

SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY
Minutes of the Board of Directors' Meeting
December 11, 2024

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

Ms. Zarling, City of Fairmont Assistant Finance Director, welcomed the members to Fairmont.

Board Members Present:

President Peter T. Moulton, Saint Peter; Vice President Roger E. Warehime, Owatonna; Secretary James R. Bakken, Preston; Treasurer T. Scott Jensen, Lake City; Mark E. Nibaur, Austin; Bruce A. Reimers, New Prague; and Timothy M. McCollough, Rochester.

Others Present:

David P. Geschwind, Executive Director & CEO; Alex Bumgardner, Austin; Julie Zarling, Fairmont; Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, Rebecca J. Schmitz, and Jeremy B. Sutton of the Agency staff.

Others Present Via Conference Call:

Mike Roth, Shane Steele, Grand Marais; Joe Kohlgraf, Mora; Keith R. Butcher, Princeton; Jason Halvorson, Redwood Falls; and Chris Rolli, Spring Valley.

#1 Agenda Approval:

Mr. Geschwind suggested moving the Financial Report after item #4 Long-Term Financial Forecast to accommodate Ms. Fondell departing the meeting after the Financial Report.

Mr. Reimers moved to approve the amended agenda, seconded by Mr. Jensen, 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 November 13, 2024 board meeting minutes.

#3 Banking Services Agreement-Fondell:

Ms. Fondell reported on the banking services agreement.

In July 2024, SMMPA issued a request for proposal for banking services. SMMPA staff evaluated proposals and conducted finalist interviews of three banks (Alerus, Bremer Bank, and U.S. Bank) in November 2024.

U.S. Bank emerged as the recommended bank as a clear leader in technology, with a very impressive online banking portal that streamlines processes. Additional benefits include a company credit card program exclusively for governmental entities with cash rebates and the existing relationship through the Revolving Credit Agreement that could yield some benefits as that credit facility is renewed in 2025.

Discussion.

Board Action

The Agency is recommending that the SMMPA Board of Directors add U.S. Bank as an approved bank.

Mr. Nibaur moved to approve adding U.S. Bank as SMMPA's bank for operating accounts, seconded by Mr. McCollough, passed upon a unanimous vote of the board members present.

#4 Long-Term Financial Forecast-Schmitz:

The long-term financial forecast and key assumptions packets were distributed electronically to the members prior to the board meeting.

Ms. Schmitz presented the long-term financial forecast for 2024-2039. The forecast and key assumptions were summarized. Debt Service Reserve funds that will be released in 2026 and 2027 are not included in the forecast as the plan is to utilize those funds for Sherco 3 decommissioning and lingering costs after the 2030 retirement date.

Discussion.

Continuing Evaluation

- Capital Reserves Study planned for 2025.
- Bond refunding analysis.
- Coal inventory impact to future cash.
- Future resource timing and cost structure.
- Fixed cost reduction opportunities.
- New debt issuance timing and strategy.
- Sherco 3 decommissioning/lingering costs and funding strategy.

Financial Report October 2024-Fondell:

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

Revolving Credit Agreement

The Revolving Credit Agreement taxable paydown of \$2.55 million will occur next week.

Saint Peter Solar Project

The Saint Peter Solar Project 2024 tax forms will be submitted in 2025.

SMMPA Finance & Audit Committee Meeting Rescheduled

The SMMPA Finance & Audit Committee meeting was rescheduled from December 4, 2024 to January 15, 2025.

SMMPA Personnel

- Rebecca Schmitz, Financial & Resource Planning Analyst II was recently promoted to Manager of Planning & Analysis.
- Heather Schmitz, Financial & Resource Planning Analyst I, and was re-hired on December 9, 2024.

After a short break, the board reconvened at 10:09 a.m.

#5 Board Retreat Summary-Geschwind:

Mr. Geschwind reported that the SMMPA Board Retreat was held November 7-8, 2024 at the Mystic Lake Casino Hotel, Prior Lake, Minnesota.

Retreat topics and the discussion that took place at the retreat were summarized.

#6 Solar Turbine Procurement Contract and Permitting Schedule-Sutton:

Mr. Sutton reported on the Solar Turbine procurement contract and permitting schedule for the Steele Energy Station Project.

Air Permit

SMMPA is working with DGR Engineering on the air permit filing process.

The total timeline from signing the contract to receiving an air permit would need to be completed in 12 to 15 months, but it could be difficult given the Minnesota Pollution Control Agency (MPCA) processes. SMMPA is working with Solar Turbine on alternative payment schedules to build in potential schedule flexibility due to the MPCA permitting process.

Discussion.

Next Steps

Finalize negotiations with Solar Turbine.

- Solar Turbines is awaiting SMMPA's response.
- All options currently have 10% due at contract signing.
- Determine value proposition of extra months provided in the most recent Solar Turbine proposal.

#7 Public Power Governance Essentials Training-Hoffman:

Mr. Hoffman reported on the Public Power Governance Essentials Training.

APPA offers webinar series of 15 courses that are geared toward public power policymakers (utility commissioners, mayors, and city council members).

SMMPA will purchase a block of 20 subscriptions at \$100/each (good for 24 months) and will make them available to policymakers in the member communities.

Discussion.

Members interested may contact Mr. Hoffman to activate the subscriptions.

Government Affairs/Member Services Report-Hoffman:

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

SMMPA Member IT Roundtable

Members were reminded of the IT Roundtable for members on December 18, 2024 at Owatonna Public Utilities.

Energy Efficiency Rebates for Net Export Customers

There are customers with distributed generation in member communities that are net exporters of energy. The Agency anticipates that at some point, one of these customers may seek energy efficiency rebates. It was noted that while these customers may not be billed for energy, they may still be billed for demand charges. SMMPA staff will discuss this topic, with further discussion likely at a future SMMPA board meeting.

Operations Report-Sutton:

Mr. Sutton reported:

Tranche 1 Update - Long Range Transmission Planning

In July 2022, MISO's Board of Directors approved new transmission projects to address future reliability needs. Tranches 1 and 2 are focused on the Midwest, Tranche 3 will be focused on MISO south, and Tranche 4 will be focused on strengthening the tie between MISO south and north.

SMMPA has the opportunity to invest in projects within Tranche 1 in Minnesota and Wisconsin. LRTP-4 (Wilmarth-North Rochester-Tremval) project participants include Xcel Energy, Dairyland Power Cooperative, Rochester Public Utilities, and SMMPA, and all are working on the joint development agreements. In-service date is anticipated in June 2030.

SMMPA also has investment rights in LRTP-6 (Tremval-Rocky Run-Columbia in Wisconsin). Project participants include Xcel Energy, WPPI, and SMMPA. In-service date is anticipated in a year after LRTP-4.

In the next few months, SMMPA Member Representatives will be asked to vote to approve a debt issuance to support the Agency's ownership in Tranche 1.

Market Price Update

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

President's Report:

Mr. Moulton reported:

- SMMPA Staff: Appreciation was expressed toward SMMPA staff for their efforts this year.

Executive Director & CEO's Report:

Mr. Geschwind reported:

- SMMPA Key Metrics: Members were asked to inform SMMPA if the SMMPA Key Metrics are not providing value or if there are any suggested changes.

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

The meeting was adjourned at 11:33 a.m.

Secretary