

**SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY**  
**Minutes of the Board of Directors' Meeting**  
**July 12, 2023**

President Reimers called the meeting to order at 9:00 a.m. at Freddie's Restaurant in Mora, Minnesota.

Mr. Anderson, Mora City Administrator/Utilities General Manager, welcomed the members to Mora and commented that Mora is grateful to be part of SMMPA.

**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; Mark E. Nibaur, Austin; and T. Scott Jensen, Lake City.

**Board Member Absent:**

Mark R. Kotschevar, Rochester.

**Others Present:**

David P. Geschwind, Executive Director & CEO; Glenn Anderson, Joe Kohlgraf, Mora; Keith R. Butcher, Princeton; Charles B. Heins, Jason Halvorson, Redwood Falls; Chris Rolli, Spring Valley; Carl C. Sonnenberg, Waseca; Lou Rosatone, Parker Ormonde, Siobhan O'Connor, The Energy Authority; Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, Mark S. Mitchell, and John P. O'Neil of the Agency staff.

**Others Present Via Conference Call:**

Jerry M. Mausbach, Blooming Prairie; Miles Heide, Julie Zarling, Fairmont; Mike Roth, Grand Marais; Michael B. Geers, Litchfield; and Chris Lewis, The Energy Authority.

**#1 Agenda Approval:**

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

**#2 Consent Agenda:**

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

APPROVED the June 14, 2023 board meeting minutes.

**#3 Risk Analysis Study Results-Mitchell/The Energy Authority:**

Mr. Mitchell introduced Mr. Lou Rosatone, Ms. Siobhan O'Connor, and Mr. Parker Ormonde,

The Energy Authority (TEA).

Mr. Lou Rosatone, TEA Account Director, provided an overview of TEA.

Mr. Parker Ormonde, TEA Portfolio Analyst, reported on the results of the semi-annual risk study. The risk study is a detailed analysis of the Agency's load and generation, and natural gas and energy market prices that evaluates many different scenarios to identify potential economic risks to the Agency. TEA's model considers Agency generation, load, fuel prices, market prices, and unit outage rates to determine the financial risk to the Agency under many different levels of these variables.

Discussion.

#### Hedge Recommendations

TEA does not currently recommend any hedge transactions during 2023. The analysis indicates potential risk reduction by selling excess power in the forward market in some months to capture forward price premiums and purchasing energy hedges in summer months if the EPA ozone rule restricts Sherco 3 operations.

President Reimers expressed appreciation to TEA for their efforts.

#### **#4 2023 Load Forecast-O'Neil:**

Mr. O'Neil reported on the 2023 load forecast.

The load forecast was developed by Mr. Jonathan Nunes of nFront Consulting Services. Mr. Nunes has been working with SMMPA staff to develop the forecast since 2010.

Discussion.

The updated member forecasts will be sent to each member.

#### **#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 becoming the way to distribute the messaging.

Discussion.

#### Budget and 2023 Plan

- Advertising budget \$165,000.
  - Working to develop new campaign themes to include reliability, carbon reduction, electric vehicles, and renewable energy.

After a short break, the board reconvened at 10:41 a.m.

## **#5 SMMPA 2.1 Resource Plan Update-Mitchell:**

Mr. Mitchell reported on the SMMPA 2.1 resource plan update.

Many things have changed since the analysis for SMMPA 2.0 and the Agency's 2021 Integrated Resource Plan was performed, including significant price increases for new conventional and renewable resources, changes in MISO's capacity accreditation process, and Minnesota's new carbon-free statute. These changes prompted the need to update the Agency's resource plan.

Mr. Mitchell reviewed the assumptions used in the analysis and reported on initial study results and the cost differences between different scenarios. He also reviewed alternative ways to meet the new carbon-free requirements. In addition, he reviewed information about how the location of renewable resources not only affects energy production, particularly for wind generation, but also affects the value of the energy due to the different energy prices at different locations. He emphasized that detailed locational analysis will be part of the process when selecting projects to participate in.

Discussion.

### Next Steps

- Develop scenarios that meet SMMPA 2.0 plan to be 80% carbon-free by 2030.
- Develop scenarios to address 2035 and 2040 requirements with resources, not RECs.
- Factor in carbon-free credits from MISO purchases.
- Sensitivity analyses.
  - Variations in wind and solar capacity.
  - High and low LMP and natural gas prices.
  - High and low renewable prices.
  - LMPs shaped for high penetration of renewables.
- Implementation strategies (timing and location of new resources).
- Recommendations.

## **Government Affairs/Member Services Report-Hoffman:**

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

### Energy Reduction Public Appeals Program

MISO may issue emergency alerts when issues impact the electric system reliability. MISO would call for necessary actions, which may include voluntary load shedding, that could impact all SMMPA member communities. SMMPA has worked with Solutionary Marketing, and they could develop a messaging plan for voluntary load shedding customized for each member. SMMPA and Solutionary Marketing could notify the designated media outlets in each community on behalf of the members, or a member could initiate the process on their own.

### Estimated Costs To Perform Work

- \$2,000 one-time fee for the Agency.
- \$300 one-time fee for each member.
- Ongoing costs.

There was board consensus to implement the program.

#### Emergency Alert Application – Preparis

Mr. Mitchell reported that last week SMMPA rolled out the emergency alert application, Preparis, to the members. Members were asked to install the application in order to receive emergency messages.

#### Pollinator Habitat Program for 2023

Members interested in ordering seed packets and/or plants to create habitat for monarch butterflies were asked to contact Mr. Hoffman.

#### Mission ReNew Program

The Agency rolled out a customer Renewable Energy Credits (RECs) retirement program geared toward residential customers. The program offers customers the opportunity to retire RECs that offset the carbon footprint of the electricity used in customers' homes. Currently, Owatonna and Princeton offer this program to their customers.

#### **Operations Report-Mitchell:**

Mr. Mitchell reported:

#### Mora Landfill Engine Update

The Mora landfill gas unit has been out of service due to oil sample analysis showing high levels of combustible gases in the step up transformer. An internal inspection of the transformer showed some loose connections that were corrected. The Agency is discussing options with its consulting engineer for returning the transformer and generating unit to service, and for determining if a replacement transformer needs to be located.

#### EPA “Good Neighbor” Rule Update

Minnesota was granted by the Eighth Circuit Court of Appeals a stay of the Environmental Protection Agency's (EPA) disapproval of the State Implementation Plan for addressing requirements for meeting NOx emission limits. The stay means that the EPA's Federal Implementation Plan (FIP) will not be implemented in Minnesota for the 2023 ozone season. The Agency will continue working with the Minnesota Good Neighbor Coalition in the legal and regulatory processes with the goal of permanently removing Minnesota from the FIP and eliminating the unnecessary restrictions that could be imposed on Sherco 3.

#### Sherco 3 Update

The Sherco 3 unplanned outage began on June 24, 2023 to address the high vibration on the forced draft fan. Crews found several issues with the refurbished fan which were due to poor workmanship by the vendor that worked on the fan during the planned outage. The fan was completely rebuilt with an anticipated return to service on July 14, 2023. SMMPA is pursuing an outage insurance claim and anticipates insurance proceeds of \$436,000. Outage insurance only covers on-peak hours, so the Agency purchased 100 MW of on-peak energy for the week of July 10, 2023 to provide an additional price hedge.

#### Market Price Update

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

## **Financial Report May 2023-Fondell:**

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

### **Energy Cost Adjustment Graph Budget vs. Actual**

A graph was reviewed displaying the monthly 2023 Energy Cost Adjustment (ECA) budget and actual ECA data for May. Members' May bills resulted in an ECA credit that was passed through to members.

### **Taxable RCA Borrowing**

A taxable Revolving Credit Agreement (RCA) draw of \$5 million occurred in May 2023 to assist with cash flow needs. Beginning with May's report, the Cash, Investment, and Reserves Summary includes a new line item for the taxable RCA borrowing balance that reduces the General Operating Reserve balance to reflect amounts borrowed.

### **Rating Agency Updates**

Fitch Ratings conducted the annual SMMPA financial review, and SMMPA will maintain the current AA- credit rating with a stable outlook. Standard & Poor's review is underway and nearing completion. Maintaining good ratings favorably impacts current RCA borrowing costs and any future interest rates on new bond issuances.

## **President's Report:**

Mr. Reimers reported:

- **APPA National Conference:** The APPA National Conference was held June 18-21, 2023 in Seattle, Washington. Representatives from Austin, Grand Marais, New Prague, Owatonna, Rochester, Saint Peter, and SMMPA attended the conference.

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

Mr. Geschwind reported:

- **Federal Grant Funds:** Significant federal grant funds are available for utility projects. A challenge is knowing which projects might qualify for which particular grants. Mr. Geschwind asked the members if it would be helpful for the Agency to retain a consultant that offers assistance evaluating and pursuing grants. He indicated the Agency plans to hire a consultant to assist the Agency in pursuing these grants and the scope of work could be expanded to include assistance to the members, too.

After discussion, there was board consensus to have the Agency staff move forward with retaining a consultant to help the Agency and the members with this opportunity.

## **Member Forum:**

None.

**Other Business:**

There was no other business.

**Adjourn:**

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

The meeting was adjourned at 12:22 p.m.

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Secretary

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