

SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY
Minutes of the Board of Directors' Meeting
October 17, 2024

President Reimers called the meeting to order at the Sheraton Hotel in Bloomington, Minnesota.

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; T. Scott Jensen, Lake City; Mark E. Nibaur, Austin; and Timothy M. McCollough, Rochester.

Others Present:

David P. Geschwind, Executive Director & CEO; Alex Bumgardner, Jay Lutz, Marc Oleson, Austin; Jerry Mausbach, Blooming Prairie; Miles Heide, Julie Zarling, Fairmont; Mike Roth, Shane Steele, Grand Marais; Joe Kohlgraf, Mora; Keith R. Butcher, Princeton; Jason Halvorson, Redwood Falls; Bill Bullock, Patty Hanson, Peter Hogan, Malachi McNeilus, Rochester; Brad DeVos, Sally Vogel, Saint Peter; Chris Rolli, Doug Plaehn, Michelle Plaehn, Spring Valley; Craig Anderson, Wells; Mark Mitchell, SMMPA Retired Director of Operations & COO; Eric J. Atkinson, Beth A. Fondell, Naomi A. Goll, Brian D. Hammarsten, Marcus C. Hendrickson, Joseph A. Hoffman, Carrie L. Jensen, Sam S. Mack, Robin E. Mechura, John P. O'Neil, Scott T. Passentino, Rebecca J. Schmitz, Clint D. Schumacher, Jeremy B. Sutton, and Alan D. Wagner of the Agency staff.

#1 Agenda Approval:

Mr. Geschwind suggested that the agenda be modified by deferring item #8 Wildfire Mitigation Plan to the November board meeting.

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

#2 Consent Agenda:

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

APPROVED the September 11, 2024 board meeting minutes.

#3 2025 Proposed Budget & Rates-Fondell:

Ms. Fondell presented the 2025 proposed budget and rates.

The details of the draft 2025 budget were reviewed during the SMMPA Budget & Rates Workshop held on September 24, 2024. Minor adjustments were made to the draft budget version presented at the workshop. The proposed 2025 budget and key budget assumptions were distributed electronically prior to the board meeting.

Member Rates

Effective February 1, 2025, the second year of transitioning transmission rates from 100% ratchet to monthly coincident peak will begin (approved by the board on May 10, 2023).

The Energy Cost Adjustment (ECA) base cost was calculated for the 2025 calendar year at \$31.82/MWh to be used for charge/credit determination from January through December 2025. Financial Transmission Rights (FTR) revenues were budgeted at \$0 for 2025.

Revolving Credit Agreement

A tax-exempt Revolving Credit Agreement draw of \$27 million is planned for August 2025 related to the new Steele Energy Station in Owatonna and various transmission projects. A \$2.55 million paydown is planned in December 2025.

Energy Cost Adjustment

There was discussion on whether to continue with an annual (blended) ECA rate or adopt a monthly rate base cost that fluctuates each month based on the budgeted net energy costs for that month.

Recommendation

Seek board approval of the 2025 budget and rates as presented, including the ECA base cost calculated on either an annual or monthly basis.

Mr. Warehime moved to approve the 2025 budget and rates including the Energy Cost Adjustment base cost calculated on an annual basis, seconded by Mr. McCollough, passed upon a unanimous vote of the board members present.

#4 2024 Integrated Resource Plan-Sutton:

Mr. Sutton reported on the 2024 Integrated Resource Plan (IRP) and thanked Mr. Mitchell, SMMPA Retired Director of Operations & COO, and SMMPA team members Mr. O'Neil, Mr. Schumacher, and Ms. Schmitz for their efforts with the IRP.

He provided background information, reviewed assumptions, discussed the plan development process, and provided a summary of the results.

The Agency is required to file the IRP with the Minnesota Public Utilities Commission by December 1, 2024.

Discussion.

Mr. Nibaur moved to approve filing the 2024 Integrated Resource Plan by December 1, 2024 in substantially the same format as provided, seconded by Mr. Bakken, passed upon a unanimous vote of the board members present.

#5 Dispatchable Generation-Sutton:

Mr. Sutton reported on the Solar Titan 130 gas turbine for the dispatchable generation project in

Owatonna.

Estimated Project Costs:

Solar Titan 130 Gas Turbine Engine Package \$36,915,568.

- Contingency 5% \$1,845,778.

Estimated Balance of Plant Costs \$30,150,000.

- Contingency 20% \$6,030,000.

Estimated Total Project Cost \$74,941,346.

Board Action

Authorize funds for activities for engineering and procurement contract not to exceed \$4,051,556.

- DGR Engineering will develop generator step-up transformer procurement document. Estimating to request board authorization for the transformer in the 1st quarter of 2025.

Mr. Nibaur moved to authorize funds for activities for engineering and procurement contract not to exceed \$4,051,556 for the generation project in Owatonna, seconded by Mr. Moulton, passed upon a unanimous vote of the board members present.

#6 Highway 14 Interchange Line Relocation-Sutton:

Mr. Sutton reported on the Highway 14 interchange line relocation.

The Minnesota Department of Transportation is planning a major interchange project at the intersection of Highway 14 and 60th Avenue SW on the western edge of Rochester, Minnesota.

This project will require relocation of 1.2 miles of the Agency's double circuit 161 kV transmission lines at the Agency's expense to be completed by 2025.

Board Request

Request approval of \$3,627,000 to complete project.

- Unbudgeted item.
- Labor and materials \$2,570,000.
- Right of way \$150,000.
- Soil borings \$27,000.
- Engineering \$550,000.
- Contingency \$330,000.

Discussion.

Mr. Jensen moved to approve the Highway 14 interchange line relocation of \$3,627,000, seconded by Mr. McCollough, passed upon a unanimous vote of the board members present.

After a short break, the board reconvened at 9:19 a.m.

#7 OPU 7 Combustion Turbine Refurbishment-Sutton:

Mr. Sutton reported on the Owatonna Public Utilities 7 Combustion Turbine Refurbishment.

The repair inspection report provided repair options ranging from a minimal approach to a full overhaul with repair estimates ranging from \$494,449 to \$964,781.

Recommendation

SMMPA staff recommends a full overhaul of \$964,781 plus contingency for a total of \$1,157,737.

- Current market capacity values required to replace this unit for one year exceeds the repair costs.
- Capacity needed for SMMPA's long term resource plan.
- Value of interconnection with MISO continues to climb.

Discussion.

Mr. Moulton moved to approve the Owatonna Public Utilities 7 combustion turbine full overhaul plus contingency of \$1,157,737, seconded by Mr. Bakken, passed upon a unanimous vote of the board members present.

Government Affairs/Member Services Report-Hoffman:

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

APPA Legislative Rally

The APPA Legislative Rally will be held February 24-26, 2024 in Washington, D.C.

Minnesota Electric Grid Resilience Grants

The Minnesota Department of Commerce is accepting applications for the Minnesota Electric Grid Resilience Grant Program. Grant awards of \$250,000 are eligible to entities with \$5,300,000 in total funds available. Grant applications are due November 19, 2024.

SMMPA Member IT Roundtable

SMMPA will hold an IT roundtable for members tentatively scheduled for December 18, 2024 from 10 a.m. to 1 p.m. at Owatonna Public Utilities.

Eaton Users Group

The SMMPA-Eaton Users Group meeting will be held December 3, 2024 at the New Prague Fire Hall. Seven SMMPA members currently have Eaton metering systems.

Operations Report-Sutton:

Mr. Sutton reported:

MISO Fixed Resource Adequacy Plan

SMMPA was notified by The Energy Authority (TEA) that MISO was planning to reconfigure the clearing auction activity for the Fixed Resource Adequacy Plan for planning year 2022-2023 and that SMMPA may need to return \$2 million. On October 8, 2024, SMMPA met with MISO

and TEA via conference call to discuss the analysis. MISO's revised calculation reflected that SMMPA will collect \$13,000 for zonal deliverability and pay \$55,000 to MISO.

OES/FES Head Update

Caterpillar is offering a new program to fix the head design for seat valves along with a new design casting. **Owatonna Energy Station** – Caterpillar will offer new replacement heads with new design at 60% discount. **Fairmont Energy Station** received 6 heads with old design and determining new course of action with Caterpillar if the heads should be returned and install 6 heads with the new design. Work will take place in Florida.

Market Price Update

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

Financial Report August 2024-Fondell:

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

ECA Components

A new slide displaying Energy Cost Adjustment (ECA) components will be provided in the monthly financial report and year-to-date ECA charges/credits have been added to the ECA budget vs. actual graph.

Banking RFP Update

Six banks submitted banking services proposals to SMMPA. SMMPA's internal review team is reviewing the proposals and developing a short list. Bank finalists' interviews will be held November 14-15, 2024.

Continuing Disclosure Report

The annual SMMPA Continuing Disclosure Report was filed on September 27, 2024.

RCA Taxable Draw

A taxable Revolving Credit Agreement draw of \$260k was completed on October 3, 2024 to fund the Saint Peter Solar Project.

RCA Tax-Exempt Draw

A tax-exempt Revolving Credit Agreement draw of \$6 million is scheduled for November 1, 2024 to fund the upcoming Steele Energy Station initial expenditures and various transmission projects.

Budgeted Member Base Rates Summary

SMMPA staff have been providing budgeted member base rate information to certain members upon request but feel that other members could benefit from receiving the information. Ms. Fondell will work with staff to develop a recommendation on the timing of preliminary and final information distribution and discuss it at the November board meeting.

President's Report:

Mr. Reimers reported:

- SMMPA Annual Meeting: Appreciation was expressed toward SMMPA staff for planning a great meeting.

Executive Director & CEO's Report:

Mr. Geschwind reported:

- 2025 SMMPA Board Meetings: Proposed moving the June 2025 board meeting one day later to Thursday, June 12, 2025 to avoid conflict with the APPA National Conference. An email will be sent to the members with a tentative 2025 SMMPA Board meeting schedule, and the schedule will be finalized at the November board meeting.
- SMMPA Board Retreat: The 2024 SMMPA Board Retreat will be held November 7-8, 2024 at the Mystic Lake Casino Hotel, Prior Lake, Minnesota. Mr. Geschwind will send potential topics to the board and the members for their review.
- Owatonna Public Utilities: Owatonna Public Utilities celebrated 100 years on October 10, 2024.
- SMMPA Annual Meeting: Appreciation was expressed toward Mr. Hoffman, Ms. Jensen, Mr. Passentino, and Mr. O'Neil for planning the SMMPA Annual Meeting.
- SMMPA Member Representatives Meeting: The SMMPA Member Representatives meeting will be held today immediately following the SMMPA Board of Directors meeting.

Member Forum:

None.

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 10:34 a.m.

Secretary