

**SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY**  
**Minutes of the Board of Directors' Meeting**  
**April 9, 2025**

President Moulton called the meeting to order at 9:00 a.m. at the First Citizens Bank in Mora, Minnesota.

Mr. Kohlgraf, Mora Municipal Utilities General Manager, welcomed the members and guests to Mora.

**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; Mark E. Nibaur, Austin; and Timothy M. McCollough, Rochester.

**Others Present:**

David P. Geschwind, Executive Director & CEO; Joe Kohlgraf, Mora; Chris Rolli, Spring Valley; Craig Anderson, Wells; Dan La Haye, Baker Tilly; 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 Mausbach, Blooming Prairie; Miles Heide, Julie Zarling, Fairmont; Mike Roth, Shane Steele, Grand Marais; Mike Geers, Litchfield; Keith Butcher, Princeton; Jason Halvorson, Redwood Falls; and Sam Rod, Baker Tilly.

**#1 Agenda Approval:**

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

**#2 Consent Agenda:**

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

APPROVED the March 12, 2025 board meeting minutes.

APPROVED the Weighted Votes. (Attachment A.)

APPROVED the Litchfield Voltage Conversion, Land Option, and Permitting. (Attachment B.)

APPROVED the Windsor Substation Relay Replacement and Fiber Install. (Attachment C.)

### **#3 Financial Audit-Fondell/Baker Tilly:**

The Agency's financial statements along with the Independent Auditors' Report and required communication related to the conduct of the audit were distributed electronically prior to the meeting.

Ms. Fondell introduced Mr. Dan La Haye, Baker Tilly Director, to report on the audit results and thanked Baker Tilly for a very well-run audit.

Baker Tilly met with SMMPA Finance & Audit Committee members, Mr. Warehime (Owatonna), Mr. Reimers (New Prague), Mr. Rolli (Spring Valley), and along with the SMMPA team members on April 9, 2025, prior to the board meeting, to review the audit results. Mr. Butcher (Princeton) participated via conference call.

Mr. La Haye presented an overview of SMMPA's audited financial statements for the year ended December 31, 2024. Baker Tilly stated that the audit went well, and they are providing an unmodified clean audit opinion.

Mr. La Haye appreciated the opportunity to work with SMMPA and thanked Ms. Fondell, Ms. Julie Beth and her team for their efforts.

Mr. McCollough moved to accept the audit as presented by Baker Tilly for the year ended December 31, 2024, seconded by Mr. Nibaur, passed upon a unanimous vote of the board members present.

### **#4 Annual Review of SMMPA's Sustainability Efforts-Hoffman:**

Mr. Hoffman reported on the sustainability topic. SMMPA continues working toward goals in the SMMPA 2.0 initiative established in 2020.

SMMPA is updating the brochure that highlights the Agency's carbon reduction efforts.

#### *Our Commitment to Sustainability - Reducing our Carbon Footprint Brochure*

The carbon reduction report takes a focused look at changes in the Agency's carbon emissions. The brochure will be distributed to the members in hard copy as well as electronically.

#### **Solar Choice Program**

The Solar Choice Program allows customers of participating members to join the solar movement without installing panels on their property. Customers agree to purchase electricity from the Agency's Lemond Solar Project located near Owatonna, Minnesota. The pricing of the Solar Choice subscriptions is unique to each member and is based on current and projected retail rates. Members may contact SMMPA if their customers are interested in participating.

#### **Pollinator Habitat Program**

In 2016 SMMPA and members initiated the pollinator habitat program to preserve habitat for monarch butterflies and other pollinators. Mr. Hoffman will contact the members to determine interest in ordering plants and/or seed packets for distribution in the member communities. Owatonna expressed interest in ordering plants and seed packets.

Discussion.

#### Mission: Renew Program

The Agency offers the Mission: Renew Renewable Energy Credits (RECs) Retirement Program geared toward residential customers. The program allows customers to determine what percent of renewable energy they would like to purchase and have RECs retired on their behalf to achieve that goal. Currently, Owatonna and Princeton offer this program to their customers, and Grand Marais offers a similar program. In 2024 the Agency partnered with three members to retire RECs for four commercial and industrial customers.

#### SMMPA Electric Vehicle Charging Network

In 2021 SMMPA partnered with the members to install a 50 kW Direct Current Fast Charger (DCFC) and Level 2 (L2) chargers in the member communities. Currently, there are 15 DCFC and 72 L2 chargers in the member communities.

#### **#5 RES Compliance Outlook-Sutton:**

Mr. Sutton reported on the Renewable Energy Standard (RES) Compliance.

Each year the Agency is required to retire Renewable Energy Certificates (RECs) to meet the requirements of Minnesota's RES as outlined in Minn. Stat. §216B.1691. The types of resources that meet the renewable requirements were described. A history of how the Agency has met the RES requirements was provided. Mr. Sutton reviewed the process by which RECs can be banked for future use and outlined how the Agency plans to meet the renewable and carbon-free requirements, assuming new wind and solar resources are added.

Discussion.

#### Summary

- Current renewable resource portfolio would meet 25% RES requirement through life of Stoneray agreement.
- With addition of new wind and solar in the Integrated Resource Plan, portfolio would meet new RES and carbon-free requirements through 2038.
- SMMPA will continue to evaluate the number of excess RECs available for sale to member customers.
- Continue to work with utilities and policymakers on carbon-free standards implementation.
- Assess timing of new renewable additions.
- Assess mix of solar, wind, and REC purchases.

#### **#6 Quick Start Contract-Sutton:**

Mr. Sutton reported on the Quick Start Contract.

The Quick Start Working Group met via Microsoft Teams Meeting on April 3, 2025 to review the redline draft.

Discussion.

### Timeline

- Incorporate any input from the April board meeting.
- April-May -- Allow each City to review the contract terms.
- May-June -- Contract clean-up from review period.
- July -- Present to the board for final approval.

After a short break, the board reconvened at 10:34 a.m.

### **#7 Steele Energy Station Generator Step-Up Transformer-Sutton:**

Mr. Sutton reported on the Steele Energy Station generator step-up transformer.

In October 2024, the board authorized funds for engineering activities and for the initial payment necessary to secure the gas turbines. At that time, the expectation was that the Agency would return to the board in approximately Q1 2025 to seek authorization to procure the generator step-up transformer.

Transformer bids were received from four vendors and the bids were evaluated by DGR Engineering (DGR). Due to tariff concerns, Niagara Power Transformer was selected as their transformers are manufactured in the United States.

The air permit application has not been received yet from DGR.

Discussion.

### **Requested Board Action**

- Approve Niagara Power Transformer for generator step-up transformer selection.
- Authorize 50% of the funds required to procure the generator step-up transformer, plus contingency to secure spot in the manufacturing queue.
  - Not to exceed \$1,047,727.
    - \$952,479 plus 10% contingency.
- Remainder of the payment on the overall project will be requested at a future board meeting.

Mr. Warehime moved to approve Niagara Power Transformer for the generator step-up transformer and authorized 50% of the funds required to procure the transformer, plus contingency not to exceed \$1,047,727, seconded by Mr. McCollough, 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.

### **SMMPA Scholarship Program**

Members were reminded of the scholarship program and may contact SMMPA for assistance.

### SMMPA Member IT/Cybersecurity Roundtable

SMMPA will hold an IT/Cybersecurity Roundtable for members in June or July 2025 at Austin Utilities. Additional information will be forthcoming.

### Electric Vehicle Charger Repairs

SMMPA is currently working with several members to facilitate repairs to both Direct Current Fast Chargers and Level 2 chargers.

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

Mr. Sutton reported:

#### OPU 7 Combustion Turbine Update

Last year Owatonna Public Utilities Combustion Turbine Unit 7 was removed and shipped to Florida for inspection due to the damaged blades. More damage than expected was found at an additional cost of \$169,878. Last week the unit was shipped to Owatonna and is currently being re-installed.

#### Sherco Outage Capacity Replacement

Sherco 3 was excluded from the capacity auction for the Spring planning year 2025-2026 to preserve future accreditation. Replacement capacity was purchased from utilities, with the specific quantity and cost reported to the board.

#### Sherco 3 Coal Inventory

Due to too much coal on the pile, Xcel Energy suspended coal deliveries for two months.

#### Market Price Update

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

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

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

#### Rating Agency Updates

Moody's affirmed SMMPA's A1 credit rating with a stable outlook. Standard & Poor's formal review is nearing completion. Fitch Ratings plans to conduct the SMMPA financial review with completion in June 2025.

#### Rate Smoothing Spreadsheets

Members were asked if there was any feedback on the rate smoothing spreadsheet that was emailed to the members. SMMPA is willing to provide assistance to the members.

#### Pre-Payment Program Update

SMMPA received interest from members in using the pre-payment program and SMMPA will proceed with updating the old pre-payment program. SMMPA will seek member volunteers and schedule a meeting to update the prepayment program structure, subject to legal review by SMMPA Legal Counsel.

### SMPMA Finance & Audit Committee Meeting Update

The SMPMA Finance & Audit Committee meeting was held prior to today's board meeting. Mr. Dan La Haye, Baker Tilly Director, reported on the 2024 audit results. Asset retirement obligations and Sherco decommissioning were discussed. Every five years the Agency's internal control processes are reviewed. The internal controls review report issued in 2025 will be distributed to the SMPMA Finance & Audit Committee members along with SMPMA's action plan to address the recommendations.

### President's Report:

Mr. Moulton reported:

- SMPMA Recognition: SMPMA staff members recognized for their efforts were Beth Fondell, Julie Beth, and the SMPMA Accounting Department for the audit process; Jeremy Sutton for providing information on the Renewable Energy Standard Compliance Outlook and the Quick Start Contract; and Naomi Goll for board meeting planning and logistics.
- SMPMA Board of Directors Recognition: Mr. Warehime and Mr. Reimers were recognized for their time commitment with the SMPMA Finance and Audit Committee.

### Executive Director & CEO's Report:

Mr. Geschwind reported:

- APPA CEO & Utility Roundtable: The APPA CEO & Utility Roundtable was held March 16-18, 2025 in Amelia Island, Florida. Mr. Geschwind attended.
- SMPMA Office: On April 4, 2025, an individual broke into the SMPMA office, breaking the interior door panel glass, damaging office equipment, and setting a fire in the south stairwell. The individual is in custody facing charges.
- Solar Turbines Procurement Contract: On February 28, 2025, at Solar Turbines' request, SMPMA signed the Procurement Contract to purchase and install the three combustion turbines for the Steele Energy Station in Owatonna. Solar Turbines has not yet signed the contract as they are attempting to continue negotiating some of the contract terms. SMPMA staff will keep the board informed as to the resolution of the issue.
- SMPMA Fun Events: A presentation of the monthly SMPMA staff fun events was shared.

### 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. Warehime, passed upon a unanimous vote of the board members present.

The meeting was adjourned at 11:48 a.m.

\_\_\_\_\_  
Secretary