

**CAMP'S REBUTTAL to
EXCELSIOR ENERGY'S REASONS TO SUPPORT THE MESABA ENERGY PROJECT**

EXCELSIOR: Minnesota utilities need 2800–3600 MWs of new baseload generation in the next 15 years.

CAMP: If Excelsior had followed the usual process of having the need for this plant assessed by the Minnesota Public Utilities Commission (MPUC) it would not have to make questionable claims about the need. Although Excelsior got the legislature to exempt it from a certificate of need and to try to require NSP/Xcel Energy to purchase the output of Mesaba I, Xcel is opposing this forced power purchase agreement (PPA). The MPUC determined in July 2006 that Xcel needs only 375 MWs and not until 2015; Xcel recently announced plans to acquire that power from a combination of wind and hydroelectric generation. The Midwest Independent Systems Operator (MISO) queue for Minnesota, Dakotas, Iowa, and Wisconsin shows 16,712 MW of potential new generation in the planning stage, with 6,566 MW of this in Minnesota.

EXCELSIOR: Mesaba's coal-gasification technology will provide environmentally friendly energy: it will reduce emissions by two-thirds compared to state-of-the-art conventional coal plants; and it has the ability to economically deal with global warming. Environmental groups such as the Clean Air Task Force, the Natural Resources Defense Council, and various chapters of the Sierra Club have endorsed this technology.

CAMP: Environmental groups endorsing IGCC technology cite its ability to capture and sequester carbon dioxide (CCS), which is not planned for Mesaba. The geology of Minnesota does not permit sequestration; the nearest possible sequestration site would require 400-600 miles of pipeline. Excelsior will not make public its calculation of efficiency losses and capital costs of CCS; the Minnesota Department of Commerce (DOC) has estimated it at over a billion dollars, with the cost of sequestration from \$9-12/MWh. Mesaba cannot economically sequester CO₂, and its 720 tons/hour would make it the largest producer of CO₂ in the state. DOC testimony to the MPUC in October 2006 stated "without sequestration of carbon dioxide, the environmental benefits of an IGCC plant over a supercritical plant may not be significant." The Minnesota Pollution Control Agency recently compared the emissions of IGCC to those of supercritical and ultracritical pulverized coal plants and concluded that IGCC technology reduces emissions significantly only for sulfur dioxide.

EXCELSIOR: Mesaba will provide economical energy, with the cost of electricity roughly equal to conventional coal plants. With environmental benefits factored in, the cost of energy will be lower than conventional coal plants

CAMP: This claim is disputed by Xcel Energy and other parties participating in the PPA case pending before the MPUC. In early November Xcel published a comparison of estimated costs for meeting demand from 2007 to 2033 using various power sources, in millions of dollars: \$38 - combination of wind and gas; \$47 - pulverized coal; \$126 - natural gas; \$194 - combination of renewable; \$866 - coal gasification. Experts for other parties have testified in the PPA case that Mesaba is not likely to meet the statutory requirement of being the least-cost resource.

EXCELSIOR: The Iron Range and the entire State of Minnesota will enjoy significant economic development benefits from the Mesaba Project: more than 100 jobs with competitive salaries; an additional 143 jobs caused by increased economic activity associated with operating the plant; substantial annual property tax payments to local governments.

CAMP: The economic impact has been grossly inflated by the proponents of the Project, based on an unreliable study. Others have calculated that 80-90% of the operating expenditures will flow out of Itasca County, most of it out of the state. The Minnesota Chamber of Commerce has testified in the PPA case that the net economic impact to the state is likely to be negative. The Project sought and achieved legislative exemption from utility personal property tax, which would generate at least four times as much revenue as the real estate tax; this was done without notification to the county, Taconite or the Greenway School District, which would have benefitted from it. How long will it take for the Project's real estate taxes to compensate for the \$55 million in public infrastructure it is requesting?

EXCELSIOR: By using America's abundant coal deposits as a fuel source, Mesaba will reduce the nation's reliance on imported natural gas. Because it will use domestically abundant coal in an environmentally responsible manner, numerous policy groups support Mesaba's coal gasification technology.

CAMP: Groups that support the technology cite the CCS capability, which is not going to be realized by Mesaba.

EXCELSIOR: Mesaba has received strong bipartisan support at the local, state and federal levels because of its environmental, energy security, and economic development benefits.

CAMP: Mesaba's developers, with extensive experience in lobbying and government affairs, took advantage of the Bush administration's "clean coal initiative", which is not widely admired outside interest groups that would profit from it. Mesaba won the support of the Minnesota legislature during the special session in 2003: as part of a compromise to enable Xcel to store additional nuclear waste at Prairie Island; and by promising to build on an abandoned industrial brown site near Hoyt Lakes and provide 1,000 permanent jobs. Local officials have followed the developer's lead, without questioning the economic promises or assessing the environmental damage, which does not satisfy a significant number of residents who have serious concerns about Mesaba.