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To: MRES S-1 Members

From: Dan Harmelink, MRES General Counsel

Date: June 8, 2026

Re: Extension of Power Sale Agreements (S-1)

This memo describes the changes being proposed to the Power Sale Agreement (S-1) (the "S-1 Agreement") between Missouri River Energy Services ("MRES") and its S-1 members. This memo is provided to supplement and aid your review of the revised S-1 Agreement, explaining the substantive changes being proposed. A "4-Step Guide" is being separately provided to assist with procedural steps related to the consideration and adoption of the revised S-1 Agreement.

The primary proposed change to the S-1 Agreement, and the reason for the revised agreement, is the extension of the agreement's term from 2057 to 2067. This extension is vitally important to the continued ability of MRES to provide supplemental power to its members on the cost-effective basis they expect and deserve. The extension allows Western Minnesota Municipal Power Agency ("WMMPA"), the asset-owning and financing arm of MRES, to issue tax-exempt bonds on very favorable terms and it enables MRES to engage in more efficient, long-term resource planning.

Before addressing each of the proposed substantive changes to the S-1 Agreement, two general comments are warranted with respect to the revised S-1 Agreement.

- The proposed changes to the S-1 Agreement are limited in number and in scope, as you will see from the redlined draft of the agreement. The driver for the revised S-1 Agreement is the need to extend the term of the agreement as noted. The rest of the agreement remains in good shape, despite continuing changes within the electric industry. There are a handful of other substantive proposed changes to the agreement, but none that materially alter the parties' respective rights and obligations under the S-1 Agreement.

- The MRES Board of Directors directed MRES staff to make sure all revisions to the S-1 Agreement are ultimately beneficial to the members. The revised S-1 Agreement reflects this directive. All proposed changes are designed to enhance the overall strength of our members and their ability to provide reliable and cost-effective power to their communities.

The following is an explanation of each of the substantive changes to the S-1 Agreement being proposed by MRES. As shown by the redlined draft of the revised agreement, there are also non-substantive terminology updates intended to clean-up and clarify certain aspects of the agreement. The non-substantive updates are not explained below.

- **Section 1 – Definitions.** A handful of new defined terms were added to the agreement, either to support existing terms of the agreement or to supplement new or revised terms, as discussed below. The following definitional additions and changes are substantive in nature:

  - Section 1(d) adds a definition for "Environmental Attributes", which is defined to encompass Renewable Energy Certificates, Emission-Free Energy Certificates, and similar products attributable to the reduction or avoidance of environmental impacts on air, soil, or water. This definition is used in Sections 3(a) and 3(a)(ii) of the agreement, as further described below.

  - Section 1(f) revises the definition of "Green Energy" to include the potential use of Environmental Attributes for a member desiring Green Energy. This is further addressed in Section 3(a)(ii) of the agreement, as discussed below.

  - Section 1(z) updates the definition of "Power Supply Contract(s)" to more clearly encompass qualifying power supply contracts between MRES and WMMPA or any future power supplier.

  - The definition of "Uncontrollable Forces" was struck because it does not require definition. The concept of uncontrollable forces is addressed in Section 13 of the agreement but there is no need to separately define the term.

- **Section 2 – Term.** As noted above, the term of the agreement is being extended by ten years, to expire on January 1, 2067. This is consistent with all five prior amendments to the S-1 Agreement, in which the term of the agreement was extended to 40 years.

- **Section 3 – Sale of Power and Energy.** This section was revised in three respects:

  - Section 3(a) was updated to clarify that MRES's obligation to maintain a portfolio of resources sufficient to ensure compliance with state or federal energy requirements also applies to environmental requirements, such that MRES must maintain a resource mix and products (e.g., Environmental Attributes) sufficient to enable member compliance with applicable environmental requirements. This currently applies most directly to Minnesota members and compliance with Minnesota's Renewable Energy Standard and Carbon Free Standard.

  - Section 3(a)(i) extends the first Maximum Rate of Delivery ("MROD") election date from 2027 to 2037. Under the MROD terms, a member may elect to cap its purchases from MRES at certain times during the term of the agreement. Because the extended agreement will take effect on January 1, 2027, an initial MROD election date of 2027 is impractical. Also, with prior extensions of the S-1 Agreement, the MROD election date has historically been extended 10 years, so the current proposed extension is in line with past practice.

- Section 3(a)(ii) was revised to reflect a member's right to elect to purchase Environmental Attributes as an alternate means of causing its power supply makeup to be considered more renewable or carbon-free in nature. This more clearly memorializes what is being done through MRES's Bright Energy Choices program.

- **Section 9 – Covenants of Municipality.** A new covenant was added in subsection (c) of Section 9 to help prevent actions by members with respect to the S-1 Agreement, or power delivered under it, that could affect the tax-exempt nature of bonds issued by WMMPA, thereby increasing the S-1 energy rates paid by all members. Federal income tax law limits the ability of municipal utilities to sell output from facilities financed with tax-exempt bonds to private parties pursuant to certain types of power purchase agreements, commonly referred to as the "private business use" rules. Because tax-exempt financing is used to fund WMMPA generation resources used by MRES to sell power to its members under the S-1 Agreements, the private business use rules apply here.

  The addition of the covenant in Section 9(c) is intended to raise awareness of these limitations and further ensure compliance. Similar terms are contained in many other long-term power sale agreements between municipal joint action agencies and their members, but have not before been included in the S-1 Agreement. The sale of power by a municipal utility pursuant to an established rate tariff of rate schedule will not implicate this covenant; the covenant is designed to address certain fixed term power purchase agreements with commercial customers. If a member enters into a fixed term power purchase agreement with a customer, care should be taken to ensure there are no issues under the private business use rules.

- **Section 11 – Metering.** Duplicative language was removed from this section.

- **Section 13 – Uncontrollable Forces.** Minor updates were made to this section to clarify and make more internally consistent the terms applicable to an uncontrollable force impacting the performance of a party under the agreement.

- **Section 26 – Security for Power Supply Contracts.** A few terminology clarifications were made to subsection (b) of this section, to better relate the language to the S-1 Agreements with all S-1 members.

- **Section 28 – Entire Agreement.** This section was updated to better reflect the effective date of the revised S-1 Agreement and associated impact on the current agreement, with the revised S-1 Agreement superseding and replacing the current agreement effective as of January 2, 2027.

[End of Memo]