

**SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY**  
**Minutes of the Board of Directors' Meeting**  
**August 14, 2024**

President Reimers called the meeting to order at 9:00 a.m. at the Nasinec Event Center in Wells, Minnesota.

Mr. Anderson, Wells Public Utilities Manager, welcomed the members to Wells. Mr. Anderson expressed appreciation to SMMPA for providing support to Wells and appreciates what SMMPA does for the member utilities. He then introduced Ms. Tiffany Schrader, Wells City Administrator.

Ms. Schrader welcomed the members to Wells.

**Board Members Present:**

President Bruce A. Reimers, New Prague; Vice President Peter T. Moulton, Saint Peter; Secretary Roger E. Warehime, Owatonna; T. Scott Jensen, Lake City; and Timothy M. McCollough, Rochester.

**Board Member Present Via Conference Call:**

Treasurer James R. Bakken, Preston.

**Board Member Absent:**

Mark E. Nibaur, Austin.

**Others Present:**

David P. Geschwind, Executive Director & CEO; Miles Heide, Julie Zarling, Fairmont; Keith R. Butcher, Princeton; Jason Halvorson, Redwood Falls; Bill Bullock, Rochester; Chris Rolli, Spring Valley; Craig Anderson, Tiffany Schrader, Wells; 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; Mike Geers, Litchfield; and Shane Steele, Grand Marais.

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

APPROVED the July 10, 2024 board meeting minutes.

APPROVED the Byron Cascade Creek Power Line Carrier Replacement. (Attachment A.)

APPROVED the Meter Replacement. (Attachment B.)

APPROVED the Redwood Falls 115 kV Switch. (Attachment C.)

### **#3 Integrated Resource Plan and Quick Start Discussion Follow-up-Sutton:**

Mr. Sutton reported on the Integrated Resource Plan (IRP) and Quick Start discussion follow-up.

The project cost difference between IRP cases with either 60% or 80% carbon-free renewables in 2031 is \$31 million. Preliminary analysis shows that this would equate to less than a 2% rate increase on the energy portion of the SMMPA bill. However, staff would like to conduct further analysis and present cost impacts at the next board meeting.

#### **Quick Start**

Under the concept being discussed, members and the Agency would share the cost risk when developing new Quick Start plants. The Agency would take on project cost contingency of up to 15% over DGR's estimated engine package cost. Other balance-of-plant costs would not be subject to the contingency cost increase.

Discussion.

This topic will be brought back to the board for approval when a final agreement has been developed.

### **#4 OES & FES Cylinder Heads-Sutton:**

Mr. Sutton reported on the Owatonna Energy Station (OES) and Fairmont Energy Station (FES) cylinder heads.

OES and FES have leaking engine cylinder heads. Two failed cylinder heads were shipped to Caterpillar in Germany for inspection and are waiting for solution and direction.

The units are currently offered into the MISO market as emergency-only to preserve our capacity accreditation.

#### **Mitigation Tactics**

- Changed glycol test company from Ziegler to Brenntag.
- Add glycolic acid as a test parameter.
- Adjust additives to keep glycolic acid within acceptable range.

#### **Recommendations**

- Request board authorization for the repair project.
  - Caterpillar analysis to determine the cause.

- Caterpillar is not in favor of third-party repair solutions.
- OES \$1,200,000 to repair leaking heads and conduct inspections.
- FES \$240,000 to purchase six new heads.
- Budget for head maintenance in 2025.

Discussion.

Mr. Warehime moved to authorize the repair project, expenditures of \$1,200,000 for OES and \$240,000 for FES, seconded by Mr. McCollough, passed upon a unanimous vote of the board members present.

#### **#5 SMMPA Messaging Outreach Program-Hoffman:**

Mr. Hoffman reported on the SMMPA Messaging Outreach Program.

The program educates the public on the issues that are important to all SMMPA members. Messaging also plays a vital role in keeping SMMPA visible to legislators and regulators. Online methods are ways to distribute the messaging plan.

#### **Budget and 2025 Plan**

- Messaging budget \$165,000.
  - Working to develop a new campaign theme.
  - Consider a slight shift in media allocation to increase SMMPA presence on public radio and public television.

#### **#6 MMUA Mutual Aid Agreement-Geschwind:**

Mr. Geschwind reported on the MMUA Mutual Aid Agreement continued discussion.

The Mutual Aid Program provides significant flexibility for participants in the program, and participation is voluntary, both as a party requesting assistance and a party potentially providing assistance. Most SMMPA members participate in the program.

Discussion.

Mr. McCollough moved to authorize SMMPA to become a participant in the MMUA Mutual Aid Program, seconded by Mr. Moulton, passed upon a unanimous vote of the board members present. (Attachment D.)

After a short break, the board reconvened at 10:17 a.m.

#### **#7 2023 Board Retreat Follow-up-Geschwind:**

Mr. Geschwind provided an update on accomplishments on the items that were identified as activities for 2024 during the 2023 board retreat.

## **#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.

### **Scholarship Working Group Update**

The Scholarship Working Group met on July 19, 2024. Two scholarship options discussed were a single pooled program coordinated by the Agency and individual programs run by each member. Based on member feedback, individual scholarship programs are the preferred option where the Agency makes payment and each member coordinates their own program. This topic will be brought back to the board for approval.

### **Battery Storage Funding & Assistance Update**

The Agency is submitting a 40101(d) grant application for funding for a potential battery storage project located in Grand Marais. APPA and Pacific Northwest National Laboratory will provide energy storage technical assistance towards successful project deployment.

### **Public Power Week**

Public Power Week will be held October 6-12, 2024.

### **Pollinator Habitat Program Update**

SMMPA will offer plants to the members in the spring and fall. Members interested in ordering seed packets and/or plants to create habitat for monarch butterflies were asked to contact Mr. Hoffman.

### **SMMPA Annual Meeting**

The SMMPA Annual Meeting will be held October 16-17, 2024 at the Sheraton Hotel, Bloomington, Minnesota.

## **Operations Report-Sutton:**

Mr. Sutton reported:

### **OPU Combustion Turbine Blade Damage**

During the annual borescope inspection, damage was found to the Owatonna Public Utilities combustion turbine blades. On July 30, 2024, the unit was removed and shipped to Florida. Waiting for the final report findings.

### **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 June 2024-Fondell:**

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

### Payments in Lieu of Taxes

An adjustment was made in June to bring property tax expenses through June in line with actuals, based on 2024 property tax statements received.

### Banking RFP Update

SMMPA distributed banking services request for proposal packages to six banks: Wells Fargo, U.S. Bank, Bremer Bank, Associated Bank, West Bank, and Home Federal Savings Bank. All banks plan to submit a proposal by the September 30, 2024 deadline. If a bank change is recommended, approval by the SMMPA Board is planned for the December 11, 2024 board meeting.

### Wholesale Rate Comparison

The wholesale rate comparison will be presented at the September 2024 board meeting.

### Member Financial Metrics

SMMPA will distribute the financial metrics to each member in September 2024.

### Sherco 3 Outage Insurance Claim

Received \$52,483 for the July 11, 2024 Sherco 3 unplanned outage insurance claim.

### Sales Tax Audit

SMMPA received a letter from the State of Minnesota indicating the Agency will undergo a sales tax audit.

### Saint Peter Solar Project

The project has been completed. After all costs have been identified, SMMPA will make a taxable Revolving Credit Agreement draw to fund the Saint Peter Solar Project. Financing costs will be billed to Saint Peter.

### SMMPA Budget & Rates Workshop

The SMMPA Budget & Rates Workshop will be held September 24, 2024 from 10 a.m. – 1 p.m. at Owatonna Public Utilities.

## **President's Report:**

Mr. Reimers reported:

- SMMPA Alternate Representative: The change of SMMPA alternate representative for the City of Rochester from Tony Dzubay to Bill Bullock was effective August 1, 2024. (Attachment E.)

Mr. McCollough reported that Mr. Bullock started August 5, 2024 with Rochester Public Utilities as the Director of Power Resources.

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

Mr. Geschwind reported:

- Austin Power Sales Contract: Austin and SMMPA signed the Amendment to the Power Sales Contract (PSC) extending the Austin PSC to 2050.
- Blooming Prairie SCADA: Blooming Prairie's Samsara software company is getting out of the SCADA business line. Members interested in a joint SCADA system should contact Blooming Prairie. SMMPA staff will meet with Blooming Prairie to discuss options.

**Member Forum:**

None.

**Other Business:**

There was no other business.

**Adjourn:**

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

The meeting was adjourned at 11:44 a.m.

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Secretary