

SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY
Minutes of the Board of Directors' Meeting
September 10, 2025

President Moulton called the meeting to order at 9:00 a.m. at the Redwood Area Community Center in Redwood Falls, Minnesota.

Mr. Halvorson, Redwood Falls Public Utilities Superintendent, welcomed the members to Redwood Falls.

Board Members Present:

President Peter T. Moulton, Saint Peter; Secretary James R. Bakken, Preston; Treasurer Bruce A. Reimers, New Prague; and Timothy M. McCollough, Rochester.

Board Member Present Via Conference Call:

Mark E. Nibaur, Austin.

Board Member Absent:

Vice President Roger E. Warehime, Owatonna.

Others Present:

David P. Geschwind, Executive Director & CEO; Jerry Mausbach, Blooming Prairie; Miles Heide, Julie Zarling, Fairmont; Christian Fenstermacher, Owatonna; Keith Butcher, Princeton; Jason Halvorson, Redwood Falls; Chris Rolli, Spring Valley; Craig Anderson, Wells; Beth A. Fondell, Naomi A. Goll, Joseph A. Hoffman, and Jeremy B. Sutton of the Agency staff.

Others Present Via Conference Call:

Alex Bumgardner, Austin; Mike Roth, Shane Steele, Grand Marais; Mike Geers, Litchfield; and Joe Kohlgraf, Mora.

#1 Agenda Approval:

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

#2 Consent Agenda:

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

APPROVED the August 13, 2025 board meeting minutes.

#3 2025 Bond Transaction-Fondell:

The Board Resolutions relating to the Bond Purchase Agreement, the Escrow Agreements, the Preliminary Official Statement, the Official Statement; the Master Resolution; and the Thirty-Second Supplemental Power Supply System Revenue Bond Resolution were sent electronically prior to the board meeting.

Ms. Fondell reported on the 2025 Bond Transaction and gave an overview of the refunding objectives.

- Refunding all of the 2015A bonds callable on January 1, 2026.
- Only refunding maturities that provide net savings of the 2010A Build America Bonds via the Extraordinary Optional Redemption Provision.
- While the transaction is estimated to provide refunding savings slightly below the target 5% in the Capital Financing Policy, the future interest expense reductions still make the transaction beneficial.
- Proceeds from the 2025A bond transaction will be placed in escrow accounts so the 2010A bonds can be paid off in November 2025 and the 2015A bonds can be paid off in January 2026.
- The January 2026 debt service payment will be incorporated into the refunding, allowing the refunded bonds to be fully removed from SMMPA's books at the time of the 2025A bond closing.
- Debt service reserve requirement will decrease as a result of the refunding. Excess debt service reserve funds will be released and built into the 2025A transaction as a source of funds. The reduction in debt service reserve requirement related to the 1994A bonds maturing in 2027 (approximately \$60 million) will be preserved to earmark for Sherco 3 decommissioning.

Bonds Ratings

- Fitch Ratings combined their rating of the 2025A bonds with a review of the system bonds and affirmed SMMPA's system bond rating as AA- with stable outlook and issued a AA- rating for the 2025A bonds.
- Moody's issued SMMPA's 2025A bond rating as A1, consistent with the A1 rating affirmed earlier this year on SMMPA's system bonds.

Discussion.

Bond Financing Calendar

- September 16 - Post documents and investor presentation.
- September 22 - Market update & pre-pricing call.
- September 23 - Pricing (in Rochester); BABs calculations.
- September 30 - Distribute Official Statement.
- October 2 - Sign off on Official Statement.
- October 7 - Closing; Redemption Notice for BABs.

Member representatives will be asked to approve the resolutions that authorized the board's action for bond issuance.

Board Action

Action item to approve board resolutions as presented in the board book.

Mr. Bakken moved to approve the Board Resolutions relating to the Bond Purchase Agreement, the Escrow Agreements, the Preliminary Official Statement, the Official Statement; the Master Resolution; and the Thirty-Second Supplemental Power Supply System Revenue Bond Resolution approving the 2025 Bond Transaction, seconded by Mr. McCollough, passed upon a unanimous vote of the board members present.

#4 Revolving Credit Agreement-Fondell:

The Board Resolutions and the Power Supply System Subordinated Indebtedness Resolution No. 6 were sent electronically prior to the board meeting.

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

The existing RCA with U.S. Bank expires on October 31, 2025.

The new RCA with Bank of America will replace the current RCA with U.S. Bank as the terms are more favorable than U.S. Bank's renewal proposal, including no unused fee if more than half of the \$68 million limit is borrowed. The Secured Overnight Financing Rate (SOFR) will be used to calculate tax-exempt borrowing costs and the term will be three years. The new RCA will not include a term-out that would allow for a short-term borrowed balance to be converted into a fixed-term loan at the end of the RCA term using unfavorable interest rates. Other terms and conditions of the new RCA remain consistent with the U.S. Bank facility, including a \$68 million limit available for tax-exempt and taxable borrowing.

The U.S. Bank agreement can be terminated early without penalty. The new RCA is tentatively scheduled to close on September 16, 2025. Pricing terms within the RCA documents are confidential.

Discussion.

Member representatives will be asked to approve the resolutions authorizing the board's action.

Board Action

- Action item to approve board resolutions as presented in the board book.

Mr. Reimers moved to approve the Power Supply System Subordinated Indebtedness Resolution No. 6 and the Resolutions of the Board of Directors of Southern Minnesota Municipal Power Agency relating to the authorization and approval of a Revolving Credit Agreement with Bank of America in connection with the issuance of the Power Supply System Subordinated Notes, Series A, and the Power Supply Subordinated Notes, Series B, seconded by Mr. Bakken, passed upon a unanimous vote of the board members present.

Temporary Recess to Member Representatives Meeting:

At 9:40 a.m., Mr. Reimers moved to recess the SMMPA Board of Directors meeting and move

into the Member Representatives meeting, seconded by Mr. Bakken, passed upon a unanimous vote of the board members present.

Following establishment of a quorum by the member representatives and completion of that agenda in which the member representatives approved the resolutions presented, the board meeting reconvened at 9:48 a.m.

Revolving Credit Agreement

Mr. Geschwind acknowledged Ms. Fondell for the work on the financing process. Members were thanked for supporting the bond transaction and the RCA.

After a short break, the board reconvened at 10:03 a.m.

#5 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.

Looking Ahead

- SMMPA rate decreases forecasted for 2026 and 2027.
- Possible 2025 cash distribution to members.

Ms. Fondell thanked the member representatives for their vote on the bond and RCA and Mr. Geschwind for his efforts with the process.

#6 2026 Budget and Rates Preview-Fondell:

Ms. Fondell presented the 2026 budget and rates preview.

Sherco 3

The Sherco 3 planned maintenance outage is scheduled for February 28, 2026 to May 22, 2026. Estimated costs for replacement purchased power hedges are included in the budget. The Sherco coal inventory is approximately 200,000 tons as of August 31, 2025, contributing to higher General Operating Reserve cash balances.

Member Rates

The Agency is proposing an overall 10% rate decrease for 2026 and recommending the decrease be applied as 10.812% to only the energy and demand rates. The rate decrease is driven by the reduction in debt service in 2026 related to the 1994A bonds that mature in 2027.

Transmission Rates

2026 will be the final third year of transitioning transmission rates from 100% ratchet to monthly metered coincident peak (approved by the board on May 10, 2023).

Sources and Uses of Revenues

The draft 2026 Sources and Uses of Revenues is the foundation of the Agency's budget and identifies the budgeted rate stabilization account contribution/(distribution).

Discussion.

Next Steps

- Finalize proposed 2026 budget.
- Distribute detailed budget book September 18, 2025.
- Budget and Rates Workshop September 22, 2025.

The proposed 2026 budget and rates will be presented at the October board meeting for action by the board.

#7 Sherco Fire Suppression Project-Sutton:

Mr. Sutton reported on the Sherco Fire Suppression Project.

The fire suppression system at Sherco needs to be redesigned to accommodate the retirement of Unit 2 and the planned retirement next year of Unit 1. Xcel Energy finished the fire suppression redesign phase and the necessary work will begin this fall. The original fire suppression system was designed for Sherco Units 1 and 2 and was expanded to accommodate Unit 3. To protect equipment, buildings, and personnel, various forms of fire protection (fire extinguishers, automatic sprinklers, fixed spray nozzles, dry chemical suppression, clean agent suppression, detection devices, etc.) are employed. This project was not included in the original 2025 budget for Sherco 3 submitted by the Sherco 3 Project Manager and needs to be separately approved by SMMPA and Xcel.

Board Action

Project estimates from Sargent and Lundy for the total project are \$6,654,087. Since this project relates to more than just Unit 3 and is considered a "Consolidated Common" expenditure, the cost allocation to the Agency would be 20% per the Ownership and Operating Agreement. Requesting approval for \$1,463,899 (\$1,330,817 plus 10% contingency) for the project.

Discussion.

Mr. McCollough moved to approve the Sherco Fire Suppression Project for \$1,463,899, seconded by Mr. Reimers, passed upon a unanimous vote of the board members present

#8 2024 Board Retreat Follow-up-Geschwind:

Due to time constraints, President Moulton deferred the 2024 Board Retreat Follow-up to the November SMMPA Board meeting.

Government Affairs/Member Services Report-Hoffman:

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

APPA eReliability Tracker

The APPA eReliability Tracker transitioned to the new and improved tracker, the APPA Power TRX Reliability. The web-based service provides utilities with an effective way to collect, categorize, and summarize outage information. SMMPA purchased a three-year subscription that is funded through 2026, which is available for the member communities.

SMMPA 2025 Sustainability Report

SMMPA's Our Commitment to Sustainability Reducing our Carbon Footprint Brochures are available today and copies may be mailed to the members upon request.

SMMPA Member IT Roundtable

SMMPA will hold an IT roundtable for members tentatively scheduled for November 6, 2025 at SMMPA headquarters. A virtual attendance option will be available.

Public Power Week

Public Power Week will be held October 5-11, 2025.

SMMPA Annual Meeting

The SMMPA Annual Meeting will be held October 16-17, 2025 at the Sheraton Hotel, Bloomington, Minnesota.

Cybersecurity Board Security Brief

On July 25, 2025, the City of St. Paul experienced an "Interlock" ransomware cyber-attack that targeted the city's IT infrastructure. The Minnesota National Guard Cyber Protection Unit and the FBI advised against paying the ransom. The city was able to restore its systems using clean data backups, and 3,000 city workers appeared in person to reset their credentials.

SMMPA IRP

The Minnesota Public Utilities Commission (MN PUC) accepted SMMPA's Integrated Resource Plan (IRP) on September 4, 2025. The MN PUC directed the Agency to continue to model battery storage in the next IRP, which is scheduled to be filed in December 2027.

Operations Report-Sutton:

Mr. Sutton reported:

MISO Planning Resource Auction Error

MISO discovered an error impacting loss of load expectation calculations used to set the planning reserve margins in its planning resource auction. The calculation used "all hours" rather than the required "daily peak hour" resulting in a \$280 million miscalculation for the 2025/2026 planning year. MISO will issue adjustments based on each entity's net position (net buyer or net seller) and SMMPA anticipates a refund of \$165,600.

Steele Energy Station Air Permit

Yesterday SMMPA submitted the Steele Energy Station air permit applicability determination request application to the Minnesota Pollution Control Agency (MPCA). MPCA is suggesting

that the Owatonna Public Utilities Unit 7 be pulled into the Steele Energy Station air permit model as a SMMPA resource. Continue to monitor.

Redwood Falls Transmission Line Damage

To prevent further damage to the Redwood Falls 115 kV transmission line, Redwood Falls Sportsmen's Club installed safety baffles at the firing line blocking shooting angles outside the club property and posted signage that damaging power lines is a felony.

Sherco 3 Planned Spring Outage/Hedge

A Sherco 3 planned outage will occur February 28, 2026 to May 22, 2026. General Electric will perform work on the L-0 blade replacement/repair. SMMPA budgeted hedging purchases of 150 MW of ATC hedges for March/April 2026, then 75 MW of ATC and 50 MW on-peak for May 2026.

MISO Tranche 1 LRTP-4 and LRTP-6 Update

The MISO Tranche 1 LRTP-6 term sheet was signed. Parties are still working on the LRTP-4 Definitive Agreements. The Agency will likely need to seek member representatives vote in November/December 2025 to authorize SMMPA to eventually finance the LRTP-4 and LRTP-6 projects.

Market Update

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

Financial Report July 2025-Fondell:

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

Member Financial Metrics

SMMPA will distribute financial metrics to each member this month. Members have the option to schedule a meeting with SMMPA to discuss results.

Bond and RCA Transaction Documents

SMMPA Board of Directors Officers were asked to watch for communication regarding signatures needed for the upcoming bond and Revolving Credit Agreement transaction closings.

SMMPA Insurance

SMMPA's new insurance contact is Deb Donahue, SMMPA Human Resources & Insurance Administrator.

President's Report:

Mr. Moulton reported:

- SMMPA Staff Recognition: SMMPA staff members recognized were Ms. Fondell and her staff, and Mr. Geschwind for handling the bond and Revolving Credit Agreement transactions; Mr. Sutton, Mr. Hoffman, and Ms. Schmitz for handling SMMPA's

Integrated Resource Plan; and Ms. Fondell for the outstanding work on assisting with the Saint Peter Solar Project elective pay tax refund payment from the IRS.

Executive Director & CEO's Report:

Mr. Geschwind reported:

- Fairmont - Tom Koeritz: Mr. Tom Koeritz, City of Fairmont Assistant Finance Officer (retired), passed away on August 29, 2025. He served on the SMMPA Board of Directors, was a SMMPA Member Representative, and was a great SMMPA supporter.
- SMMPA Annual Meeting: The SMMPA Annual Meeting will be held October 16-17, 2025 at the Sheraton Hotel, Bloomington, Minnesota. Members, commissioners, and council members are encouraged to attend.

Member Forum:

Mr. McCollough shared that Rochester Public Utilities (RPU) had a unique cyber-attack that came through a Microsoft Teams audio call without video. The outside caller compromised a computer, but the RPU IT Security Engineer isolated the issue.

Other Business:

There was no other business.

Adjourn:

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

The meeting was adjourned at 11:56 a.m.

Secretary