



# CAMP

Citizens Against the Mesaba Project

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NEWS RELEASE • October 17, 2006

## MINNESOTA CHAMBER OF COMMERCE & MINNESOTA DEPARTMENT OF COMMERCE RAISE CONCERNS ABOUT MESABA ENERGY PROJECT

Excelsior Energy has asked the Minnesota Public Utilities Commission (MPUC) to order NSP/Xcel Energy to enter into a 25-year power purchase agreement (PPA) for the 603 MWs of electricity Excelsior plans to generate from Unit I of the Mesaba Project, to be constructed north of Taconite. Concerns have been raised about the costs of this project and their effects on Xcel's financial health and its ratepayers, and on the state's economy.

William Blazar, Sr. V.P. of Public Affairs and Business Development for the Minnesota Chamber of Commerce, has testified that a majority of its business members purchase electricity from Xcel and their profitability could be decreased if Xcel is forced to purchase more power than it needs at costs substantially higher than other resources. The Chamber calculates that the net economic benefits to the state are likely negative. Blazar also worries about the unreliability of this technology which has not yet been proven on such a large scale. Additionally, Blazar sees “. . . a problem . . . in that the parties signing the PPA do not appear to have sufficient wherewithal to provide security in the event there are significant damages.”

Dr. Eilon Amit of the Minnesota Department of Commerce has testified that: there is no specific plan for sequestration of the carbon dioxide that the plant will produce; and “Without sequestration of CO<sub>2</sub>, the environmental benefits of an IGCC plant over a supercritical plant may not be significant.” Amit estimates that the cost of equipment and a pipeline to send the CO<sub>2</sub> several hundred miles west could be \$1.1077 billion by 2011. Amit notes that the costs of upgrading the system to transmit the energy to Xcel's territory could exceed \$200 million and that it is not known who would bear these costs. Amit is also concerned that the PPA does not provide reasonable measures to protect Xcel's ratepayers from dissolution, liquidation or bankruptcy of the project. Amit concludes that the PPA would result in a very significant increase in Xcel's cost of debt, equity and capital, and that Xcel's ratepayers are not properly protected from the operational and financial risks.

An administrative law judge is conducting the PPA proceedings. A public hearing is scheduled for December 19 in Itasca County. The judge's recommendation to the MPUC is expected in February and its decision is expected a couple of months later.

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