

**SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY**  
**Minutes of the Board of Directors' Meeting**  
**November 8, 2023**

President Reimers called the meeting to order at 9:00 a.m. at the Christ Lutheran Church in Preston, Minnesota.

Mr. Bakken, Preston Public Utilities General Manager, welcomed the members and guests to Preston and introduced Preston City Administrator Mr. Throckmorton.

**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; Alex Bumgardner, Austin; Miles Heide, Julie Zarling, Fairmont; Ryan Throckmorton, Preston; Keith R. Butcher, Princeton; Jason Halvorson, Redwood Falls; Chris Rolli, Spring Valley; Ron Kennedy, MCR Performance Solutions; Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, and Mark S. Mitchell of the Agency staff.

**Others Present Via Conference Call:**

Mike Roth, Shane Steele, Grand Marais; Michael B. Geers, Litchfield; and Joe Kohlgraf, Mandi Yoder, Mora.

**#1 Agenda Approval:**

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

**#2 Consent Agenda:**

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

APPROVED the October 13, 2023 board meeting minutes.

**#3 Regional Transmission Investment Analysis-Mitchell/MCR:**

Mr. Mitchell introduced Mr. Ron Kennedy, MCR Performance Solutions, to provide an analysis of the economic benefit of the Agency investing in MISO Tranche 1 transmission projects.

Mr. Kennedy provided a summary of MCR's analysis and findings regarding the value of SMMPA investing in multi-value long-range transmission projects in MISO.

MISO's 18 Tranche 1 projects are estimated to cost \$10.4 billion and Tranche 2 will cost substantially more. SMMPA expects to have the opportunity to invest in two long-range transmission projects (LRTP-4 Wilmarth-North Rochester-Tremval 6/1/2028 in-service date and LRTP-6 Tremval-Rocky Run-Columbia, Wisconsin 6/1/2029 in-service date) totaling approximately \$32 million.

Discussion.

Various assumptions were reviewed. The conclusion from Mr. Kennedy's report is that there is value to SMMPA and its members from investing in these MISO projects. A share of the cost of all 18 projects will be allocated to SMMPA by MISO whether or not SMMPA invests. Investing in the two projects will allow SMMPA to earn a return to help offset other transmission costs allocated by MISO. There was discussion about SMMPA's Attachment O calculations and how SMMPA will recover costs from MISO.

This topic is expected to be a future action item once the details of project participation have been negotiated with the other project participants.

#### **#4 Austin Post-2030 Analysis-Mitchell:**

Mr. Mitchell reported on the Austin post-2030 analysis.

Austin is evaluating their post-2030 power supply options and provided the Agency the opportunity for input to the process. The SMMPA Power Sales Contract with Austin expires March 31, 2030.

SMMPA developed high-level estimates of long-term rates with and without Austin and the rate assumptions indicate rates would be 5-8% lower if Austin would remain a SMMPA member.

#### **Next Steps**

- Austin is still evaluating options and has not made a decision.
- If Austin requests a contract extension, board approval is required.
- Austin contract extension will be a sensitivity case in the long-term financial forecast that will be presented in December (more complete detailed analysis than preliminary analysis presented today).
- Resource planning work is considering alternatives in the event of a contract extension.

Discussion.

Mr. Nibaur thanked Mr. Geschwind and Mr. Mitchell for providing information and thanked Mr. Bumgardner for his efforts. Mr. Bumgardner reported that Austin has been reviewing the cost to manage their power supply and will be reviewing options with their commission in the near future.

Austin plans to make a decision in early 2024.

#### **#5 2022 Board Retreat Follow-up-Geschwind:**

Mr. Geschwind provided an update on accomplishments on the items that were identified as activities for 2023 during the 2022 board retreat.

After a short break, the board reconvened at 10:32 a.m.

#### **#6 2024 SMMPA Board Meeting Schedule-Geschwind:**

Mr. Geschwind reported on the 2024 SMMPA Board meeting schedule.

To avoid conflict with the January APPA Joint Action Conference and the June APPA National Conference, the January SMMPA Board meeting was moved from January 10, 2024 to January 11, 2024 and the June SMMPA Board meeting was moved from June 12, 2024 to June 13, 2024. The SMMPA Annual Meeting was moved from October 10-11, 2024 to October 16-17, 2024.

Mr. McCollough moved to approve the 2024 SMMPA Board meeting schedule, seconded by Mr. Moulton, passed upon a unanimous vote of the board members present. (Attachment A.)

#### **#7 New Resource Decision Process-Mitchell:**

Mr. Mitchell reported on the new resource decision process. He provided a summary of material presented at the September 2023 board meeting and focused on the determination that the Agency will need to add more dispatchable generation than identified in the 2021 Integrated Resource Plan. Because of changes in the MISO capacity construct and accreditation process, the Agency now forecasts capacity shortfalls in both summer and winter, and the need for new capacity has advanced from 2030 to 2028.

##### **Quick Start Program**

Mr. Mitchell provided an update on discussions with members about interest in adding new quick start generation. Four members are interested and one member is potentially interested in adding new quick start generation up to a total of 14 MW. Next step is to seek board approval of formal offering so members can evaluate economics based on known offer.

Mr. Mitchell reviewed certain key decisions that will need to be made in the near future to maintain a schedule for new generation to be in-service by 2028.

##### **Key Near-Term Decisions for New Resource**

- Single large facility (50 MW or greater) vs. multiple smaller facilities.
- Facility site(s): various sites have been identified.
- Technology options: capacity vs. energy (diesel vs. natural gas).

Focusing on new conventional generation developed and owned by the Agency to meet a 2028 in-service date, Mr. Mitchell reviewed pros and cons of large versus small plant site developments, possible sites identified for both sizes of projects, and the types of technologies being considered. A handout of the Facility Site Screening was distributed.

Discussion.

Mr. Pete Reinarts, SMMPA Manager of Generation, Resource Planning & Operations, was acknowledged for his efforts with this project.

#### Next Steps

- Detailed discussions at the November SMMPA Board Retreat to focus on large versus small facility, and the project siting.
- Prepare information for large or small project and host city decision required for potential December board approval.
- Continue to refine details of technology options. Technology and project approval targeting the June 2024 board meeting.
- Continue to analyze economics of options.
- Prepare details of quick start program offering for board approval.

#### **#8 Confidential Board Report Summary-Mitchell:**

Mr. Mitchell summarized the confidential board report.

#### **#9 Election of Officers-Board of Directors:**

Mr. Jensen moved to re-seat the current slate of officers for the Board of Directors of Southern Minnesota Municipal Power Agency for 2023-2024, seconded by Mr. McCollough, passed upon a unanimous vote of the board members present.

- President, Bruce A. Reimers, New Prague;
- Vice President, Peter T. Moulton, Saint Peter;
- Secretary, Roger E. Warehime, Owatonna; and
- Treasurer, James R. Bakken, Preston.

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

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

#### IIJA/IRA Grant Opportunity Information

The Agency entered into an agreement with Frontier Energy to provide the members with information on grant opportunities. Information will be shared during the monthly webinars and the first webinar will be Monday, November 13, 2023 at 10 a.m. Members were asked to register for the webinar.

#### MISO Public Appeals Program

All members should have received the customized public appeal message and a suggested radio station in their local media market. Members were asked to contact SMMPA if they would like messages produced and distributed to various radio stations. SMMPA is developing educational messages related to the public appeals (social media posts, newsletter articles, etc.).

#### Pollinator Seed Packets

Members should have received their requested pollinator seed packets. Members interested in

additional seed packets were asked to contact Mr. Hoffman, and the Agency will determine if the minimum order quantity is attainable.

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

Mr. Mitchell reported:

#### **Sherco 3 Status Report**

Sherco 3 is running well. The pressure relief valve springs will be replaced during the November 10-17, 2023 planned outage. Determining if hedge purchases are required during the outage.

#### **LPI Steam Sale**

Xcel Energy provides steam to Liberty Paper, Inc. Since Sherco 2 is retiring in December 2023, Xcel Energy is discussing with the Agency the possibility of future steam supply from Sherco 3 in addition to the auxiliary boilers. Alternatives include an agreement that would ensure the Agency is “kept whole” and does not lose any capacity or energy value as a result of the steam supply from Sherco 3, or the Agency participating in and deriving revenue from the steam sales.

#### **OPU Combustion Turbine Capacity Payments Begin**

The Owatonna Public Utilities (OPU) combustion turbine (CT) was refurbished by the Agency in 2019 at a cost of just under \$1 million. Through an agreement between the Agency and OPU, OPU reimbursed the Agency by foregoing capacity payments from the Agency. The reimbursement was completed in September 2023 and SMMPA began monthly capacity payments to OPU in October 2023.

#### **Grant Application Results**

Recently SMMPA was part of a joint grant application with a number of other utilities in the state for federal infrastructure grant funds. No funds were awarded to the Agency or other joint applicants in the first round of grants. The Agency will plan to file applications for future grant funding opportunities.

#### **Market Price Update**

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

#### **Quarterly Wind & 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, were displayed.

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

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

#### **Energy Cost Adjustment**

Starting in December 2023, a monthly accounting entry will be made to record the Energy Cost Adjustment in the month incurred.

### Sherco 3 Outage Insurance Claims

The first Sherco 3 outage insurance claim proceeds of \$436,000 were included in the September Energy Cost Adjustment (ECA). The second outage insurance claim of \$62,000 will be factored into the October ECA calculation. Total claims filed so far for 2023 were \$498,000. The 2023 outage insurance premium was \$464,000.

### SMMPA Audit Fieldwork

Baker Tilly, SMMPA's outside auditor, conducted the preliminary audit fieldwork October 31-November 2, 2023.

### SMMPA Finance & Audit Committee Meeting

The SMMPA Finance & Audit Committee meeting is scheduled for December 21, 2023 at 9 a.m. via Microsoft Teams Meeting.

### SMMPA Outside Auditor Contract

An agenda item for the December 2023 SMMPA Finance & Audit Committee will be to discuss possible renewal of Baker Tilly's audit contract as the 2023 audit is Baker Tilly's fifth year serving as SMMPA's auditor.

### **President's Report:**

There was no report.

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

Mr. Geschwind reported:

- SMMPA Board Retreat: The 2023 SMMPA Board Retreat will be held November 27-28, 2023 at the Mystic Lake Casino Hotel, Prior Lake, Minnesota. Mr. Geschwind will send potential topics to the board and the members for their review.

### **Member Forum:**

None.

### **Other Business:**

There was no other business.

### **Adjourn:**

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

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

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Secretary