



CAMP

Citizens Against the Mesaba Project

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CAMP ISSUES ECONOMIC POSITION PAPER

Citizens Against the Mesaba Project has responded to the claims of economic benefits for Itasca County to be expected from the proposed Mesaba Energy Project. In its recently released position paper, CAMP points out that the two studies relied on by the Itasca Economic Development Corporation in its support for the Project are not reliable indicators of economic benefit. The studies, commissioned from the UMD Labovitz School of Business by Excelsior Energy and the IEDC, are not cost-benefit analyses, and their authors caution that they should not be used to determine policies or make decisions.

CAMP points out that the qualifications of the developer are questionable. Mesaba I would be the first project for Excelsior Energy and eight of its nine top executives held positions with NRG Energy, Inc., an energy-producing company that grew aggressively in the 1990s and had to file for Chapter 11 bankruptcy in 2003.

CAMP's primary focus is on the flaws of the UMD studies. These include unverified data from Excelsior Energy used as input, and projections of millions of dollars in "value added spending" that don't take into account that most of these dollars will flow out of the county and the state.

CAMP's concerns are supported by evidence being introduced in the pending proceeding before the Minnesota Public Utilities Commission (MPUC) related to Excelsior's attempt to force Xcel Energy to purchase the 603 MW of electrical output from Mesaba I. The Minnesota Department of Commerce has concluded that there are financial and business risks and the proposed plant is not likely to be a least-cost resource, as required by Minnesota law. The Minnesota Chamber of Commerce has concluded that the net economic benefits to the state are likely to be negative. Minnesota Power has raised concerns about: the lack of rail and coal contracts; a gasification technology that has not been proven to work on such a large scale or using sub-bituminous coal; making unrealistic environmental promises; and using up already scarce and valuable air shed needed to meet permit requirements for other viable northeastern Minnesota projects that would use existing natural resources.

CAMP has concluded that Itasca County should consider the identified financial and operational risks, as well as the risk of serious detriment to the clean air and water that attracts visitors and residents. Without a proper cost-benefit analysis that considers the costs to tourism and recreation, decreased land values, public health and the environment, there is no basis for concluding that this Project would benefit Itasca County.

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