

2020 Annual Report



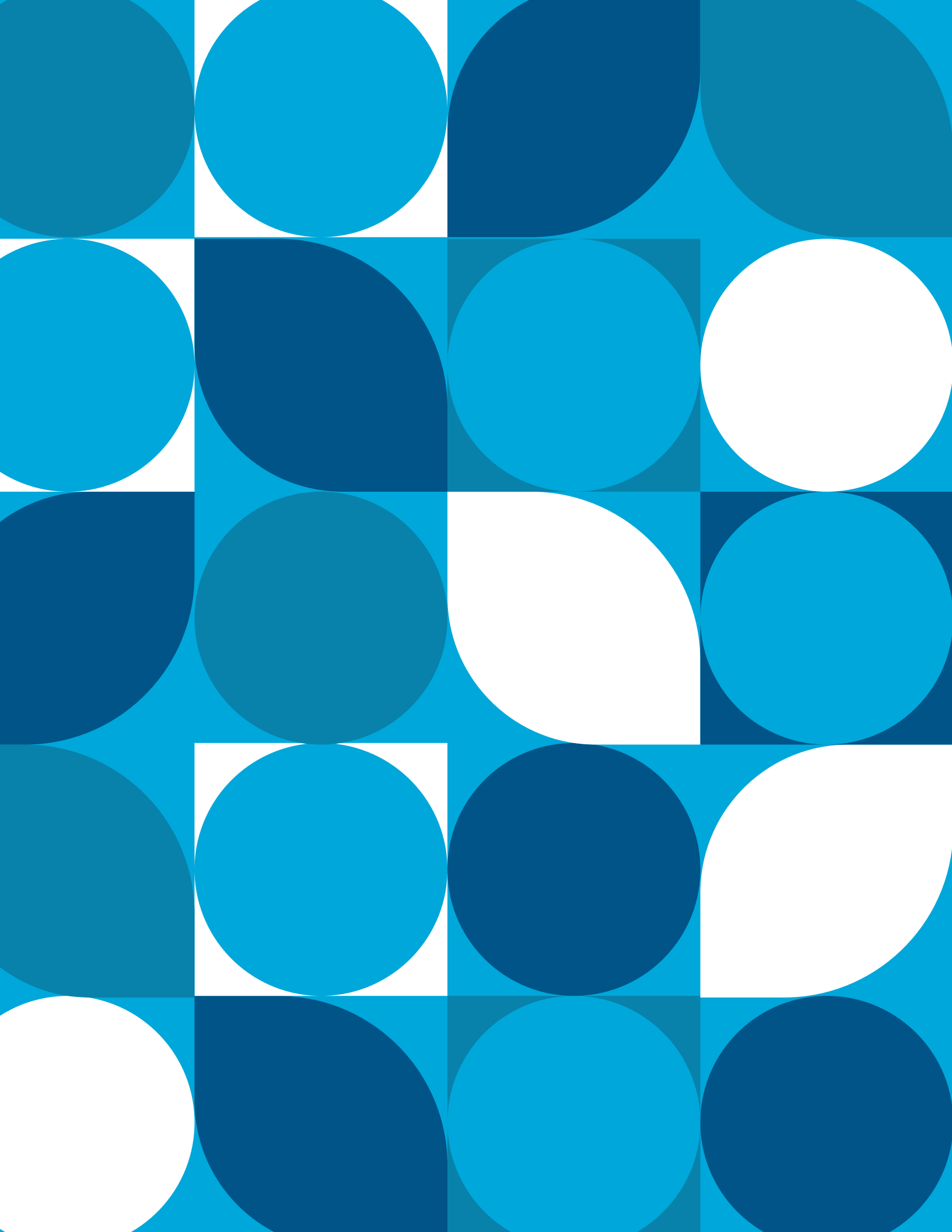


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Tim Stoner addresses the audience at the 2020 CMPAS Annual Meeting in Mankato, MN.

LETTER FROM THE BOARD PRESIDENT

Dear CMPAS Stakeholders:

At the start of my term as president of the Central Minnesota Municipal Power Agency (CMMPPA) and Central Municipal Power Agency/Services (CMPAS) boards, I would never have predicted a global pandemic and the need to adapt Agency and local operations.

We are happy to report that throughout the uncertainty and state and federal executive orders, our member utilities never experienced a service disruption due to the pandemic.

Undoubtedly, 2020's COVID-19 pandemic will be the predominant world event that will stand out for many decades to come, and we have our former Chief Executive Officer (CEO) Christopher Kopel to thank for guiding us. As CEO and before that chief operating officer, he led the Agency in navigating transmission planning and management, market operations, resource planning, and cost recovery. We wish him well in his future endeavors.

Our Agency enjoys a position of strength and a sense of purpose because our talented staff delivers on the CMPAS Mission (Members First), Vision (Member

Focused, Member Driven), and Core Values (Member and Customer Focus).

In 2020, we made strategic decisions that expanded capabilities, grew the range of services, added staff to our team, and improved our net position to the point that we returned \$4.7 million to our members.

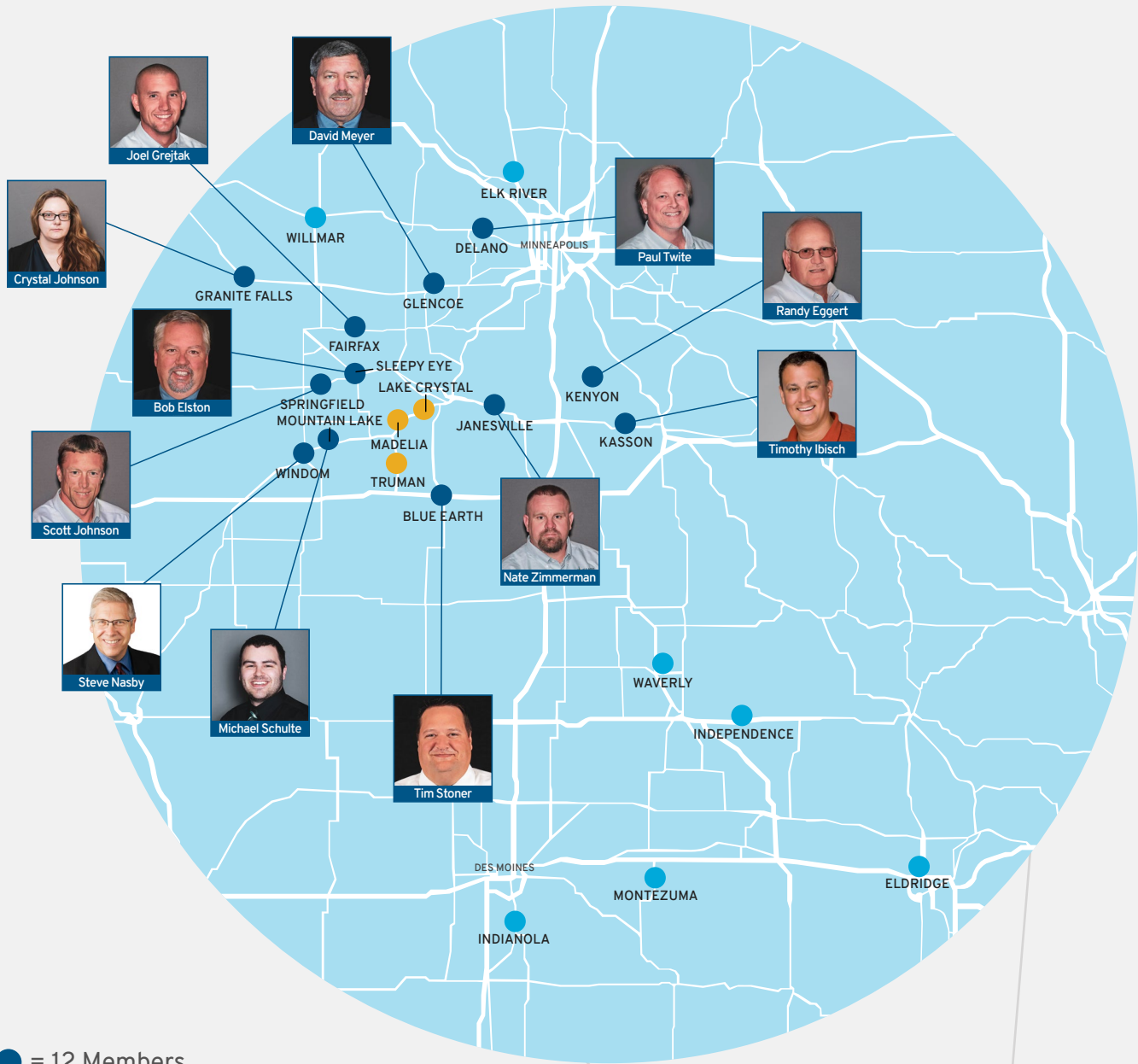
We continue to build on those achievements and to increase our value proposition.

Over the past four years, it has been an honor to serve as the CMMPPA and CMPAS board president. During that time, our board has taken counsel together and made the necessary investments – in people, infrastructure, and technology – to help our members and their public power customers.

We are well-positioned for the opportunities ahead.

Sincerely,

President, CMMPPA Board of Directors and General Manager, Blue Earth Light & Water



- = 12 Members
- = 3 Associate Members
- = 7 Affiliates

Our Members

CMPAS serves 12 public power utilities in Central Minnesota. Our members provide retail electric service to between 1,000 and 3,000 customers located within their respective municipal boundaries. In addition, CMPAS provides varying levels of service to three associate members and seven affiliates located in Minnesota and Iowa.





Jarrod Nelson, Kasson electric superintendent, listens intently to a presenter at the 2020 CMPAS Annual Meeting in Mankato, MN.

Members First

For the 30-plus years since CMMPA's founding, our organization worked for our members' benefit by procuring an increasingly diversified, low-cost, reliable, environmentally sound wholesale power portfolio. We didn't require any member to take a proportional share of the power we procured. Instead, we provided them with options to complement existing resources and let them decide how much power they wanted.

Member Accomplishments: Local Generation and Personnel Safety

Granite Falls is deservedly proud of the renewable generation they receive from a city-owned, three-unit hydroelectric generator on the Minnesota River. It is a steady, zero-emission resource that benefits its customers.

The city faced a financial challenge head-on when they were strategically planning for a known loss in local tax-base revenue from Xcel Energy and the need to repair hydroelectric generators. They found a solution in working with their legislators for a \$2.7 million legislative appropriation from the Xcel Energy Minnesota Renewable Development Account (RDA).

The RDA funds support the ongoing use of small hydropower as a renewable resource. Four hundred thousand dollars will go toward repairs, and \$2.35 million will replace a turbine. The upgrades will allow the plant's energy capacity to increase from .5 to 1.5 megawatts and extend its life.

Also, among our members' many accomplishments, **Sleepy Eye Public Utilities** received a tremendous honor with recognition from the American Public Power Association (APPA) for their safe operating practices. The Sleepy Eye team earned the first-place safety award for utilities with less than 15,000 worker-hours.

The ability to win this type of award shows the strong commitment that utility line workers have for best practices and to stay safe around electricity. It also indicates deep support for public power in the community. A dedicated local public utilities commission, city administration, and council support the utility team with the resources needed to be the best they can be.

Congratulations to Granite Falls and Sleepy Eye Public Utilities!



\$4.7
million returned in
member fees

2020 BY THE NUMBERS

110–140
miles of distribution circuit line
owned by members

113
megawatts non-coincident
peak electric demand managed

3
gigawatthours of savings
for nine members through
efficiency upgrades

26
miles of transmission line
(>69 kilovolts) owned by
CMPAS members

400
gigawatthours procured on
behalf of members

33
number of years that CMMPA
has been operating

25
percent of power procured
through MISO for our
members' customers

1,300
approximate number of
secondary distribution system
transformers (pad-mounted
and pole-mounted) owned
by members

PORTFOLIO DEVELOPMENT

Resource Planning | Load Forecasting | Risk Analysis | Procurement

Member Focused, Member Driven

To support the quality of life and economy in our member cities, we offer services into three categories: Portfolio Development, Portfolio Management & Administration, and Portfolio Operations.

Building Portfolios

In early 2020, Kyle Haemig, economist and resource planner, provided each member with their own Power Supply Review that provided a strategic assessment of risks and opportunities in the power market. When COVID-19 stay-at-home orders began in March, many other utilities had massive drops in electric demands that led to concerns about wholesale cost pressures. In response, we distributed a Review Addendum that predicted only minimal wholesale cost increases even if load dropped 10 to 20 percent.

At the end of the year, our utilities' load fell 1.2 percent, and our wholesale cost dropped by \$1 a megawatthour. We expect electricity load to rebound

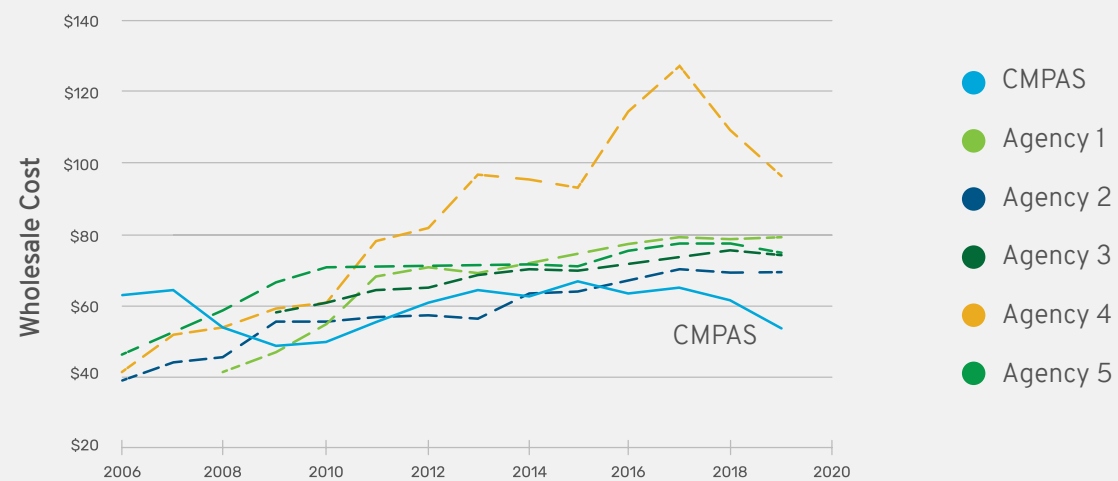
in 2021, owing to new commercial and industrial load in some of our member's service territories. We also expect costs to hold steady.

Sayan Roy, transmission planning engineer, commissioned 15 transmission studies. They were used to prepare the project proposals that were submitted into the Midcontinent Independent System Operator (MISO) Transmission Expansion Plan (MTEP) process.

Among the major projects that Sayan managed was a third-party's replacement of 2.2 miles of a 42-year-old 69-kilovolt transmission line for the City of Windom. Another involved an analysis conducted by a third party for Mountain Lake Municipal Utility. It identified system improvements that will result in higher levels of reliability and system efficiency.

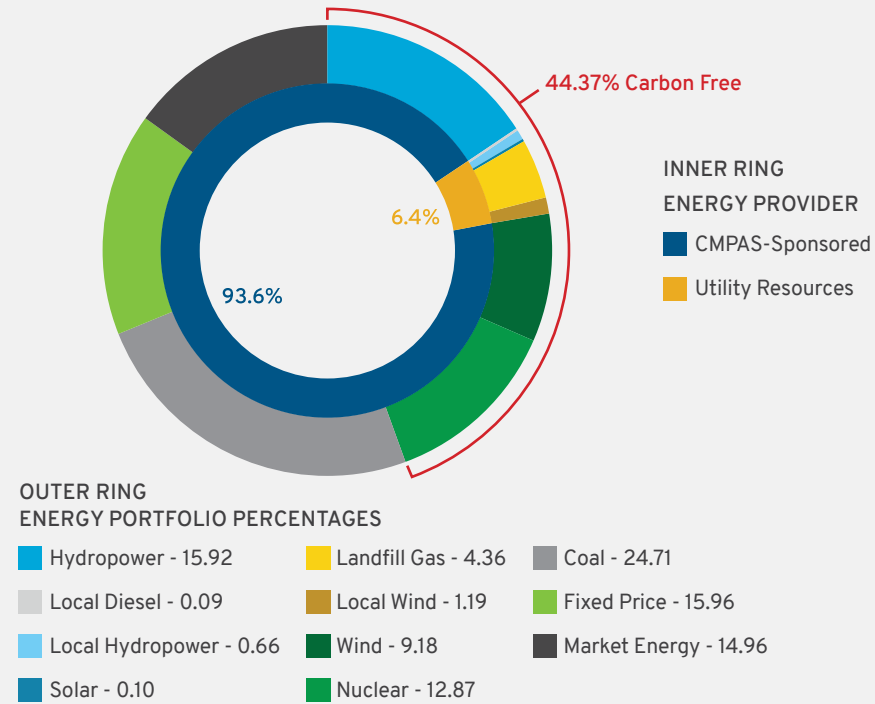
Members want to be insulated from risk, and our team worked hard to keep the lights on and power costs low. Our long-term planning for power supply and transmission makes it possible for CMMPA to achieve the lowest wholesale power costs among joint action agencies in the region.

Agency Wholesale Cost Comparison

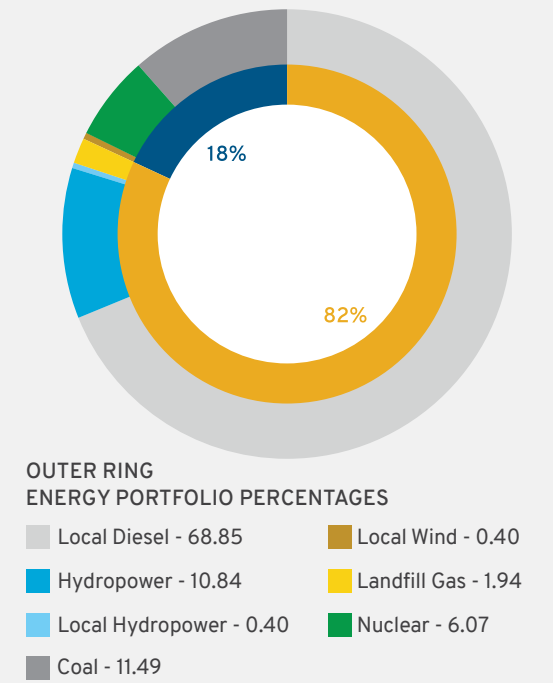


Despite the impact of the COVID-19 pandemic, the energy procurement team had a record year procuring energy and a record price of \$53 a megawatthour.

2020 CMPAS Member Energy Resources



2020 CMPAS Members Capacity by Fuel Type



DID YOU KNOW?



12 power supply review analyses conducted for members.



15 transmission studies performed for members.



\$290K amount of rebates spent by 11 CIP-reporting members for efficiency upgrades.



31.5 miles of transmission line owned by CMPAS members including five miles of the Grid North Partners Brookings to Hampton line.



14 MISO load forecasts filed on behalf of 12 MN and 2 IA public power utilities.



PORTFOLIO MANAGEMENT

Transmission Support | Energy Efficiency | Engineering Services | Administration

Accounting and Financials

Transmission investments will play an increasingly important role in mitigating risk and managing expenses. The CMPAS financial team of CFO Malinda Hibben, Accountant Lorene Damsits, and Office Administrator Amber Patten manage the Agency's revenue requirements so that we have the funds to advance our strategies.

Engineering Services

Since modernizing utility infrastructure is a top priority for our members, it is a top priority for our Agency. Over time, we have worked with our members to replace their analog meters, generator controllers, and substation relays with digital technologies to measure and control their electric system's health. Greater precision lowers costs by pinpointing the location of an outage as well as identifying necessary maintenance milestones on the system.

The bottom line – a digitized electric system is just a better way to run our business. System Engineering Supervisor Vignesh Subramanian and System Engineers Alex Martin and Garrett Nitschke's expertise and work led to **lower costs, reduced risks, and more efficient delivery of electricity.**

As noted by our members, what's not to like?

Energy Efficiency

CMPAS helped nine members assist their customers with conservation improvement and energy efficiency. These members benefit from our long-time partnership with Energy Insight that was

acquired by Frontier Energy.

To help raise awareness of Conservation Improvement Program (CIP) changes and share best practices, CMPAS's Amber Patten hosts an annual CIP workgroup meeting. She also files CIP reports with the Minnesota Department of Commerce. In addition to more than \$185,000 in rebates and 3 million kilowatthours saved on the customer side of the meter, our electric utilities invested more than \$330,000 for electric utility infrastructure upgrades.

Legislative Advocacy

At times like these, with virtual meetings, social distancing, and stay-at-home orders, it's exceedingly apparent that you shouldn't wait until you need something to reach out to your legislative or congressional representative. Christina Pierson, public affairs director, shares that public power utilities have a long history of personally interacting with policymakers. These already established relationships allowed us to continue communicating effectively.

While policy issues are usually many, the topics were narrowed to two in 2020: halting electric power shut-offs for unpaid bills and appropriating federal funding for customer assistance.

Public power's grassroots visits and relationships with policymakers from years prior helped to keep communication open during the national and state emergency. We were thankful that Congress, the Legislature, and the governor made distinctions between investor-owned and customer-owned utilities like public power in pandemic-related legislation and executive orders.

IN 2020...

6

CMPAS utilities were represented at the APPA Legislative Rally and one member city was represented in-person for the first time.

1

new employee, Garrett Nitschke, a systems engineer, was hired to help members with system engineering services.

9

Conservation Improvement Program reports were filed with the MN Department of Commerce on behalf of members.

2

million in recovery costs were approved for five members and one affiliate member for qualifying transmission facilities that they owned.

Member and Customer Focus: Glencoe Light and Power Commission

As important as generators, poles, and wires are to public power, there's another dimension – people – that sets public power apart from other electricity organizations.

David Meyer, a CMPAS board member and general manager of the Glencoe Light and Power Commission, exemplifies this "people first" ethos. Last March, as measures were implemented to slow the spread of COVID-19, Glencoe's five-member Commission discussed ways to help customers with the energy portion of their bills for a month. Ultimately, the Commission forgave \$429,000 in energy charges for one month out of a total of \$470,000.

"That doesn't happen if we're not a public power utility," David commented. "All of a sudden, in mid-March when everything shut down, we felt strongly that we should step up for members of our community who were adversely affected by the pandemic."

"Each year, we put about \$50,000 into a reserve fund, and we've been doing it for years," David commented. "We had a healthy balance in that account, and if COVID-19 didn't qualify as a catastrophe, what would?"

In the Minnesota Municipal Utilities Association Resource publication, Dave Meyer credited CMPAS with helping its utility stay strong financially. The Agency sent deferred revenues from 2019 to members in 2020's first quarter.

"The stars aligned correctly for us," Meyer said. "Just like circumstances for a business or household, each utility is different, and we wanted to meet our customers' expectations as much as we could during this difficult time."



The scenery of Granite Falls, Minnesota.

PORTFOLIO OPERATIONS

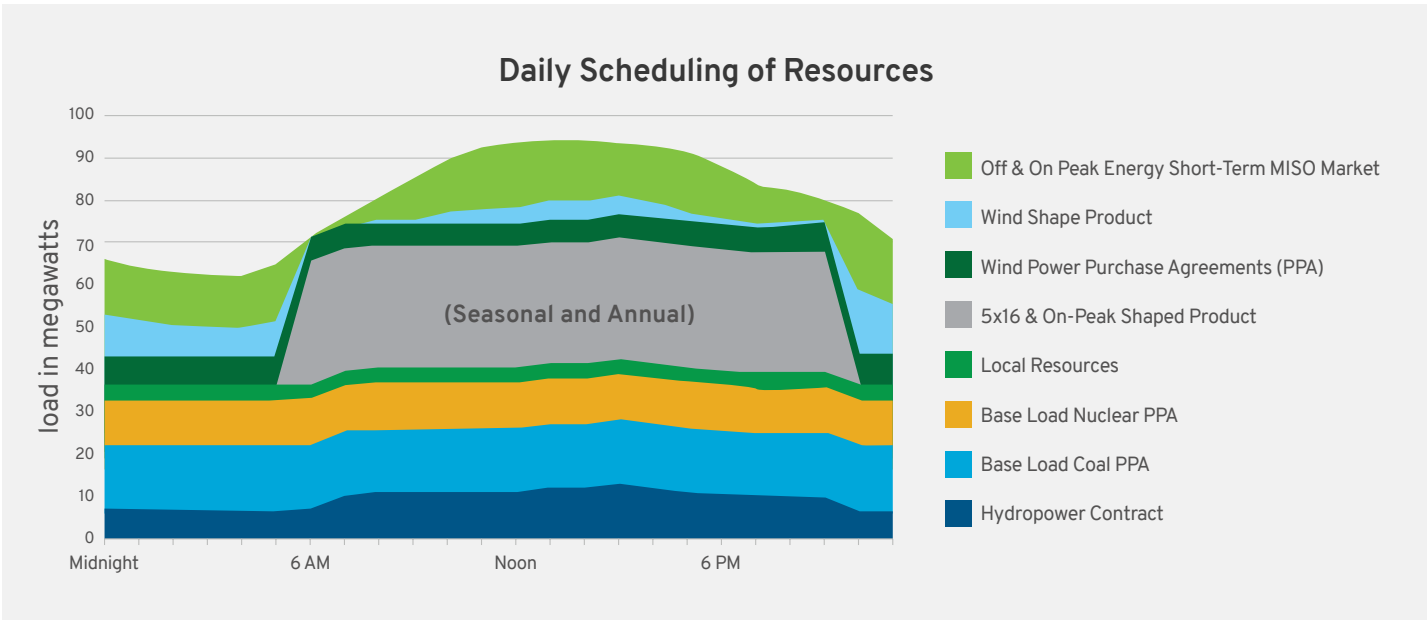
Scheduling | Market Analysis | Short-Term Purchases & Sales | Transmission Ownership

Transmission ownership provided a solid hedge in 2020, and we expect that to continue for some time.

As the footprint of intermittent renewable resources expands, baseload power stations close, and load demand grows, the MISO and Southwest Power Pool system operators are forced to increase transmission tariffs. The revenue generated by transmission assets owned by CMMPA members was a critical factor in the Agency’s ability to return several million dollars to members.

In 2020, the operations team procured nearly 400,000 megawatthours of energy – a CMPAS record. Another record was the continued downward movement of CMPAS’s average wholesale power price to \$53 per megawatthour!

And despite the pandemic, CMPAS also returned member dues and scheduling fees for the second time in its history.



CMPAS 2020 STATS



6 – The number of months that most CMPAS staff worked from home due to the COVID-19 pandemic.



\$53 – The average wholesale price in dollars/megawatthour for CMPAS’s power portfolio.



\$17.5M – The amount of contracted resources scheduled into the energy markets.



473K – The gigawatthours that our members delivered to their customers.



\$185K – The rebates given by nine My Energy Savings member participants to help customers’ defray the cost of energy efficiency upgrades.

Member and Customer Focus: Kasson

Keeping members out of the real-time market as much as possible is one of CMPAS’s goals. Supervisor of Operations and Analytics Chad Hanson explained that the real-time market exposes members to higher risks, greater volatility, and an increased chance of higher prices.

Another component of our strategic energy scheduling is using the day-ahead market to insulate members from higher prices in the real-time markets. The operations group, which includes energy analysts Andy Ristau and Ben Nelson, uses software that aggregates load demand and weather metrics that enable us to assess relationships between variables and create hourly forecasts for the day-ahead scheduling. Variables include historical load, weather, temperature, humidity, wind, cloud cover, and dew point.

For example, the City of Kasson comprises 6,500 people and has a peak load demand of nine megawatts. The city doesn’t own local generation assets that would qualify for MISO capacity credits. Consequently, the utility is more exposed to potential volatility in energy capacity markets so it relies exclusively on the CMPAS forecasting and procurement team to actively manage its portfolio to keep capacity costs reasonable and predictable.

CMPAS staff takes a member-centric approach to meeting a utility’s needs. The electric market constantly changes, and we work to manage change.



A highway bridge crossing the Cottonwood River in Springfield, MN.

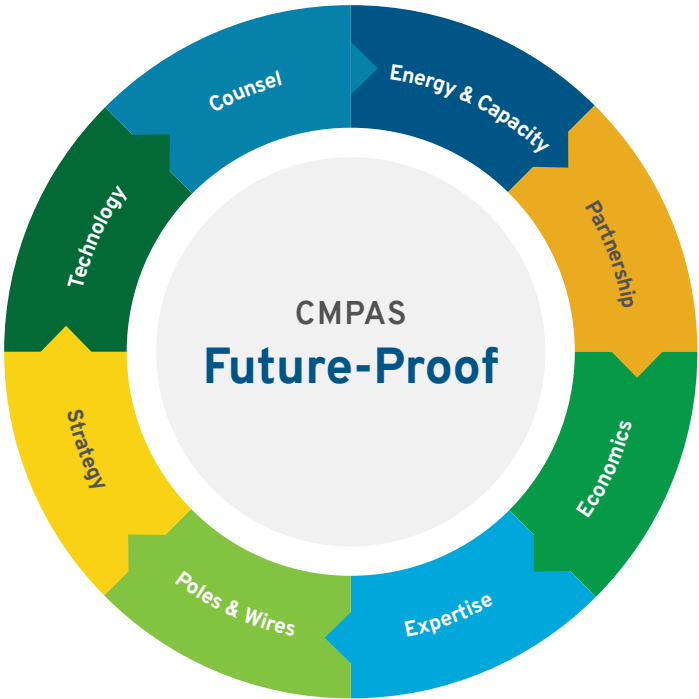
WHAT’S AHEAD IN 2021

Much has been written and spoken about an electric grid without fossil fuel or nuclear energy. We can’t predict the trajectory or the velocity of the energy transition. However, we can remain committed to providing our public power members with the resources they need to power their cities.

Even as the pendulum of American politics swings back and forth at the state and national levels, we are working hard to position our members so that their entire electric system is strategically future-proofed. We do not underestimate the potential challenges and increased risk should policies for 100 percent carbon-free electricity by 2040 and a 55 percent renewable energy standard by 2035 become law.

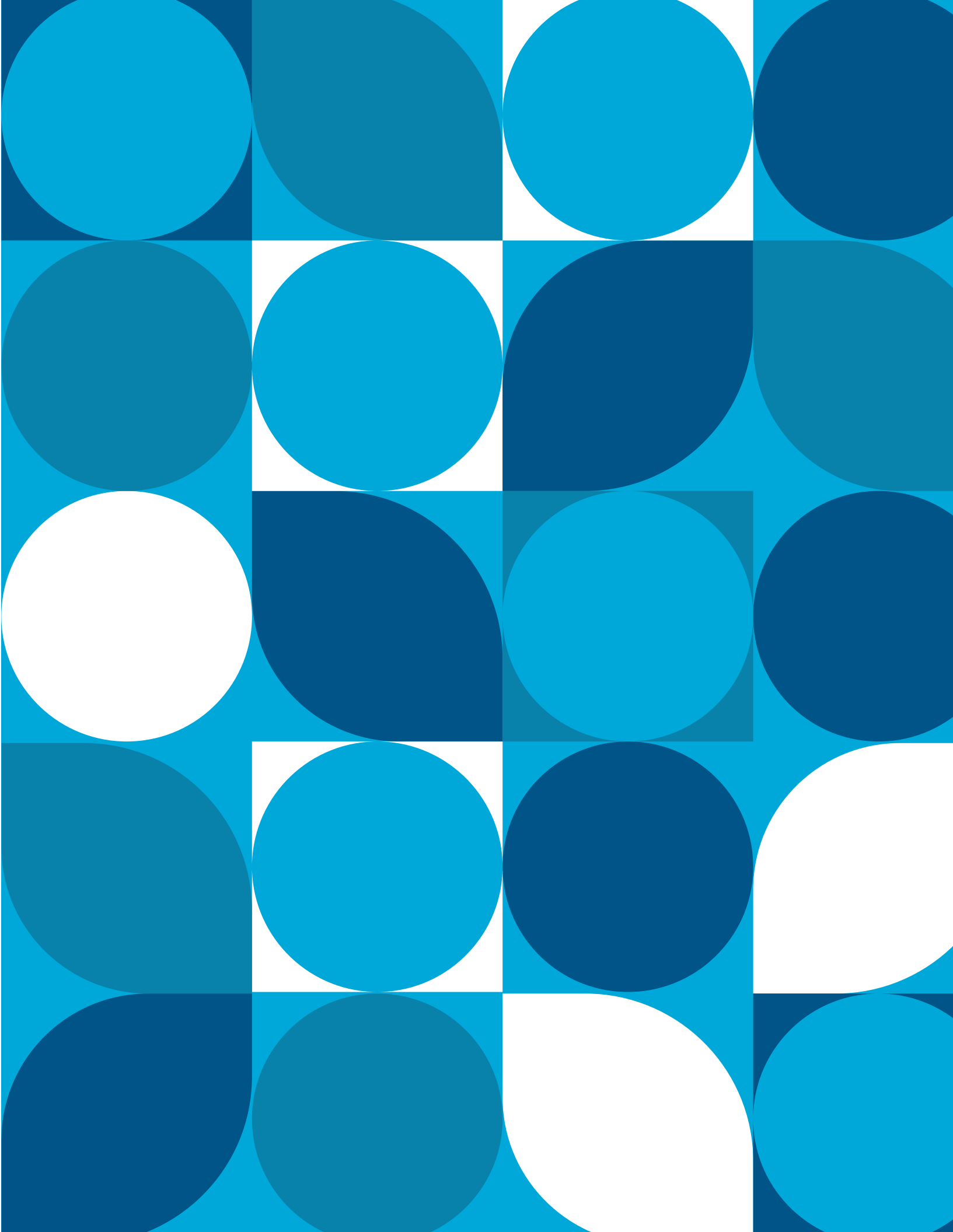
This annual report is being completed in early 2021 as an investigation begins into the energy industry’s performance during the new year’s polar vortex. Along with the power industry’s real-time response during the vortex, the North American Reliability Council’s (NERC’s) 2019 Long-Term Reliability Assessment exposes the need for infrastructure that supports reliability, redundancy, resiliency, and affordability.

Through it all, we work with a member focus to make a positive impact for customers in Blue Earth, Delano, Fairfax, Glencoe, Granite Falls, Janesville, Kasson, Kenyon, Mountain Lake, Sleepy Eye, Springfield, and Windom, as well as for our associate members, and public power affiliates.



“Even where system capacity is shown as sufficient, some areas demonstrate potential for inadequate energy to serve demand. Specifically, nearly all parts of the Western Interconnect, ERCOT, and MISO show levels of increased risk over the next five years.”

(2019 Long-Term Reliability Assessment – NERC)



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