

AUSTIN & STEELE ENERGY STATIONS

Southern Minnesota Municipal Power Agency's Newest Power Plants

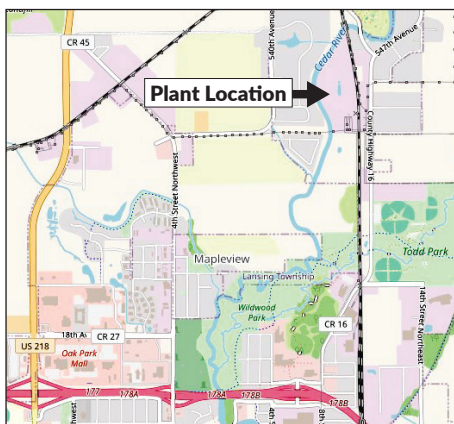
STEELE ENERGY STATION

OVERVIEW

Southern Minnesota Municipal Power Agency (SMMPA) is excited to announce the construction of a new 49 MW natural gas combustion turbine power plant on the west side of Owatonna. This facility will be known as the Steele Energy Station (SES).

LOCATION & SITE PLAN

NW 32nd Ave. & SW 8th St. in Owatonna



AUSTIN ENERGY STATION

OVERVIEW

Southern Minnesota Municipal Power Agency (SMMPA) is exploring the possible construction of a new 49 MW natural gas combustion turbine power plant in Austin. This facility would be known as the Austin Energy Station (AES).

LOCATION & SITE PLAN

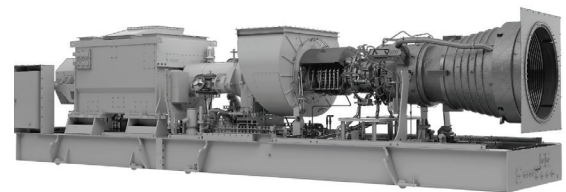
The site of the former Northeast Power Plant

PROJECT BENEFITS

- Local Construction
- Property Taxes
- Dual-Fuel Availability
- Electric System Reliability
- Enables Transition to Renewable Energy
- Hydrogen Flex-fuel ready

FACILITY APPEARANCE & TECHNOLOGY

While both energy stations are in the early design stage, they both may have a similar exterior appearance to the existing Owatonna Energy Station.



Natural Gas Turbine Generator Set

- Quickly start and stop to supplement the intermittent renewable generation

MEMORANDUM

DATE: April 6, 2026

TO: Chairs Davids & Gomez, Committee Members

FROM: Joe Hoffman, Director of Agency and Government Relations & CEO

RE: HF4709 - Austin Energy Station and Steele Energy Station Personal Property Tax Exemption

The Southern Minnesota Municipal Power Agency is seeking personal property tax exemptions for the Austin Energy Station (AES), a new 49 MW power plant to be built in Austin and the Steele Energy Station (SES), a new 49 MW power plant to be built in Owatonna.

Key Points

- SMMPA, along with our co-owner Xcel Energy, will be closing the Sherco 3 power plant in 2030.
- SMMPA will replace the energy from Sherco 3 with wind and solar projects and will replace the capacity from Sherco 3 with natural gas peaking plants.
- The proposed AES and SES power plants are necessary to meet SMMPA's reliability obligations in MISO and will also provide significant electrical reliability for the Austin and Owatonna communities.
- A personal property tax exemption does not impact real estate taxes so the City, County, and School District will continue to receive property taxes on the real estate.
- Electric generation machinery is already excluded from the state general property tax so there is no revenue impact to the state of Minnesota.
- The Austin and Owatonna City Councils and the Mower and Steele County Boards have passed resolutions of support for this legislation.

Background on Personal Property Taxes

In the early 1970s, the State of Minnesota ended collection of personal property taxes on nonutility businesses. However, utilities continue to be taxed on personal property. The personal property tax exemption for natural gas fired generation equipment is fairly common in Minnesota. Since 2000, the legislature has granted more than 20 personal property tax exemptions for generation projects. The exemption does not apply to the entire value of the facility - only the generating equipment - so land, buildings, and other electrical equipment are added to the tax base. MN Statute 275.025 excludes "electric generation attached machinery" from the state general property tax, as a result the exemption will not reduce state general property tax revenues.

A Similar Project – the Owatonna Energy Station

In 2017, with the support of the City of Owatonna and Steele County, the legislature approved a personal property tax exemption for SMMPA's Owatonna Energy Station (OES). For OES, which began commercial operation in 2018, SMMPA now makes an annual property tax payments of approximately \$66,000 to the City of Owatonna, \$51,000 to Steele County, and \$40,000 to the Owatonna Public Schools. While estimates are not yet available, it is reasonable to assume that the proposed Austin Energy Station will provide similar property tax benefits to the City of Austin, Mower County, and Austin Public Schools. The personal property tax exemption would place the new Austin Energy Station on a level playing field with other similar natural gas fired plants in Minnesota and help keep SMMPA's wholesale prices competitive with other utilities.

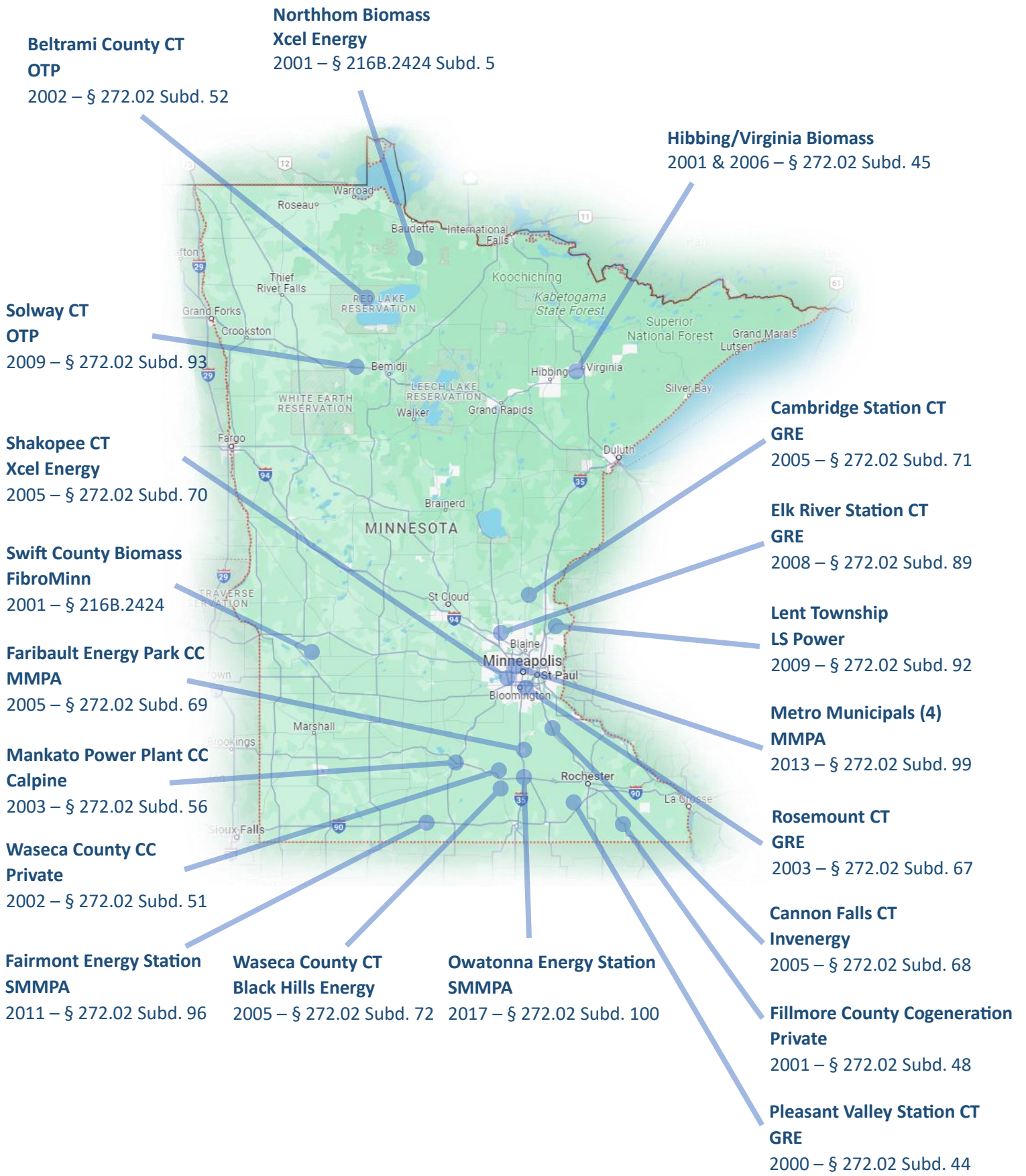
All SMMPA Members Benefit

The SMMPA members generally view having a natural gas power plant in their community as a sought-after asset due to the resulting local construction benefits, property taxes, job creation, and local electric system reliability. The personal property tax exemption is a way for the host community, in this case, Austin, to share some of these benefits with the other 16 SMMPA member communities. The Austin City Council and the Mower County Board have recently passed resolutions of support for the exemption.

2025 Steele Energy Station Legislation

In 2025, SMMPA pursued similar legislation for SES. That legislation was authored by Sen. Jasinski in the Senate (SF 2615) and Chair Davids in the House (HF 1773). The bill was included in the Senate's omnibus tax bill; however, it was not included in the final tax bill. We expect the language in the amended HF4709 will provide the exemptions for both power plants in one bill.

Approved Property Tax Exemptions for Attached Machinery and other Personal Property at Newly Constructed Power Plants (2000-2025)



RESOLUTION NO. 17334

**SUPPORTING SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY'S
REQUEST FOR LEGISLATION EXEMPTING THE AUSTIN ENERGY STATION
FROM PERSONAL PROPERTY TAX**

WHEREAS, Southern Minnesota Municipal Power Agency (SMMPA) is constructing a combustion turbine generation facility fueled by natural gas with an expected capacity of 49 Megawatts {the "Project"}; and

WHEREAS, the Project is proposed to be constructed in the City of Austin with construction expected to commence in 2027; and

WHEREAS, the Project will provide construction employment during the construction of the new electric generating facility; and

WHEREAS, the Project will provide wholesale electricity to benefit the 17 Members of SMMPA including the City of Austin, with a facility fully capable of operating in the existing Midwest Independent System Operator (MISO) market; and

WHEREAS, the Project will not only provide enhanced reliability for SMMPA Members, but also will be designed to furnish backup and emergency power service to the City of Austin in the event of transmission emergencies or outages; and

WHEREAS, the Project will provide in lieu of real property tax revenues on the parcel, and the investment by SMMPA will increase the in lieu of real property tax value; and

WHEREAS, the Minnesota Legislature has granted personal property tax exemptions to more than twenty proposed power plants in Minnesota since 2000, and as a result, personal property tax exemptions are critical to be competitive with other existing and proposed plants that have received an exemption in Minnesota.

NOW, THEREFORE, the City of Austin, acting by and through its City Council,
RESOLVES:

1. That the construction of a 49 MW combustion turbine electric generation facility using natural gas in the City of Austin would provide reliability and other economic benefits with no material adverse impact on city governmental services; and
2. That the City supports an amendment to the Minnesota property tax statutes exempting the Project's electrical generation equipment from personal property taxes, taxing only its real property value via in lieu of taxes based upon the real property tax rate structure. Such an amendment would result in taxation similar to other previously exempted electric generation projects in Minnesota.

Passed by a vote of Yeas and Nays this 2nd day of February 2026.

Yeas 6

Nays 0

ATTEST:



City Clerk

APPROVED:



Mayor

Date: February 10, 2026

Res. #14-26

RESOLUTION
SUPPORTING SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY'S REQUEST
FOR LEGISLATION EXEMPTING THE AUSTIN ENERGY STATION (AES) FROM
PERSONAL PROPERTY TAX

On motion of Commissioner Ankeny, seconded by Commissioner Reinartz, the following Resolution was passed and adopted by the Mower County Board of Commissioners at a meeting held February 10, 2026 at the Government Center, Austin, Minnesota.

WHEREAS, Southern Minnesota Municipal Power Agency (SMMPA) is constructing a combustion turbine generation facility fueled by natural gas with an expected capacity of 49 Megawatts (the "Project"); and

WHEREAS, the Project is proposed to be constructed in the City of Austin with construction expected to commence in 2027; and

WHEREAS, the Project will provide construction employment during the construction of the new electric generating facility; and

WHEREAS, the Project will provide wholesale electricity to benefit the 17 Members of SMMPA including the City of Austin, with a facility fully capable of operating in the existing Midwest Independent System Operator (MISO) market; and

WHEREAS, the Project will not only provide enhanced reliability for SMMPA Members, but also will be designed to furnish backup and emergency power service to the City of Austin in the event of transmission emergencies or outages; and

WHEREAS, the Project will provide in lieu of real property tax revenues on the parcel, and the investment by SMMPA will increase the in lieu of real property tax value; and

WHEREAS, the Minnesota Legislature has granted personal property tax exemptions to more than twenty proposed power plants in Minnesota since 2000, and as a result, personal property tax exemptions are critical to be competitive with other existing and proposed plants that have received an exemption in Minnesota.

NOW, THEREFORE, BE IT RESOLVED, Mower County, acting by and through its County Board, resolves:

1. That the construction of a 49 MW combustion turbine electric generation facility using natural gas in the City of Austin would provide reliability and other economic benefits with no material adverse impact on county governmental services; and
2. That the County supports an amendment to the Minnesota property tax statutes exempting the Project's electrical generation equipment from personal property taxes, taxing only its real property value via in lieu of taxes based upon the real property tax rate structure. Such an amendment would result in taxation similar to other previously exempted electric generation projects in Minnesota.

This resolution shall become effective upon its passage and without further publication.

Passed and approved this 10th day of February, 2026.

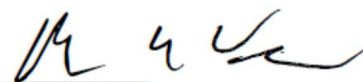
THE MOWER COUNTY BOARD OF COMMISSIONERS

By:



Chairperson

By:



Clerk/Administrator

RESOLUTION NO: 12-25
SUPPORTING SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY'S
REQUEST FOR LEGISLATION EXEMPTING THE
STEELE ENERGY STATION FROM PERSONAL PROPERTY TAX

**City of Owatonna
Resolution of Support
3/18/25**

WHEREAS, Southern Minnesota Municipal Power Agency (SMMPA) is constructing a combustion turbine generation facility fueled by natural gas with an expected capacity of 49 Megawatts (the "Project"); and

WHEREAS, the Project is proposed to be constructed on the on the western edge of Owatonna with construction expected to commence in 2026; and

WHEREAS, the Project will provide construction employment during the construction of the new electric generating facility; and

WHEREAS, the Project will provide additional full-time employment opportunities in the City of Owatonna once it is completed; and

WHEREAS, the Project will provide wholesale electricity to benefit the 17 Members of SMMPA including the City of Owatonna, with a facility fully capable of operating in the existing Midwest Independent System Operator (MISO) market; and

WHEREAS, the Project will not only provide enhanced reliability for SMMPA Members, but also will be designed to, in combination with the existing Owatonna Energy Station, furnish backup and emergency power service to the City of Owatonna in the event of transmission emergencies or outages; and

WHEREAS, the Project will provide in lieu of real property tax revenues on the parcel, and the investment by SMMPA will increase the in lieu of real property tax value; and

WHEREAS, the Minnesota Legislature has granted personal property tax exemptions to more than twenty proposed power plants in Minnesota since 2000, and as a result, personal property tax exemptions are critical to be competitive with other existing and proposed plants that have received an exemption in Minnesota.


NOW, THEREFORE, the City of Owatonna, acting by and through its City Council, RESOLVES:

1. That the construction of a 49 MW combustion turbine electric generation facility using natural gas in the City of Owatonna would provide reliability and other economic benefits with no material adverse impact on city governmental services; and
2. That the City supports an amendment to the Minnesota property tax statutes exempting the Project's electrical generation equipment from personal property taxes, taxing only its real property value via in lieu of taxes based upon the real property tax rate structure. Such an amendment would result in taxation similar to other previously exempted electric generation projects in Minnesota.

Passed and adopted this 18th day of March, with the following vote:

Aye 7; No 0; Absent 0.

Approved and signed this 18th day of March.


Kevin P. Raney, City Council President



STEELE COUNTY RESOLUTION

SUPPORTING SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY'S REQUEST
FOR LEGISLATION EXEMPTING THE STEELE ENERGY STATION (SES) FROM
PERSONAL PROPERTY TAX

Department: Administration Office

Date: 2/25/2025

Resolution No: 2025-014

WHEREAS, Southern Minnesota Municipal Power Agency (SMMPA) is constructing a combustion turbine generation facility fueled by natural gas with an expected capacity of 49 Megawatts {the "Project"}; and

WHEREAS, the Project is proposed to be constructed on the on the western edge of Owatonna with construction expected to commence in 2026; and

WHEREAS, the Project will provide construction employment during the construction of the new electric generating facility; and

WHEREAS, the Project will provide additional full-time employment opportunities in the City of Owatonna once it is completed; and

WHEREAS, the Project will provide wholesale electricity to benefit the 17 Members of SMMPA including the City of Owatonna, with a facility fully capable of operating in the existing Midwest Independent System Operator (MISO) market; and

WHEREAS, the Project will not only provide enhanced reliability for SMMPA Members, but also will be designed to, in combination with the existing Owatonna Energy Station, furnish backup and emergency power service to the City of Owatonna in the event of transmission emergencies or outages; and

WHEREAS, the Project will provide in lieu of real property tax revenues on the parcel, and the investment by SMMPA will increase the in lieu of real property tax value; and

WHEREAS, the Minnesota Legislature has granted personal property tax exemptions to more than twenty proposed power plants in Minnesota since 2000, and as a result, personal property tax exemptions are critical to be competitive with other existing and proposed plants that have received an exemption in Minnesota.

NOW, THEREFORE, BE IT RESOLVED, Steele County, acting by and through its County Board, resolves:

1. That the construction of a 49 MW combustion turbine electric generation facility using natural gas in the City of Owatonna would provide reliability and other economic benefits with no material adverse impact on county governmental services; and
2. That the County supports an amendment to the Minnesota property tax statutes exempting the Project's electrical generation equipment from personal property taxes, taxing only its real property value via in lieu of taxes based upon the real property tax rate structure. Such an amendment would result in taxation similar to other previously exempted electric generation projects in Minnesota.

This resolution shall become effective upon its passage and without further publication.

Dated this 25th day of February 2025.

STEELE COUNTY
BOARD OF COMMISSIONERS

Chair