

CAMP UPDATE:

August 3, 2007

MPUC Update

MINNESOTA PUC DECIDES NOT TO DECIDE ON POWER PURCHASE AGREEMENT (PPA)

About 50 CAMPers attended the session for oral arguments at the Minnesota Public Utilities Commission in St. Paul on July 31st. All were impressed with the quality of the case put on by Xcel Energy and other parties in opposition to Excelsior Energy's proposed PPA. A smaller number attended the second day of arguments and the PUC's deliberations on August 2nd.

The key question before the Public Utilities Commission was whether to force Xcel into a long-term contract to purchase the output of Mesaba I. This is critical to Excelsior's ability to: receive additional federal financial support; and attract private funding.

The PUC unanimously decided not to approve the terms of the PPA as currently proposed. However, the PUC left open the possibility that somehow a mutually acceptable PPA might yet be negotiated. They did not establish any particular time for the end of negotiations.

Time is a serious concern for Excelsior, particularly the deadline of October 1, 2007, for applying for at least \$100 million in federal tax credits. Its chances of being awarded these credits will be lower if it doesn't have an approved PPA. Without the credits, the cost of its power will increase significantly, making the Project even more untenable.

The PUC decision has not yet been put in writing, so it is difficult to say how they expect the parties to overcome the obstacles to a mutually agreeable PPA (Xcel says it doesn't need the power and it is too costly). The PUC is expected to issue a statement soon. It should also issue a detailed order with findings in a few weeks.

We'll keep you informed of this and other developments – the draft environmental impact statement is now expected to be released in mid-August.

The bottom line is that five Commissioners found:

1. Excelsior Energy's Mesaba Unit I meets the statutory definition of an Innovative Energy Project.

(This reverses the findings of the Administrative Law Judges and allows Mesaba to continue to claim the special privileges in the 2003 statute such as: entitlement to a PPA; exemption from a Certificate of Need; eminent domain power; \$10 million from the Renewable Development Fund.)

2. The PPA as currently drafted is not in the public interest but Excelsior, Xcel and the Department of Commerce are requested to continue to negotiate toward a final PPA.

3. The Mesaba Project is not a least cost resource for Xcel and so Xcel is not required to purchase at least 2% of its retail energy from the Project.

CAMPers all hoped that this PUC decision would put an end to the Mesaba Project. That may eventually be the result but in the meantime we have to continue our opposition.

AND WE WILL!