

The Owatonna Public Utilities Commission met in special session to discuss the Minnesota Municipal Gas Agency gas supply agreement and changes to the Agency agreement. Present were Commissioners Doyal, Johnson, Rossi and Zirngible. Absent was Commissioner Kottke. Also present were General Manager Warehime; Director, Finance & Administration Olson; MMGA CEO Jack Kegel; Director, RBC Capital Markets Dan Curry and Managing Director RBC Commodities, Michael Drever.

Commissioner Doyal opened the meeting. General Manager Warehime provided the Commission an agenda of the meeting. He noted there are two things we are looking for coming out of the meeting. One being an approval of a resolution approving an amendment to the Minnesota Municipal Gas Agency's (MMGA) bylaws and an approval of a resolution authorizing OPU to enter into a gas supply agreement.

Mr. Warehime provided background information for the Commissioners:

- Municipal Utilities may issue tax-exempt bonds to prepay for a supply of natural gas
- Pre-determined quantity of gas, prepaid based on the "forward curve" (future price for each month over the next 30 years)
- Spread between taxable and tax-exempt borrowing cost becomes discount
- Financial swap converts fixed gas to First of Month (FOM) Index less the discount
- First Prepay deal was done in 1994
- OPU Commission approved a resolution in July 2019 but then the market conditions needed for the discount collapsed.
- Minnesota Municipal Gas Association (MMGA)
  - Joint action agency created for the purpose of transacting a prepay deal
  - Sells the tax exempt bonds
  - Enters into Prepaid Natural Gas Purchase with Royal Bank of Canada (RBC)
  - Is the "Issuer"
- Royal Bank of Canada
  - Receives proceeds from bonds
  - Is the "Gas Supplier"
  - Enters agreement with Issuer to deliver specified monthly quantities of gas for the life of the bonds
  - Has completed most of the deals since 2009
  - 5 year Put Option provides higher discount and repricing/off-ramp at 5-year intervals.

Mr. Warehime explained the differences between the resolution signed in 2019 and now.

- Ability to purchase electricity in lieu of natural gas.
  - This doesn't apply to OPU but is needed in order to move the agreement forward. This is the change to the bylaws and the first resolution we are asking approval of.
- Discount minimum of \$.31 rather than \$0.33
  - Includes the index premium for Ventura & Demarc, which was not included last time.
- OPU Volumes, 33% of average load rather than almost 50%
  - Fits better with our new procurement strategy
  - Annual savings of \$211,374

Mr. Warehime also discussed the risks involved:

- Load decreases and we can't take the gas
  - Options for remarketing exist
  - We are not exceeding our daily minimum for each month, and we have SMS
- Opportunity Risks (better deal becomes available)
  - Putting in 1/3 of our volume; options for long term hedges exist
- Termination Event (example, failure of gas supplier)
  - OPU loses access to discounted gas
  - Financing is non-recourse to OPU

After discussion, Commissioner Rossi moved to approve a resolution amending the MMGA bylaws giving them authority to exercise powers of a municipal power agency that is purchase itself wholesale electricity. Commissioner Johnson seconded the motion. On roll call, all Commissioners voting Aye, the motion passed.

Commissioner Rossi moved to approve a resolution authorizing OPU to enter into a gas supply agreement with MMGA. Commissioner Johnson seconded the motion. On roll call, all Commissioners voting Aye, the motion passed.

### **Adjournment**

There being no further business to come before the Commission, Commissioner Rossi moved to adjourn the meeting. Commissioner Johnson seconded the motion. All Commissioners voting Aye, the meeting adjourned at 4:28 p.m.

Respectfully submitted,

Tammy Schmoll  
Executive, Communications & Administration Coordinator