

SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY
Minutes of the Board of Directors' Meeting
August 9, 2023

President Reimers called the meeting to order at 9:00 a.m. at the New Prague Golf Club in New Prague, Minnesota.

President Reimers welcomed the members to New Prague.

Board Members Present:

President Bruce A. Reimers, New Prague; Vice President Peter T. Moulton, Saint Peter; Treasurer James R. Bakken, Preston; Mark E. Nibaur, Austin; T. Scott Jensen, Lake City; and Mark R. Kotschevar, Rochester.

Board Member Present Via Conference Call:

Secretary Roger E. Warehime, Owatonna.

Others Present:

David P. Geschwind, Executive Director & CEO; Miles Heide, Julie Zarling, Fairmont; Travis Dunn, Lake City; Damian Baum, Christian Fenstermacher, Owatonna; Keith R. Butcher, Princeton; Charles B. Heins, Jason Halvorson; Redwood Falls; Tim McCollough, Rochester; Chris Rolli, Spring Valley; Jeffery D. Amy, Wells; Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, and Mark S. Mitchell of the Agency staff.

Others Present Via Conference Call:

Alex Bumgardner, Austin; Jerry M. Mausbach, Blooming Prairie; Mike Roth, Shane Steele, Grand Marais; Michael B. Geers, Litchfield; and Dave Olson, Ryan Deering, Owatonna.

#1 Agenda Approval:

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

#2 Consent Agenda:

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

APPROVED the July 12, 2023 board meeting minutes.

#3 Wholesale Rate Comparison-Fondell:

Ms. Fondell reported on the wholesale rate comparison, which the Agency has been tracking since 2014. She compared SMMPA's rates with a group of other wholesale electricity suppliers

in the region.

Discussion.

The SMMPA wholesale rate remains favorable compared to peer organizations.

#4 Banking Request for Proposal-Fondell:

Ms. Fondell reported on the banking Request for Proposal (RFP).

SMMPA maintains three types of bank accounts: Revenue (Operating) Account, Custody Account, and various Trust Accounts. The Funds and Accounts are defined by the senior bond resolution. Moneys to be held by the Trustee must remain with Computershare (formerly Wells Fargo), but moneys to be held by the Agency may be within accounts at various banks, as long as the banks meet criteria specified in the senior bond resolution. The Agency bylaws specify that any bank change requires board approval.

Discussion.

The Agency recommends conducting an RFP to ensure the Agency receives the best value from its banking services. The RFP would include the Revenue and Custody Accounts and could be issued in late 2023, with a decision in 2024.

There was board consensus for the Agency staff to proceed with the RFP process.

#5 Fairmont Transmission Expansion-Mitchell:

Mr. Mitchell reported on the Fairmont transmission expansion project.

At the November 2022 board meeting, Mr. Mitchell presented the transmission expansion project requirements in Fairmont to accommodate Fairmont Public Utilities' (FPU) distribution expansion plan. At the June 2023 board meeting, the board approved the Agency paying a share of the cost of a new transformer for the power plant substation, which is a part of the expansion plan.

Mr. Mitchell provided a summary of the investment FPU will be making in their system as part of their plan and reviewed the components of the transmission expansion plan the Agency is proposing. He reviewed the cost estimates totaling \$6.25 million that were included in the 2023 budget. He further reported that actual costs experienced in recent projects in the region for equipment, materials, and labor have increased due to inflation and supply chain issues. He provided a revised project cost estimate of \$9.35 million. The annual transmission revenue requirements to cover the cost of this project will be included in the ITC Midwest transmission pricing zone for cost recovery.

Timing of Projects

- Transformer lead time is three years.
- Original schedule from November 2022 was 2025 in-service date based on assumption of December 2022 transformer order.

- Transformers were ordered in June 2023.
- Revised in-service date is 2026.
- Engineering, design, surveying, line siting, and procurement activities in 2023 and 2024.
- Construction in 2024 and 2026.

Discussion.

Mr. Mitchell asked the board and members to contact him if they have any questions. The Agency will seek approval at the September board meeting to move forward with the project.

#6 Sherco 3 MISO Coordination Agreement Amendment-Mitchell:

Mr. Mitchell reported on the Sherco 3 MISO Coordination Agreement Amendment.

In January 2021, SMMPA and Xcel Energy (Xcel) entered into an agreement to offer Sherco 3 into the MISO market as a single unit and to offer the unit for economic commitment. After several months of experience, it became clear that MISO's process for economic commitment decisions did not work well for Sherco 3 due to its long startup time and high startup costs. SMMPA provided notice to Xcel to terminate the agreement effective December 1, 2023 and revert back to the traditional mode of offering the SMMPA and Xcel shares of the unit separately. Xcel acknowledged the reasons for the Agency terminating the agreement but expressed a desire to amend the agreement to preserve other benefits. The Agency and Xcel have been working on potential amendments to the agreement. Mr. Mitchell reviewed the key provisions being considered. To provide additional time to continue negotiations, the Agency plans to defer the termination until March 1, 2024.

Discussion.

Next Steps

- Complete draft revisions to agreement and provide to Xcel for review.
- Draft termination extension agreement.
- Draft amendment to coal agreement or draft letter agreement to ensure more frequent and timely coal inventory information.
- Next meeting with Xcel to discuss amendment is scheduled for August 11, 2023.

After a short break the board reconvened at 10:24 a.m.

#7 Confidential Board Report Summary-Mitchell:

Mr. Mitchell summarized the confidential board report.

Government Affairs/Member Services Report-Hoffman:

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

Electric Vehicle Chargers

Seven major automakers announced joint plans to install 30,000 electric vehicle DCFCs across

the United States. This is above the DCFCs currently being installed at dealerships.

Pollinator Habitat Program Update

Lake City and Saint Peter will be receiving their requested plants soon. The custom-designed seed packets will be available in September 2023.

SMMPA Annual Meeting

The SMMPA Annual Meeting will be held October 12-13, 2023 at the Sheraton Hotel, Bloomington, Minnesota.

Operations Report-Mitchell:

Mr. Mitchell reported:

Sherco 3 Status Report

When Sherco 3 was brought back online on July 20, 2023, the unit experienced a vibration issue on an intermediate pressure turbine bearing. The unit had to be taken offline to evaluate and address the cause of the vibration. On August 4, 2023, SMMPA staff visited Sherco 3 to view the bearing. Mr. Mitchell reviewed the corrective action taken. The unit is expected to be online August 11 or 12, 2023. Forced outage insurance provides a market price hedge for the on-peak hours and the Agency purchased 150 MW off-peak energy to cover July 29-August 11, 2023.

Quarterly Wind and Solar Update

Mr. Mitchell presented 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.

Market Price Update

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

Financial Report June 2023-Fondell:

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

2023 RCA Paydown

Capital reserve dollars are being used as a temporary loan certain times of the month when liquid cash is not available. It is recommended to defer the budgeted \$2.4 million RCA paydown for 2023 until February 2024 when two investments totaling \$7 million mature. The result will be two RCA paydowns in 2024 – one for 2023 and the second for 2024. A \$2 million investment matures in November 2024, which can be used for the 2024 payment.

Coal Inventory Cash Flow Impact

In July 2023, SMMPA sold a \$4 million investment with an August 16, 2023 maturity date for cash flow needs due to the high Sherco 3 coal inventory level. Cash tied up in coal inventory is almost \$11 million more than the beginning of 2023.

Human Resources Laws

SMMPA is addressing the new Human Resources-related laws that have various requirements

and effective dates. Summary information on the new laws is being provided to members, and additional resources are available if needed.

Sherco 3 Outage Insurance Claims

Any Sherco 3 outage insurance claims proceeds will be included in the ECA calculation for the month the funds are received.

SMMPA Credit Rating

Standard & Poor's is still completing their review of the Agency's credit rating..

Member Financial Metrics

SMMPA will send the financial metrics to each member in September 2023 instead of August 2023 due to two members filing audit extensions.

SMMPA Budget & Rates Workshop

The SMMPA Budget & Rates Workshop will be held September 26, 2023 from 10 a.m. – 1 p.m. at Owatonna Public Utilities.

President's Report:

Mr. Reimers reported:

- SMMPA Member Representative: The change of SMMPA representative for the City of Rochester from Mark Kotschevar to Tim McCollough is effective August 14, 2023. (Attachment A.)
- Recognition: Appreciation was expressed toward Mr. Kotschevar and Mr. Heins for their involvement and support of SMMPA throughout the years.

Executive Director & CEO's Report:

Mr. Geschwind reported:

- Retirement Recognitions: Mr. Geschwind recognized Mr. Kotschevar, Rochester Public Utilities General Manager, and Mr. Heins, Redwood Falls Public Utilities Superintendent, who both retire the end of this month. Mr. Kotschevar and Mr. Heins were both thanked for their active involvement in Agency matters over the years.

Mr. Kotschevar indicated he was grateful to be on the SMMPA Board and to be associated with the members.

Mr. Heins indicated he was grateful to be associated with the members and indicated there have been a lot of positive changes throughout the years.

- SMMPA Orientation Session: SMMPA plans to conduct another member orientation in the near future, and a schedule poll will be sent out to determine a date.

- Regulatory Activities: FERC denied a request to unwind MISO accreditation rules for other utilities, similar to their prior denial of a request to reconsider MISO's Sherco 3 accreditation.
- Federal Grant Funds: SMMPA received two proposals (Baker Tilly and Frontier Energy Services) and will select one to help identify projects and provide advice regarding pursuing federal grants.
- SMMPA Coincident Peak: The Agency recorded a coincident peak of 537 MW on July 27, 2023, compared to a previous all-time peak of 540 MW.
- SMMPA Director of Operations & COO Search: SMMPA retained Lanie Mycoff of Mycoff Fry Partners LLC to assist with the search for the Director of Operations & Chief Operating Officer position. A conference call is scheduled on August 18, 2023 to begin the process. Mr. Mark Mitchell retires the end of March 2024.

Member Forum:

Mr. Jensen announced that Mr. Travis Dunn will be named SMMPA alternate representative.

Mr. Kotschevar announced that Mr. Tim McCollough was hired as the new General Manager for Rochester Public Utilities.

Mr. Kotschevar's last day at Rochester Public Utilities is August 23, 2023.

Other Business:

There was no other business.

Adjourn:

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

The meeting was adjourned at 11:31 a.m.

Secretary