

**SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY**  
**Minutes of the Board of Directors' Meeting**  
**March 13, 2024**

President Reimers called the meeting to order at 9:00 a.m. at the Rochester Public Utilities in Rochester, Minnesota.

Mr. McCollough, Rochester Public Utilities General Manager, welcomed the members to Rochester and introduced Rochester Public Utilities Director of Corporate Services Peter Hogan; Rochester Public Utilities Board Members Patrick Keane, Malachi McNeilus, Brian Morgan; Rochester Public Utilities Manager of Power Resources Tony Dzubay; and Rochester Public Utilities Manager of Portfolio Optimization Dirk Bierbaum.

**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; T. Scott Jensen, Lake City; and Timothy M. McCollough, Rochester.

**Others Present:**

David P. Geschwind, Executive Director & CEO; Jerry M. Mausbach, Blooming Prairie; Shane Steele, Grand Marais; Damian Baum, Owatonna; Keith R. Butcher, Princeton; Jason Halverson, Redwood Falls; Peter Hogan, Dirk Bierbaum, Tony Dzubay, Patrick Keane, Malachi McNeilus, Brian Morgan, Rochester; Jeffery D. Amy, Wells; Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, Samuel S. Mack, Mark S. Mitchell, Rebecca J. Schmitz, and Jeremy B. Sutton of the Agency staff.

**Others Present Via Conference Call:**

Miles Heide, Julie Zarling, Fairmont; Mike Geers, Litchfield; Glenn Anderson, Joe Kohlgraf, Mora; and Chris Rolli Spring Valley.

**#1 Agenda Approval:**

Mr. McCollough 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. Moulton, passed upon a unanimous vote of the board members present.

APPROVED the February 14, 2024 board meeting minutes.

APPROVED the Byron-North Rochester Pilot Relay Communications Replacement.  
(Attachment A.)

APPROVED the New Prague Cooling Tower Replacement. (Attachment B.)

### **#3 Financial Forecast Assumptions-Schmitz:**

Ms. Schmitz reviewed the annual financial planning calendar and presented the proposed financial assumptions and scenarios for the upcoming financial forecast.

#### Financial Planning Calendar

- May – Budget preparation begins.
- June – Five-year forecast to board.
- August – Load forecast summary to board.
- September – 2024 budget and rates preview. Budget & Rates Workshop.
- October – 2024 budget and rates for board approval.
- November – Develop long-term forecast.
- December – Long-term forecast to board.

Data from the Bureau of Labor Statistics and Energy Information Administration (EIA) is used to apply inflation rate historical averages for the next two years and EIA forecasted inflation is used for subsequent years.

#### The following financial cases were proposed:

- Case 1 (Ozone limits in effect) – Built from 2024 budget and 2023 long-term forecast. Sherco 3 fully available for most of the year with a summer limit from May through September.
- Case 1a – Case 1 with LMPs and natural gas prices increased.
- Case 2 (Ozone limits not in effect) – Sherco 3 fully available for the entire year without any summer limit.
- Case 2a – Case 2 with LMPs and natural gas prices increased.

After discussion, no changes to assumptions or additional sensitivities were proposed; therefore, these cases will be used in the five-year forecast.

### **#4 Revolving Credit Agreement Amendment-Fondell:**

Ms. Fondell reported on the Revolving Credit Agreement (RCA) Amendment.

The US Bank RCA (short-term borrowing program) originated in January 2017 replacing the commercial paper program. The agreement renewed in April 2020 for 3 1/2 years and was amended and restated in November 2022.

The agreement expires May 8, 2024 and US Bank is willing to extend the agreement for 18 months with a limited number of changes. BSBY is scheduled to be discontinued in November 2024 and needs to be replaced with comparable indices in the amended RCA.

Discussion.

#### Next Steps

- US Bank to provide draft agreement.

- Work with Public Financial Management and Orrick to review agreement and make any necessary changes.
- Draft agreement will be available for April 2024 board meeting – action item.
- Closing in early May 2024.
- Consider Request for Proposal (RFP) for 2025 renewal.
  - Bonding strategy and timeline will be developed.
  - Consider refunding RCA balance with bond issuance.
  - Banking RFP will be completed.
  - Interest rate environment will likely change.

**#5 Workforce Planning-Fondell/Mitchell:**

Ms. Fondell reported on workforce planning. Since the Agency is aware of a couple upcoming retirements, staff evaluated the organizational structure to consider job responsibility alternatives for improved efficiencies and potential cost reductions.

Operations Positions

Mr. Mitchell reported there is a vacant plant operator/electronics position at Fairmont Energy Station as well as a vacant position for the Supervisor of Agency-Operated Generation at FES/OES. Pete Reinarts, Manager of Generation, Resource Planning & Operations, plans to retire October 4, 2024, and is willing to be flexible during the transition. Clint Schumacher will be taking on part of Pete Reinarts’ role relating to generation. To facilitate a smooth transition and provide time for Mr. Schumacher to train his replacement, the Agency is seeking consensus from the board to hire to fill Mr. Schumacher’s position as soon as possible. This would temporarily increase the number of employees until Mr. Reinarts’ retirement.

Human Resources Position

Ms. Fondell reported that Sandy Feehan, Human Resources Manager, will retire in June 2024 and plans to work part-time until the end of the year. SMMPA will eliminate two positions (Human Resources Manager held by Sandy Feehan and Supervisor of Asset & Risk Management held by Kevin Hafner) and create one new position (Human Resources and Insurance Administrator) to include portions of both eliminated positions. Current employee Kevin Hafner will move into that new role.

Administrative Policy 405 Part-Time Employee Benefits

The proposed changes include adding a new Class 2 to Administrative Policy 405 and offering health insurance benefits to departing employees who meet certain criteria and agree to work under an arrangement that is similar to PERA’s Phased Retirement Option and are willing to commit to a 50% work schedule. Offering health insurance for a limited time to part-time employees who can help with an orderly succession transition benefits the Agency and the departing/retiring employee.

Discussion.

Action Item

Seek board approval of the proposed changes to Administrative Policy 405.4 as presented and included in the board materials.

Mr. Moulton moved to approve Administrative Policy 405.4, seconded by Mr. Jensen, passed upon a unanimous vote of the board members present. (Attachment C.)

There was board consensus to move forward with backfilling the Manager of Member Generation & Permitting position.

After a short break, the board reconvened at 10:23 a.m.

### **#6 FES & OES 2023 Performance Summary-Mitchell:**

Mr. Mitchell reported on the 2023 performance summary of Fairmont Energy Station (FES) and Owatonna Energy Station (OES).

Information on actual hours of operation, capacity factor, energy production, availability, and forced outage rates were reviewed.

Discussion.

#### **Summary**

- Both plants had solid operating years.
- OES ran a total of 465 hours from November 7 through December 15 (51% of the time) for voltage support/reliability due to outage of South Faribault 161/115 kV transformer.
- Availability at both plants exceeded national average.
- Both plants ran for energy, reliability, and ancillary services.
- Combined positive operating margins of over \$1.3 million.

### **#7 Quick Start Program-Mitchell:**

Mr. Mitchell reported on the Quick Start Program.

At the February board meeting, there were discussions of the Agency's need for long-term capacity and members' interest in adding quick start generation for local reliability.

#### **Proposed New Quick Start Contract Offering**

- Monthly capacity payment=\$10/kW-month (on lesser of nameplate or GVTC value, not MISO accreditation)
- 20-year contract for new units
- 2028-2029 in-service date
- Member responsible for equipment procurement, capital costs, installation, permitting, O&M, staffing
- Agency responsible for capacity payment, fuel, MISO accreditation, scheduling.

The Agency will provide a formal offer to members outlining the terms of the program and will request formal notice of interest including amount of generation members would like to install.

If there is more interest than need, the Agency will develop a process to evaluate each member's ability to serve local load by determining a priority ranking among members.

## Discussion

Mr. Warehime moved to authorize the Agency to formally **offer** 20-year contracts to members for new quick start diesel generation with a monthly capacity payment of \$10/kW-month under terms outlined above with a minimum of 500 permitted run hours, seconded by Mr. Moulton.

Mr. McCollough moved to amend the motion by changing “**offer**” to “**negotiate**”, seconded by Mr. Warehime. The motion to amend was approved and passed unanimously.

After discussion, the main motion as amended was approved and passed upon a unanimous vote of the board members present.

There was a suggestion to develop a Quick Start Working Group.

### **#8 Student Scholarships in Member Communities-Hoffman:**

Mr. Hoffman reported on the student scholarships in member communities.

At the 2021 SMMPA Board Retreat, the Agency’s potential role in assisting members with providing scholarships was discussed. This issue was recently revived to determine if the Agency could assist with coordinating scholarship offerings for members. Some members are unable to use public funds for awarding scholarships.

## Discussion.

Mr. Hoffman will contact SMMPA Legal Counsel to determine if the scholarship program could be administered through the Agency.

There was a suggestion to form a virtual Student Scholarship Working Group.

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

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

#### MMUA Legislative Conference

Members were reminded of the MMUA Legislative Conference March 26-27, 2024.

#### APPA Legislative Rally

Nineteen people from SMMPA and the member communities attended the APPA Legislative Rally February 26-28, 2024 in Washington, D.C.

#### REC Retirements

SMMPA received requests from Austin, Owatonna, and Princeton to retire their Renewable Energy Credits for 2023.

#### SMMPA Member Orientation

A SMMPA member orientation will be scheduled in the upcoming months.

### Electric Vehicle Charging Retail Rate Working Group

An Electric Vehicle Charging Retail Rate Working Group will be scheduled in the upcoming months with Dave Berg Consulting as the facilitator.

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

Mr. Mitchell reported:

#### Sherco 3 Status Report

Sherco 3 continues to run well.

#### MISO Tranche 1 Transmission Investments

The MISO Tranche 1 memorandum of understanding (MOU) agreement defines the investment opportunities. Xcel Energy and SMMPA are reviewing a near-final version of the MOU.

#### MISO Tranche 2 Notice

MISO published Tranche 2 transmission project maps, which identified several 765 kV and 345 kV transmission lines. Project costs are estimated between \$17 billion to \$23 billion. The Agency will be exploring potential investment opportunities in southeast Minnesota.

#### Market Price Update

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

### **Financial Report January 2024-Fondell:**

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

#### Annual Review of Financial Information

Ms. Fondell asked if there was any feedback on the materials emailed to the members explaining the financial and operational reports included in monthly board books. No suggestions were noted.

#### New SMMPA Transmission Rate Implementation

The new SMMPA transmission rate structure was implemented February 1, 2024. Members' bills now reflect the two transmission charge components – the ratchet charge and the coincident peak charge.

#### Revolving Credit Agreement Paydown

The Revolving Credit Agreement tax-exempt scheduled paydown of \$2.4 million related to 2023 was completed on February 22, 2024. The remaining borrowed balance is \$30.9 million, which consists of \$28.4 million tax-exempt and \$2.5 million taxable borrowings. The remaining taxable paydown may occur in April 2024 after a rate stabilization investment matures.

#### SMMPA Finance & Audit Committee Meeting

The SMMPA financial audit is underway and nearing completion. The SMMPA financial audit report will be presented at the April SMMPA Board meeting, and the SMMPA Finance & Audit Committee will meet prior to the board meeting.

## **President's Report:**

Mr. Reimers reported:

- **SMMPA Representative:** The change of alternate representative for the City of Rochester from Jeremy Sutton to Tony Dzubay was effective March 1, 2024. (Attachment D.)
- **SMMPA Representative:** The change of representative for the City of Wells from Jeff Amy to Craig Anderson will be effective April 30, 2024. (Attachment E.)

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

Mr. Geschwind reported:

- **SMMPA Photo Session:** The SMMPA Board members were thanked for being part of today's photo session for updated board member photos.
- **Awards Recognition:** Recently, SMMPA was awarded the Minnesota Governor's Workplace Safety Award and the American Public Power Association's Safety Award of Excellence.
- **SMMPA Board Retreat:** The SMMPA Board Retreat is being planned for November 2024 with dates to be determined.
- **Mark Mitchell Retirement:** Mr. Geschwind acknowledged that Mr. Mark Mitchell's last board meeting is today and thanked him for being a valuable part of the Agency staff for the past 12 years. An open house for Mr. Mitchell will be held on March 29, 2024 at the Agency.

## **Member Forum:**

Mr. McCollough reported that Rochester submitted a preliminary application for federal Grid Resilience and Innovation Partnerships (GRIP) funding for expansion of Rochester Public Utilities' AMI system and received notice that their project qualifies to proceed to the next step in the application process.

## **Other Business:**

There was no other business.

## **Adjourn:**

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

The meeting was adjourned at 11:57 a.m.

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Secretary