

**SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY**  
**Minutes of the Board of Directors' Meeting**  
**January 15, 2026**

President Moulton called the meeting to order at 9:00 a.m. at the Gustavus Adolphus College in Saint Peter, Minnesota.

President Moulton, Saint Peter Municipal Utilities Public Works Director, welcomed the members and guests to Saint Peter and introduced Mayor Shanon Nowell, and Mr. Jason Lee, Saint Peter Municipal Utilities Electric Superintendent.

Mayor Nowell welcomed the members and guests to Saint Peter and expressed appreciation to SMMPA for the advocacy work for Saint Peter. On Earth Day, April 22, 2025, Gustavus Adolphus College celebrated the installed solar project that generates about 10 percent of the college's overall energy and appreciated the support received from SMMPA as well as President Moulton and Mr. Jason Lee of Saint Peter.

Mr. Koneczny, SMMPA Manager of Power Delivery, introduced Stuart Hiam, SMMPA Project Manager Transmission, and Shawn Timbers, SMMPA NERC Regulatory Compliance Program 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; Jerry Mausbach, Blooming Prairie; Julie Zarling, Fairmont; Christian Fenstermacher, Owatonna; Keith Butcher, Princeton; Jason Halvorson, Redwood Falls; Shanon Nowell, Jason Lee, Saint Peter; Chris Rolli, Spring Valley; Carl Sonnenberg, Waseca; Craig Anderson, Wells; Beth Fondell, Naomi Goll, Stuart Hiam, Joe Hoffman, Seth Koneczny, Jeremy Sutton, and Shawn Timbers of the Agency staff.

**Others Present Via Conference Call:**

Alex Bumgardner, Austin; Mike Roth, Shane Steele, Grand Marais; Mike Geers, Litchfield; and Ron Kennedy, Nikhil Tarlapally, John Simpsen of MCR Performance Solutions.

**#1 Agenda Approval:**

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

**#2 Consent Agenda:**

Mr. Reimers moved to approve the consent agenda, seconded by Mr. Dankert, passed upon a

unanimous vote of the board members present.

APPROVED the December 10, 2025 board meeting minutes.

### **#3 MCR Transmission Investment Analysis-Koneczny/MCR (via Microsoft Teams):**

Mr. Koneczny introduced Mr. Nikhil Tarlapally, Mr. Ron Kennedy, and Mr. John Simpsen of MCR Performance Solutions to provide SMMPA's detailed transmission investment analysis.

Mr. Tarlapally, MCR Performance Solutions Lead Consultant, presented the results of the SMMPA transmission investment analysis.

Mr. Kennedy, MCR Vice President, provided additional information on transmission investments across the pricing zones.

Discussion.

#### **Conclusions of the Analyses**

- Transmission investment in three of four SMMPA's local zones yields a positive net financial benefit for SMMPA.
  - The local transmission investment costs are subject to the zonal split based on the load ratios in the zone.
  - SMMPA's load ratio share drives the benefit to SMMPA for local investments, so the value is greatest in the ITCM zone where SMMPA has the lowest share of load in the zone.
- Similarly, investment in MVP projects provides SMMPA with a positive net present value.
  - The MVP costs are shared regionally, not locally, which allows SMMPA to recover costs from ratepayers in all the MISO Midwest pricing zones.

Mr. Geschwind expressed appreciation to MCR for their efforts.

### **#4 MISO Tranche 1 Transmission Investment Projects-Sutton:**

Mr. Sutton reported on the MISO Tranche 1 Transmission Investment Projects.

The board resolution authorizes financing and participation in the LRTP-4 and LRTP-6 projects.

The member representative vote would authorize the Agency to issue debt to fund participation in the transmission projects.

#### **LRTP-4 Project**

The Joint Development Agreement establishes the Agency's ownership interest in that project, and the Agency would execute that agreement if participation and financing is approved.

- LRTP-4 participants include SMMPA, Xcel Energy, Dairyland Power Cooperative, and Rochester Public Utilities.

### LRTP-6 Project

The Term Sheet was executed by the Agency in August 2025. The Agency would be expected to enter into binding agreements referred to as the Definitive Agreements.

- LRTP-6 (Tremval-Rocky Run-Columbia in Wisconsin) participants include SMMPA, Xcel Energy, and WPPI Energy.

Discussion.

### Action Item

Seeking a Board and Member Representatives vote to invest in LRTP-4 and LRTP-6 by authorizing the Agency to issue up to \$46 million of debt for said projects.

Mr. McCollough moved to approve the Board Resolution as provided in the board book related to the LRTP-4 and LRTP-6 projects, seconded by Mr. Dankert, passed upon a unanimous vote of the board members present. (Attachment A.)

### **Temporary Recess to Member Representatives Meeting:**

At 9:51 a.m., Mr. Warehime moved to recess the SMMPA Board of Directors meeting and move into the Member Representatives meeting, seconded by Mr. Reimers, passed upon a unanimous vote of the board members present.

Following the establishment of a quorum of the member representatives and completion of that agenda in which the member representatives approved the resolutions presented, the board meeting reconvened.

### **Board of Directors Meeting:**

After a short break, the board reconvened at 10:11 a.m.

### **#5 Establish Decommissioning Fund-Fondell:**

Ms. Fondell reported on establishing a decommissioning fund.

In January 2027, the final payment on the 1994A bonds will occur, which were issued to refinance the initial costs of the Sherco 3 plant.

For several years, the Agency has discussed using the released Debt Service Reserve (DSR) funds associated with the 1994A bonds to cover Sherco 3's estimated retirement and decommissioning costs. A total of \$58,160,000 released DSR funds will be available for this purpose, with the initial release of \$12,375,003 occurring in conjunction with the 2025A bond refunding transaction in October 2025. An additional \$7,765,997 will be released this month and the final release of \$38,020,000 will occur in January 2027.

Estimated Sherco 3 decommissioning costs are not yet known. As a minority owner of Sherco 3, SMMPA will rely on Xcel Energy to lead efforts to determine estimated retirement and decommissioning costs. Many decisions still need to be made regarding what happens to the

facility, site, and equipment. Detailed studies will be performed to determine Sherco 3 retirement and decommissioning costs as we approach the planned retirement date.

#### SMMPA 1983 Bond Resolution

The 1983 Power Supply System Revenue Bond Resolution addresses establishing a Decommissioning Fund through a Supplemental Resolution. Since SMMPA is currently working on updating or replacing the 1983 Bond Resolution this year in preparation for the planned 2027 bond issuance, bond counsel has advised using a board resolution instead of a Supplemental Resolution. This approach will avoid the Decommissioning Fund being established under the old bond resolution and needing to be unraveled with a new senior bond resolution.

#### Proposed Board Resolution

The proposed board resolution outlines the intent to allocate money as “Decommissioning Funds” to cover anticipated costs related to the decommissioning, retirement, or disposal of Sherco 3. The resolution allows the board to approve additional allocations for similar purposes involving other generation resources. All Decommissioning Funds will be reserved only for related costs and be classified as “Committed Unavailable” and not included in available capital reserves. The resolution identifies the released DSR from the 1994A bonds totaling approximately \$58 million as the initial funding amount for the Decommissioning Funds. Interest earned on Decommissioning Funds will be added to and remain within the Decommissioning Funds account, serving as a hedge against inflation.

#### Action Item

Requested approval of the Board Resolution regarding funds for Sherco 3 decommissioning.

Mr. Dankert moved to approve the Board Resolution regarding funds for the Sherco 3 decommissioning, seconded by Mr. Warehime.

During discussion, Mr. McCollough noted he is supportive of establishing a decommissioning fund. However, he indicated he believed the full \$58.2 million of debt service reserve from the 1994A bonds should not be dedicated to decommissioning in the absence of a board adopted decommissioning study.

Mr. McCollough moved to amend the motion to lower the funding amount noted in the Board Resolution to approximately \$20 million, which is the current released DSR amount related to the 1994A bonds. Motion not seconded, motion failed.

Following discussion, the original motion passed upon a majority vote of the board members present. Opposed: Mr. McCollough. (Attachment B.)

#### **#6 Member Prepayment Program-Fondell:**

Ms. Fondell reported on the Member Prepayment Program.

During the March 2025 board meeting, consensus was to proceed with member-managed rate smoothing over the next several years, where the Agency adjusts rates each year based on cash

reserve levels. A prepayment program was offered as an option to members to leave funds on deposit with the Agency.

Several members and legal counsel participated in a working session reviewing the 1988 Power Bill Pre-Payment Program to make suggestions for an updated program.

Members participating in the program can maintain funds on deposit with the Agency, which can be used to offset future rate increases or be withdrawn at any time.

#### Program Highlights

- Participation is voluntary.
- Minimum prepayment is \$1,000, with additional increments of \$1,000.
- Maximum prepayment balance is the estimated annual power billings for the member.
- Prepaid balances earn interest in a money market account that is compliant with Minnesota Statute 118A.
- SMMPA's accounting department will provide monthly statements to participating members.
- Members must notify SMMPA's accounting department to apply prepayment funds to power bills.

Discussion.

#### Action Item

Requested board approval of the SMMPA Power Bill Prepayment Program as provided in the board book.

Mr. Warehime moved to approve the SMMPA Power Bill Prepayment Program, seconded by Mr. Bakken, passed upon a unanimous vote of the board members present. (Attachment C.)

#### **#7 Western Fuels Train Lease-Sutton:**

Mr. Sutton reported on the Western Fuels lease of the SMMPA train.

SMMPA owns 120 aluminum rail cars that were manufactured in 1994 and no longer utilizes the train set.

Western Fuels Association (WFA) proposed a lease-to-own arrangement for the SMMPA train through a 60-month lease at \$204 per car for a total of \$1,470,000. The title for the rail cars would be transferred to WFA upon satisfaction of the lease payments.

Discussion.

#### Action Item

Requested board approval for SMMPA CEO to sign the Railcar Lease to Purchase and Sale Agreement with Western Fuels Association.

Mr. Warehime moved to authorize the SMMPA CEO to sign the Railcar Lease to Purchase and Sale Agreement with Western Fuels Association, seconded by Mr. Reimers, passed upon a

unanimous vote of the board members present.

### **#8 NERC Compliance Review-Timbers:**

Mr. Timbers reported on the NERC compliance activities.

SMMPA is subject to certain mandatory standards to ensure the reliability and security of the electric grid. An overview of the standards and requirements that apply to SMMPA was presented.

Discussion.

#### FERC Order 881 Compliance

SMMPA complied with FERC Order 881 implementing ambient-adjusted ratings for transmission lines to integrate real-time weather effects into grid operations for better reliability and renewable integration.

SMMPA continues to address emerging standards and develops analytic systems for operational/compliance efficiency.

The SMMPA Board commended Mr. Timbers for his valuable presentation and appreciated his efforts.

### **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 of the APPA Legislative Rally in Washington, D.C. February 23-25, 2026.

#### Austin Energy Station Personal Property Tax Exemption

In 2025, the Agency initiated efforts to secure a personal property tax exemption for the generating equipment at the Steele Energy Station. As the Agency begins planning for a potential Austin Energy Station (AES), it may be prudent to seek an amendment to the existing bill language that would extend exemption to both facilities. If the Agency advances the AES exemption this year, discussions would begin with Austin Utilities, City of Austin, and Mower County to facilitate this process.

#### Distributed Generation Reporting

SMMPA is sending a data request to the members regarding reimbursement for customers' net exports. Members were reminded to e-file the annual (PR-26-10) Distributed Generation Report. Members also need to file with their local governing bodies (Commission or City Council) the M-MIP Report Schedule 1-Average Retail Energy Rate, Schedule 2-Average Incremental Cost, Annual QF Report to Governing Board, and Notification to Customers.

### Cybersecurity Board Security Brief

Systems should be kept secure with timely patching. A software patch is an update issued by software developers to address security vulnerabilities or other issues within a program's code. Because patches often are not installed automatically, it is essential to manually check for updates at least once per month.

### **Operations Report-Sutton:**

Mr. Sutton reported:

#### Winter Emergency Operations Preparedness

SMMPA has conference calls every three weeks with all member plant operators to prepare for winter operations. Fairmont Energy Station and Owatonna Energy Station have pre-winter checklists for weather event monitoring.

#### OES & FES MPCA Alleged Violation/Letter of Warning

MPCA issued a Letter of Warning stating all corrective actions are complete regarding the Owatonna Energy Station and Fairmont Energy Station Semiannual Compliance Reports.

#### Austin Energy Station

The proposed Austin Energy Station kick-off meeting was held December 16, 2026 at Austin Utilities. Working on a site lease option and then to begin the air permit process. The phase 1 due diligence is in process to ensure the site is viable.

#### Steele Energy Station Update

Working through limits on formaldehyde and acrolein and a conference call is scheduled next week with MPCA. Exercised the extension on the land purchase option. Geotech soil borings will be performed next week.

#### Wapsi Wind Contract Extension

EDF Renewables is offering an 8-year PPA extension on the Wapsi wind contract. SMMPA staff will continue to evaluate this option and bring the topic back to the board in the near future for consideration.

#### Market Update

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

### **Financial Report November 2025-Fondell:**

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

#### Sherco 3 Outage Self-Insurance

In 2025, SMMPA began self-insuring for unplanned Sherco 3 outages, replacing an insurance policy that had been utilized in prior years to assist with incremental costs of purchased power when Sherco 3 is unexpectedly offline and market prices exceed a pre-established level. Each December, SMMPA uses MISO Minn Hub forward prices obtained from The Energy Authority

to establish the strike price for the following year's self-insurance. The 2026 strike price has been set at \$58.40.

#### Member Cash Distribution

The \$2,565,113.50 one-time cash distribution to the members will be processed next week.

#### President's Report:

Mr. Moulton reported:

- SMMPA Staff Recognition: SMMPA staff members recognized were Jeremy Sutton and his staff on the Tranche 1 transmission investment projects; Seth Koneczny and Shawn Timbers for their presentations today; and Deb Donahue for supplying requested information to the board.

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

Mr. Geschwind reported:

- APPA Joint Action Conference: Mr. Moulton, Mr. Warehime, Mr. Reimers, Mr. McCollough, Mr. Hoffman, and Mr. Geschwind attended the APPA Joint Action Conference January 11-13, 2026 in Destin, Florida. A key conference topic included mandatory compliance and cybersecurity risks presented by Jim Robb, NERC President & CEO. Mr. Robb stated there are 565 days until August 1, 2027 (100<sup>th</sup> anniversary of the People's Liberation Army in China) when some believe China could be prepared to invade Taiwan and threaten cyberattacks on U.S. infrastructure as a distraction.

#### Member Forum:

Mr. McCollough expressed appreciation to SMMPA for offering the NINJIO cybersecurity awareness training courses for Rochester Public Utilities as it has been effective.

#### Other Business:

There was no other business.

#### Adjourn:

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

The meeting was adjourned at 12:06 p.m.

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Secretary