



Excelsior Energy Announces Agreement To Undertake Major Water Quality Improvement Program

January 21, 2008

Minneapolis, MN – Excelsior Energy announced today that it has reached an agreement with governmental leaders on the Iron Range to undertake a major regional water quality improvement program in connection with its Mesaba Energy Integrated Gasification Combined Cycle (“IGCC”) power generation project. Excelsior CEO Tom Micheletti stated “We at Excelsior are pleased that we were able to come to an agreement with area officials, led by Senator Tom Saxhaug. They asked us if we could make additional environmental improvements to protect and enhance the area’s water quality, and we found some things we could do to make improvements. We are also grateful to Mayors John Sloan, Ed McMullen, and Jim Lawson of the cities of Coleraine, Bovey, and Taconite for their participation, cooperation and help.”

Bob Evans, Vice-President of Environmental Affairs at Excelsior said that the agreed upon improvements include the installation of additional equipment to enhance the planned Zero Liquid Discharge (“ZLD”) system at the power plant. The enhancements would result in all water used in the plant being recycled, rather than discharged, eliminating all water discharges into the Upper Mississippi River watershed. Additionally, Evans said that the company has agreed to make significant capital improvements to the combined wastewater treatment facilities of the cities of Coleraine, Bovey, and Taconite when construction commences on the IGCC plant. “The net effect of these improvements will be to ensure the long term improvement of surface water quality in the surrounding region, and in particular, water quality in Trout Lake, the Swan River, and the Mississippi River,” stated Evans.

Micheletti noted that “While the capital costs associated with the enhanced ZLD system are on the order of \$20 million, the decision to install it is consistent with our commitment to work with local officials and address the concerns of local residents. We also estimate that we will contribute up to one-half million dollars to upgrade the cities’ wastewater treatment facilities.”

Senator Tom Saxhaug had this to say. “Excelsior didn’t have to do this to get licenses, but they have agreed to do all they could to demonstrate they intend to be good environmental stewards. This is a very promising development.”

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Mayor Jim Lawson of Taconite stated “If the Iron Range is going to have continued job growth and economic development, it must be done with the utmost concern for the environment. This agreement by Mesaba reflects this new culture of environmental awareness and sensitivity to local concerns.”

Mayor John Sloan of Coleraine added: “This agreement to help our water treatment system is a major development for Coleraine and the area. Now, if the EIS is approved, the project should have everyone’s support.” The U.S. Department of Energy (DOE) and the Minnesota Department of Commerce (DOC) have released the draft Environmental Impact Statement (EIS) for the Mesaba Energy Project, marking another significant milestone for the company’s IGCC project. The draft EIS provides a comprehensive analysis of the project’s potential environmental and socio-economic impacts and the means for mitigating them. Evans noted “In the environmental review process, comments by the public, as well as Federal and state agencies, raised concerns about the impacts of discharging the Project’s cooling water to local surface waters. Excelsior’s announcement today eliminates those concerns.”

Excelsior CEO Tom Micheletti stated, “IGCC technology represents the state of the art in generating electricity from coal in an environmentally acceptable manner. If our country and world do not deal with the environmental challenges of using coal, we will not be addressing potential climate change issues. Avoiding coal is not the solution. The Mesaba Project is at the cutting edge of meeting base-load power demand consistent with state and federal environmental goals, including finding a climate change solution.”

Micheletti concluded by noting that “The draft EIS discussed available options to mitigate the environmental impacts associated with discharging the Project’s cooling water to local receiving waters. By agreeing to install an enhanced zero liquid discharge system at our West Range site and help fund needed improvements to the Coleraine-Bovey-Taconite wastewater treatment facilities, we have gone a step beyond the most stringent mitigation options to minimize water quality impacts identified in the draft EIS. Governmental officials asked us to work with them to make the Project as clean as possible, and we listened to them. By virtue of the changes we are announcing today, the Project essentially eliminates all waste streams typically associated with a coal-fired power plant making an exceptionally clean project even better than it was before. No existing coal-fired power plant in the nation can match this overall level of environmental performance.”

About Excelsior Energy and the Mesaba Energy Project

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Excelsior Energy is an independent energy company focused on the rapid commercialization of coal gasification technology to meet the nation's increasing demand for electric energy with significantly reduced environmental impacts and a technological means to address climate change impacts. The Mesaba Energy Project Unit 1 is a nominal 600 MW integrated gasification combined cycle (IGCC) plant under development on Minnesota's Iron Range. The Mesaba Project is included within the portfolio of pioneering projects co-funded by the U.S. Department of Energy (DOE) as part of a program with the long-term objective of allowing the nation to continue to use coal for electric power generation with near-zero emissions and environmental impacts. The project has proposed a groundbreaking optional carbon capture and sequestration plan, the first of its kind in the country, as a means to reduce carbon dioxide emissions that contribute to greenhouse gases in the atmosphere. It was selected under a competitive co-funding opportunity announcement by the DOE in Round 2 of the Clean Coal Power Initiative, which provides cost sharing to technologies that are mission-critical to U.S. energy security, and has received a development loan from Iron Range Resources, an economic development agency of the State of Minnesota. The Project is also supported by Minnesota enabling legislation, which provides unique incentives and significant regulatory benefits to encourage deployment of the IGCC technology. The Excelsior management team includes industry veterans in the electric utility, independent power, environmental and project development areas. The company website is www.excelsiorenergy.com.

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