SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY
Minutes of the Board of Directors' Meeting
August 12, 2026

President Moulton called the meeting to order at 9:00 a.m. at the Best Western Hotel in Fairmont, Minnesota.

Mr. Heide, Fairmont Public Utilities Electric Distribution Superintendent, welcomed the members and guests to Fairmont and introduced Fairmont City Administrator Jason Baker, Director of Public Works/Utilities Matthew York, and Fairmont Assistant Finance Director Julie Zarling.

Mr. Heide announced that today is his last SMMPA Board meeting, as he accepted a new position and is changing employers. He expressed appreciation for everyone's support.

Ms. Marotzke introduced Mr. Mitch Kriener as the new Preston Public Utilities General Manager/Public Works Director. Mr. Kriener commented that he looks forward to the next adventure.

Board Members Present:

President Pete Moulton, Saint Peter; Secretary Keith Butcher, Princeton; Treasurer Tom Dankert, Austin; and Christian Fenstermacher, Owatonna.

Board Members Present Via Conference Call:

Vice President Bruce Reimers, New Prague; and Tim McCollough, Rochester.

Others Present:

David P. Geschwind, Executive Director & CEO; Alex Bumgardner, Austin; Miles Heide, Julie Zarling, Jason Baker, Matthew York, Fairmont; Mike Roth, Grand Marais; Michelle Marotzke, Mitch Kriener, Preston; Chris Rolli, Spring Valley; Craig Anderson, Wells; Dave Berg, Dave Berg Consulting, LLC; Beth Fondell, Naomi Goll, Joe Hoffman, and Jeremy Sutton of the Agency staff.

Others Present Via Conference Call:

Jerry Mausbach, Blooming Prairie; Shane Steele, Grand Marais; Mitchell Rigelman, Lake City; Mike Geers, Litchfield; Joe Kohlgraf, Mora; Dave Olson, Owatonna; and Jason Halvorson, Redwood Falls.

#1 Agenda Approval:

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

#2 Consent Agenda:

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

APPROVED the July 8, 2026 board meeting minutes.

APPROVED the South Faribault Substation Battery & Charger Replacement. (Attachment A.)

#3 Cost of Service Study-Fondell/Dave Berg Consulting:

Ms. Fondell reported that the Cost of Service Study was performed to ensure the rate structure accurately aligns with costs and supports the rate-making design philosophy. Ms. Fondell then introduced Mr. Dave Berg, Dave Berg Consulting, LLC.

Mr. Berg presented an overview of the Cost of Service Study, which included a historical evaluation based on actual 2025 data and a look ahead to 2031 rates using forecasted data. A review of the current rates shows that the power supply demand charge revenues are lower than the revenue requirements and energy charge revenues are higher than the revenue requirements. Current transmission demand charge revenues are higher than the revenue requirements, but transmission costs are expected to increase in future years. Power supply demand costs are also expected to increase over the next several years. With this in mind, the recommendation is to apply the 2027 rate decrease solely to the on-peak and off-peak energy charges and consider increases to the power supply demand charges in future years when rates increases are forecasted.

Discussion.

The future cost basis could be significantly different with Sherco 3 retirement and associated debt eliminated, Rochester's Power Sales Contract expiration, and changing market conditions and supply resources. He concluded that the Agency's rate structure generally aligns with overall revenue requirements.

#4 Financial Reserves Policy-Fondell:

Ms. Fondell reported on the Financial Reserves Policy (FRP).

At the June board meeting, Mr. Chris Lover, Public Financial Management (PFM), presented on the study results and recommended cash reserve targets.

At last month's board meeting, an option to reserve a portion of the Revolving Credit Agreement (RCA) borrowing capacity of $7.8 million related to the replacement purchase power risk was discussed. The target General Operating Reserve (GOR) would decrease from PFM's recommended level of $62.1 million to $54.3 million (+/- 10% bandwidth) compared to the current GOR target of $51.5 million. There was board consensus at the July board meeting to proceed with this option and reserve some of the RCA borrowing capacity. The board also supported applying the 2027 rate decrease to on-peak and off-peak energy charges.

Discussion.

Action Item
Seek board approval of the revisions to the FRP as presented in the board book.

Mr. Butcher moved to approve the Financial Reserves Policy revisions as presented in the board book, seconded by Mr. Dankert, passed upon a unanimous vote of the board members present. (Attachment B.)

Action Item - GOR Target
Historically, GOR target revisions have taken place immediately after each Financial Reserves Policy update, and no inflationary adjustment to the target has been made for the following year. Adjustments for May-over-May local CPI have been done for subsequent years until a new Financial Reserves Study is completed. Agency staff requested direction on whether this approach should be continued, or if a GOR inflationary adjustment should be calculated for 2027.

Discussion.

The board reached a consensus to proceed with an inflation adjustment for 2027 and to incorporate the recommended approach into the 2027 budget and rate design.

#5 Sherco 3 Forced Outage Self-Insurance Program-Fondell:

Ms. Fondell reported on the Sherco 3 Forced Outage Self-Insurance Program.

In 2025, the board approved a new Sherco 3 Self-Insurance Program designed closely to align with prior insurance policies, with a few exceptions. Funds budgeted for an insurance policy in 2025 of $500,000 were allocated to the new program and an additional $500,000 was added to the program in 2026. Currently, the self-insurance program covers only on-peak hours.

At the February board meeting, in conjunction with reviewing the results of Winter Storm Fern, the board suggested reviewing the program to expand the self-insurance program to include all hours. There was also a suggestion to revisit the annual funding amount.

Discussion.

Action Item
1. Modify program coverage to include all hours?
2. If yes to #1, calculate annual strike price based on Minn Hub ATC prices?
3. Keep annual funding at $500,000?

Mr. McCollough moved to approve to modify the Sherco 3 Self-Insurance Program to include all hours, calculate annual strike price based on Minn Hub ATC prices, and keep annual funding at $500,000, seconded by Mr. Fenstermacher, passed upon a unanimous vote of the board members present.

Changes to the self-insurance program will take effect immediately and Agency staff will assemble the 2027 budget using the same funding level of $500,000.

After a short break, the board reconvened at 10:54 a.m.

#6 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.

The messaging 2027 budget is $165,000 and has not changed since 2019.

Discussion.

The messaging outreach plan for 2026 and 2027 includes the development and implementation of a new messaging campaign.

#7 Power Sales Contract Extension-Geschwind:

Mr. Geschwind reported on the continued discussion on the Power Sales Contract extension.

The Power Sales Contract (PSC) Extension Resolution would give each member the opportunity to enter into an amendment to extend the PSC from 2050 to 2065 with September 30, 2027 proposed as a deadline to submit executed contract amendments to the Agency. The PSC amendment would be effective October 1, 2027.

Extending the PSC provides the long-term certainty needed to support long-term financing and make investments necessary to serve members into the future.

Discussion.

SMMPA staff extends an invitation to the members to present PSC information to the commissions and councils in the member communities, if requested.

Mr. Dankert moved to adopt the proposed Resolution Concerning Possible Extensions of Power Sales Contract, seconded by Mr. Fenstermacher, passed upon a unanimous vote of the board members present.

#8 FES Cooper Generator Rewind-Sutton:

Mr. Sutton reported on the Fairmont Energy Station (FES) Cooper Generator Rewind.

On June 23, 2025, FES Unit 7 experienced a significant fault within the generator termination/output enclosure that resulted in an equipment trip and a documented fireball event. During the first attempt to return Unit 7 to service on May 11, 2026, the unit tripped offline and there were visible smoke observations. Insurance claims were filed for the two events with a

$100,000 deductible per claim. The claims are currently under investigation.

The recommendation is to keep the project moving forward by having the generator removed and rewound at the WEG Electric Machinery facility.

Discussion.

Action Item
Request approval for FES Cooper Generator Rewind Project not to exceed $967,000 plus $85,000 contingency for a total approval of $1,052,000.

Mr. Fenstermacher moved to approve the Fairmont Energy Station Cooper Generator Rewind Project, not to exceed $967,000 plus $85,000 contingency for a total approval of $1,052,000, seconded by Mr. Butcher, passed upon a unanimous vote of the board members present.

#9 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.

SMMPA Member Portal
An email was sent to each member user with the link to the new SMMPA Member Portal site.

SMMPA Annual Meeting
The SMMPA Annual Meeting will be held October 15-16, 2026 at the Intercontinental Hotel, Minneapolis, Minnesota.

Cybersecurity BoardSecurity Brief
A cyberattack targeted more than 30 Minnesota community municipal water systems July 26-27, 2026. The attackers targeted internet-exposed programmable devices and the communities have switched to manual control of the systems.

Operations Report-Sutton:

Mr. Sutton reported:

AES Update
Waiting for Solar Turbines to provide a specific cost proposal for the Austin Energy Station gas turbines, but Solar Turbines assured SMMPA that turbines will be available.

SES Update
The Steele Energy Station (SES) land purchase is being executed and August 15, 2026 is the deadline to issue Notice of Purchase. Working with MPCA to finalize the SES model for the air permit. Executed change order #4 in the Solar Turbines contract to increase the stack height

from 50 feet to 85 feet. SMMPA rejected a change order to add 15 feet of turbine exhaust ductwork and will instead change the building design.

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 June 2026-Fondell:

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

SMMPA Budget and Rates Workshop
The SMMPA Budget & Rates Workshop will be held September 22, 2026 from 10 a.m. – 1 p.m. at Owatonna Public Utilities.

President's Report:

Mr. Moulton reported:

- SMMPA Staff Recognition: SMMPA staff members recognized were Ms. Fondell for her work on the Cost of Service Study and Mr. Geschwind on his work with the Power Sales Contract Extension.

Executive Director & CEO's Report:

Mr. Geschwind reported:

- SMMPA Board Dinner: Appreciation was expressed to Julie Zarling of Fairmont for last evening's dinner and boat ride. It was a great event.

- SMMPA Bylaws: Proposing a SMMPA Bylaws change to allow member representatives to participate in meetings virtually rather than being physically present to vote without the use of written proxies. Under Minnesota corporate law, board members may participate virtually if all members can hear one another simultaneously. Draft SMMPA Bylaws change language will be presented for review at the September board meeting and included as an action item at the October Member Representatives meeting.

Member Forum:

Ms. Marotzke announced that Preston has a lineworker position posted and will be posting the Economic Development position.

Mr. Fenstermacher announced that Owatonna will be posting the Director of Engineering & Field Operations position.

Mr. McCollough reported that Rochester is issuing a Request for Proposals for power supply on August 27, 2026, with the first-round deadline on October 16, 2026.

Mr. Butcher shared that Princeton is attempting a service territory acquisition.

Other Business:

There was no other business.

Adjourn:

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

The meeting was adjourned at 12:07 p.m.

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Secretary