



CAMP

Citizens Against the Mesaba Project

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CAMP CAUTIONS MUNICIPAL UTILITIES ABOUT MESABA PROJECT

Municipal electric utilities are being invited to take a chance on a source of power that has been judged too expensive and risky for Xcel Energy. Since failing to force a power purchase agreement with Xcel, Excelsior Energy has turned to municipals in the hope of financial rescue for Unit I of the Mesaba Project - a coal gasification power plant proposed to be built on the Iron Range. Citizens Against the Mesaba Project, a grassroots organization of volunteers, is advising the more than one hundred Minnesota municipals to carefully assess the costs and risks.

The Minnesota Municipal Utilities Association has been sponsoring meetings around the state where Excelsior makes a pitch for municipals to purchase ownership interests in Mesaba Unit I. The sales pitch presents Mesaba in a questionably favorable light, leaving out pertinent information about the problems identified by the Minnesota Public Utilities Commission and financial markets, and claiming a level of federal support not yet achieved. Tom Micheletti, Excelsior's Co-CEO, reportedly said that the MPUC would have no say over municipals' decisions to invest in the plant or buy power from it. Excelsior's promotional materials present this as a benefit of municipals' participation in the Project but municipals could benefit from the MPUC's findings and opinions.

CAMP is questioning Excelsior's claim that federal loan guarantees will shift the risk of loss on 73% of Project costs to the federal government; Excelsior has not yet been awarded any guarantees and such a large percentage is unlikely. Considerable obstacles stand in the way, including requirements for: having a long-term commitment to purchase the power; passing a credit assessment without the guarantees; having a reasonable proportion of cash invested by the principals; reducing greenhouse gas emissions; and approval of environmental and other permits. These requirements are problematic because: Excelsior has been unable to find a customer; Excelsior has apparently been operating on approximately \$40 million of public funding and \$60,000 invested by its principals; no capture of CO₂ is planned until mandated, and capturing more than 30% is not technologically feasible and would be prohibitively expensive; serious concerns have been raised regarding air and water permits; and the final environmental impact statement has been delayed repeatedly since March 2008.

CAMP also highlights major unknown costs and risks, including: inflation over the four years since the cost estimate was \$2.156 billion; additional \$1 billion cost of capturing and sequestering only 30% of carbon dioxide; risk of unreliability of unproven technologies; likelihood of significant monetary penalties for greenhouse gas emissions; and financial market's advice that the next generation of coal gasification power plants are a "clear risk" to investors.

CAMP is reminding municipals that the MPUC has already determined that: the rates proposed to Xcel would be 30% higher than rates for a supercritical pulverized coal plant; and without capture and sequestration of carbon dioxide, Mesaba has little advantage over the state-of-the-art pulverized coal baseload technologies likely to be deployed today.

Municipal utility managers and commissioners, as well as mayors and city councilors should exercise extreme caution in considering financial commitments to the Mesaba Project.

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