Statement Reconciliation

A summary of the significant transactions that were recorded after distribution of the preliminary December 2023 financial statements was reviewed.

President's Report:

Mr. Reimers reported:

- 2024 ENERGY STAR Partner of the Year Award: The U.S. Environmental Protection Agency recognized SMPA and its members with a 2024 ENERGY STAR Partner of the Year award at an awards ceremony in Washington, D.C. on April 25, 2024. Appreciation was extended to the SMPA staff.

Executive Director & CEO's Report:

Mr. Geschwind reported:

- U.S. Department of Commerce Delegation: In conjunction with the American CLEANPOWER Conference May 6-9, 2024 in Minneapolis, Minnesota, SMPA hosted an international delegation of 40 people from Sri Lanka and Eurasia. Tours of the facilities at Owatonna Energy Station and Lemond Solar Center were provided on May 6, 2024.

Member Forum:

Mr. Nibaur announced that Austin Utilities Commissioner Jay Lutz has been nominated for the MMUA open board seat.

Mr. McCollough announced that he was elected to fill the open seat on the Midwest Reliability Organization Board of Directors in the municipal utility sector. He also stated that Rochester

Public Utilities Westside Solar Project was fully operational in 2023 and is a pollinator habitat site.

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 11:02 a.m.

Secretary