

EXCELSIOR ENERGY'S MESABA PROJECT: \$40 MILLION GONE FOR WHAT?

by Charlotte Neigh, Co-Chair, Citizens Against the Mesaba Project (CAMP)

Over the last ten years Excelsior Energy has benefited from \$40 million in public funding and special legislation at the state and federal levels without fulfilling its promises or being held accountable. Notice has finally been taken with recent investigative reports and an editorial in the Duluth News Tribune (available at: <http://www.camp-site.info>) that have reverberated across the state and around the country. Yet it remains to be seen whether any remedial action will be taken by the Iron Range Resources and Rehabilitation Board (IRRRB), which is out \$9.5 million and has enabled Excelsior to keep its financial records from the public.

Reactions have largely focused on the disclosure that Excelsior's co-CEOs, husband and wife Tom Micheletti and Julie Jorgensen, apparently have paid themselves \$600,000 annually in combined salaries. They are the only two shareholders, having invested a total of \$60,000 when they founded the company in 2001. Many have been shocked at this disproportionate payoff, given the company's failure to build power plants and provide jobs as its promoters and supporters promised. The shock has turned to outrage as people learned that special legislation to keep Excelsior's financial information secret was passed in an underhanded manner.

Information about Excelsior's financials is scarce, coming primarily from a review of IRRRB files conducted in 2007 by CAMP. This was authorized by the Minnesota Government Data Practices Act (MGDPA), which is meant to keep government files open to the public while protecting specified types of information. This avenue was blocked in May 2008 when State Sen. Tom Bakk abused his position as chair of the senate tax committee to slip in an amendment to the omnibus tax bill exempting financial information on IRRRB borrowers from the MGDPA. CAMP discovered this in 2010 when it tried to learn the basis for IRRRB's reducing and extending Excelsior's repayment obligations, and the IRRRB denied the information request.

For more than five years CAMP has been following this project and asking some of the questions recently raised by the DNT.

- Why did the IRRRB waive the requirement for Excelsior to match its initial \$1.5 million loan with substantial private investment?
- Why did the IRRRB agree to give Excelsior an additional \$8 million while it was failing to meet the conditions of the initial loan?
- How did Excelsior manage to spend nearly \$2 million on lobbying activities when this was prohibited by the terms governing its receipt of public funds?
- Why did the IRRRB not enforce the prohibition on spending its funds on lobbying activities?
- Was there a connection between Sen. Norm Coleman's inserting language to give Excelsior \$800 million in federal loan guarantees and the \$22,000 in campaign contributions from Excelsior's principals?
- Why did State Sen. Dave Tomassoni's special 2003 legislation give Excelsior a \$10 million grant from the Renewable Development Fund, which has been shown as inappropriate in a 2010 report by the Office of the Legislative Auditor?
- Why have Iron Range legislators continued exerting pressure to pass special legislation to benefit Excelsior, as recently as May 2011?

- What is the total extent of political contributions made by Excelsior and its promoters to Iron Range legislators, not only directly to the candidates but also to local party units that support them?

These questions should be answered to avoid similar mismanagement of IRRRB funds in the future but its \$9.5 million will likely never be recovered from Excelsior. It remains to be seen whether Excelsior will make the \$100,000 (reduced from \$800,000) payment due in December 2011.

The IRRRB can, however, reverse the 2008 misstep that is keeping Excelsior's financial information secret from the public that has provided the \$40 million. State Rep. Tom Anzelc is proposing that the Board pass a resolution and pursue legislation restoring the MGDPA's jurisdiction over the IRRRB files relating to its borrowers. Although Board Chair Tom Rukavina has refused to call a special meeting for this purpose, he reportedly told the DNT that he is not against the proposal and he thinks things should be done in the open. The extent to which other Board members agree will be tested at the next meeting on October 20th.