



STATE OF MINNESOTA
Minnesota Department of Commerce
Issued: January 7, 2008



MINNESOTA DEPARTMENT OF COMMERCE NOTICE OF PUBLIC HEARING

**Large Electric Power Generating Plant Site
High Voltage Transmission Line Route
Natural Gas Pipeline Route (Partial Exemption)
Joint Permit Application
Mesaba Energy Project Proposed by Excelsior Energy, Inc.
PUC Docket No. E6472/GS-06-668
OAH Docket No. 12-2500-17512-2**

PLEASE TAKE NOTICE that Public Hearings will be held on the Joint Permit Application submitted to the Minnesota Public Utilities Commission (Commission) by Excelsior Energy (Excelsior) concerning the proposed Mesaba Energy Project.

The hearings will be held at two locations on subsequent days. Each day will consist of two sessions. The first session will begin at 10:00 am and the second session will begin at 6:00 pm. Locations of the hearings are listed below:

West Range

Tuesday, January 29, 2008
Taconite Community Center
26 Haynes Street
Taconite, MN

East Range

Wednesday, January 30, 2008
Hoyt Lakes Arena
102 Kennedy Memorial Drive
Hoyt Lakes, MN

PROCESS HEARING

Administrative Law Judge Steve M. Mihalchick will preside at the hearing. Judge Mihalchick's mailing address is Office of Administrative Hearings, P.O. Box 64620, St. Paul, Minnesota 55164-0620. Written material may also be submitted to him by email at steve.mihalchick@state.mn.us, by fax at (651) 361-7936, or by delivery to 600 North Robert Street, St. Paul, MN 55101. He may be reached by phone at (651) 361-7844.

Purpose of Hearing. The purpose of the public hearing is to compile the record for the Commission to consider in making a final decision on the joint permit application and designation of a large electric power generating plant (LEPGP) site, high voltage transmission line (HVTL) and natural gas pipeline routes, and issuance of the respective permit requests. The ALJ will write a report and make

a recommendation to the Commission on which site and routes to authorize and on any appropriate permit conditions. The Commission will make a final decision on the site/route permits at a subsequent Commission hearing.

At the start of each hearing session, the ALJ will explain the procedural rules for the hearing, including the sequence for providing testimony and questioning witnesses. Members of the public will be allowed to participate without the necessity of intervening as a party. Representation by legal counsel is permitted but not required. Participation includes: a) offering direct testimony; b) offering testimony or other material in written form at or following the hearing; and c) questioning witnesses.

The first session, beginning at 10:00 a.m. on each day shall be for the purpose of introducing into evidence the prefiled direct testimony of the parties, the cross examination of each witness by all other parties, Commission and Department of Commerce (DOC) Energy Facility Permitting Staff, and the questioning of witnesses by the public if time allows. The second session, beginning at 6:00 p.m. on each day shall be for the purpose of allowing the public to present their direct testimony and to question witnesses that offered direct testimony on behalf of a party.

Any person who wishes to question a witness, but does not want to ask the questions, may submit questions in writing to the ALJ, who will then question the witness. Questions may be submitted during the hearing or may be sent to the ALJ in advance of the hearing. A transcript of the proceedings will also be available on request. For more information about participation as a member of the public, contact the DOC's public advisor (see information below).

The deadline for written public comments to the Administrative Law Judge on the joint permit application is February 15, 2008. Mailed comments must be post marked by that date. Faxed, emailed, and delivered comments must be received by 4:30 p.m. that date.

OAH Rules. The ALJ will conduct the public hearings in accordance with Office of Administrative Hearings (OAH) procedural rules for the Commission's energy facility permitting process (Minnesota Rules Chapter 1405). The applicable statutes and rules can be found on the web pages of the Office of Administrative Hearings:

www.oah.state.mn.us

The rules and statutes are also available on the Revisor's webpage. Rules and statutes may also be purchased at the State Bookstore, 660 Olive St., St. Paul, Minn. 55155, phone (651) 297-3000.

Continuation of Hearing. The Administrative Law Judge may elect to recess the hearing and set additional days for hearing if necessary.

Identified Parties. The only party to this proceeding identified on the date of this notice is the applicant. The contact person for the applicant is Thomas L. Oстераas, Counsel, Excelsior Energy Inc., 11100 Wayzata Boulevard, Suite 305, Minnetonka, Minnesota 55305, phone (952) 847-2360.

Intervention. The deadline for persons to petition for intervener status as a full party to this proceeding was February 12, 2007. Three entities petitioned and were granted intervener status; they are Xcel Energy, Minnesota Power and Public Energy-Mesaba. However, having failed to file

testimony, they have been denied further participation as parties in this matter. They may participate as members of the public and interested persons. Members of the public need not become formal parties to participate in the hearings. Members of the public may offer either oral or written testimony, may offer exhibits for inclusion in the record and may question the parties' witnesses as set forth in Minn. Stat. 216E.03.

Exemption of Witness from Hearing on January 29. K. Anne Ketz offered prefiled testimony on behalf of the applicant regarding cultural resources issues, specifically historical and archaeological resources. Due to a scheduling conflict, Ms. Ketz will be unable to attend the sessions in Taconite on January 29, 2008. She will present her direct testimony during the first session on January 30, 2008 in Hoyt Lakes and be available for questioning by all parties and members of the public in Hoyt Lakes on January 30, 2008 at the second session, beginning at 6:00 p.m._

PROJECT/PROCESS OVERVIEW

Project Description. Excelsior Energy, Inc (Excelsior) is proposing to construct and operate a fuel flexible Integrated Gasification Combined Cycle (IGCC) power plant, such fuels including bituminous and subbituminous coal, and blends of subbituminous coal and petroleum coke. The proposed power plant will be constructed in two phases; each phase will be capable of producing approximately 606 MW (net) of baseload power.

In the E-GasTM gasification process, coal, petroleum coke, or blends of coal and petroleum coke are crushed, slurried with water, and pumped into a pressurized vessel (the gasifier) along with purified amounts of oxygen. In the gasifier, controlled reactions take place, thermally converting feedstock materials into a gaseous fuel known as synthetic gas, or syngas. The syngas is cooled, cleaned of contaminants, and then combusted in a combustion turbine (CT), which is directly connected to an electric generator. The assembly of the CT and generator is known as a combustion turbine generator (CTG). The expansion of hot combustion gases inside the CT converts thermal energy to rotational energy that spins the generator and produces electricity. The hot exhaust gases exiting the CTG pass through a heat recovery steam generator (HRSG), a type of boiler, where steam is produced. The resulting steam is piped to a steam turbine that is connected to an electric generator. The expansion of steam inside the steam turbine spins the generator to produce an additional amount of electricity. When a CTG and a steam turbine generator (STG) are operated in tandem at one location to produce electricity, the combination of equipment is referred to as a combined cycle electric power plant. Combining the gasification process with the combined cycle design is known as integrated gasification combined cycle (IGCC).

Each phase consists of two CTGs (approximately 220 MW each) and one STG (approximately 300 MW). Three gasifiers, two on-line and one off-line during operation, will supply the CTG with syngas. Power generated from the project will be interconnected to the regional electrical grid via high voltage transmission lines, either at the Blackberry or Forbes Substations depending on which site (i.e., West Range or East Range, respectively) is selected.

Regulatory Review Process. In accordance with the Power Plant Siting Act a site permit and a route permit are required before a LEPGP or HVTL can be constructed. The Power Plant Siting Act

requirement became law in 1973 in Minnesota Statutes 216E.001 through 216E.18. The rules to implement the permitting requirement for LEPGPs and HVTLs are in Minnesota Rules Chapter 7849.

A pipeline route permit from the Commission is also required for the construction of certain pipelines (Minnesota Statutes 216G.01-.12). The rules to implement the permitting requirement for pipelines are in Minnesota Rules Chapter 7852. The Commission has jurisdiction over pipelines that are designed to carry natural gas and be operated at a pressure of more than 275 pounds per square inch. However, the Commission's authority does not apply to interstate natural gas pipelines regulated under the federal Natural Gas Act (Minnesota Statutes 216G.06) and to pipeline owners or operators who are defined as a natural gas public utility.

Excelsior's application is being reviewed under the Full Permitting Process (Minnesota Rules 7849.5200 to 7849.5500) of the Power Plant Siting Act. Under the full review process the applicant is required to submit two sites (a preferred and an alternate) for consideration. As part of the full permitting process, the DOC is responsible for certain procedural requirements (public notice and meetings), issuing the Scoping Decision (issued September 13, 2007) and preparing an Environmental Impact Statement (EIS). The contested case hearing is also required. The Commission will make the final decision on the joint permit application; that decision includes a determination on the adequacy of the EIS and the determination whether to grant the requested permits, as well as site/route selection and permit conditions.

The DOC Energy Facility Permitting (EFP) staff has prepared a draft EIS on the proposed project. The draft EIS addresses the potential impacts of the proposed project at either of the two sites evaluated. Copies of the draft EIS, the permit application, and other material can be found on the Commission webpage (see information below).

The official review process begins with the determination by the Commission that the application is substantially complete. On July 6, 2006, the Commission accepted the joint permit application as substantially complete and notified the applicant in writing of the decision.

Minnesota Rule 7849.5070, Joint Proceeding, allows an applicant to combine applications for a LEPGP site permit, a HVTL route permit and a pipeline route permit into a single, joint filing. Excelsior Energy has filed a Joint Permit Application pursuant to this provision and has agreed to follow the longer timeline contained in Minnesota Rule Chapter 7849.5200 (as opposed to the shorter process found in the pipeline partial exemption procedure in Minnesota Rules 7852) for the pipeline routing process.

Alternative Sites. The two LEPGP sites under consideration are located on the Iron Range. The applicant's preferred site, referred to as the West Range site (approximately 1,260 acres) is located just north of the city of Taconite in Itasca County, Minnesota. The alternative site, referred to as the East Range site (approximately 825 acres) is located about one mile north of the city of Hoyt Lakes in St. Louis County, Minnesota.

In the case of the West Range site, the generating facilities would connect to the power grid via new and existing HVTL corridors to a substation near the unincorporated community of Blackberry. In the case of the East Range site, the generating facilities would connect to the grid via existing HVTL

corridors that lead to a substation near the unincorporated community of Forbes. The project would require reconstruction and/or reinforcement of the HVTL infrastructure within the final corridors selected. Various network reinforcements to the existing HVTL system would be required in connection with the project.

If the East Range site (alternative site) is selected through the Power Plant Siting Act procedures, the natural gas pipeline would be constructed, owned and operated by Northern Natural Gas Company (Northern) pursuant to the provisions of Northern's blanket certification (FERC Docket No. CP82-401-000). In such an instance, no pipeline permit would be required from the Commission.

Pipeline Safety and Minnesota Office of Pipeline Safety. The federal government establishes minimum pipeline safety standards under the U.S. Code of Federal Regulations (CFR), Title 49 "Transportation," Parts 190 - 199. The Office of Pipeline Safety (OPS), within the U. S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA), has overall regulatory responsibility for hazardous liquid and gas pipelines under its jurisdiction in the United States. Through certification by OPS, the state of Minnesota regulates, inspects, and enforces intrastate gas and liquid pipeline safety requirements. By signed agreement with OPS, Minnesota also inspects interstate liquid and gas pipeline safety requirements. This work is performed by the Minnesota Office of Pipeline Safety, within the State Fire Marshal Division of the Minnesota Department of Public Safety.

According to the Minnesota Office of Pipeline Safety, based on 2005 numbers, there are 2,096 miles of crude oil pipelines, 2,104 miles of refined product pipelines, and more than 5,400 miles of high pressure natural gas pipelines in the state. It should be noted that pipeline routing rules apply only to the route of the pipelines. The pipeline routing rules do not set safety standards for the construction of pipelines. See Minnesota Statutes 216G.02, Subd.3.

Agricultural Mitigation Plan. Minnesota Statutes 216E.10, Subd. 3. (b) gives the Department of Agriculture the responsibility for development of the agricultural mitigation plan required for this project. The Department of Agriculture may participate and advise the Commission as to whether to grant a permit for the project and the best options for mitigating adverse impacts to agricultural lands if the permit is granted.

Eminent Domain. Excelsior Energy will have the authority upon issuance of LEPGP site, HVTL route and pipeline route permits under Minnesota laws (Minnesota Statutes 216B.1694, Subd. 2(3)) to use eminent domain to acquire sites and routes approved by the Commission for the project facilities.

INQUIRIES, PROJECT CONTACTS

A public advisor from the DOC staff has been appointed to assist and advise persons interested in taking part in the proceedings and will provide on request documents identified in this notice. However, the public advisors are not authorized to give legal advice. If you need an interpreter or need to make special arrangements to participate at the hearing, please contact the Administrative Law Judge at the address provided.

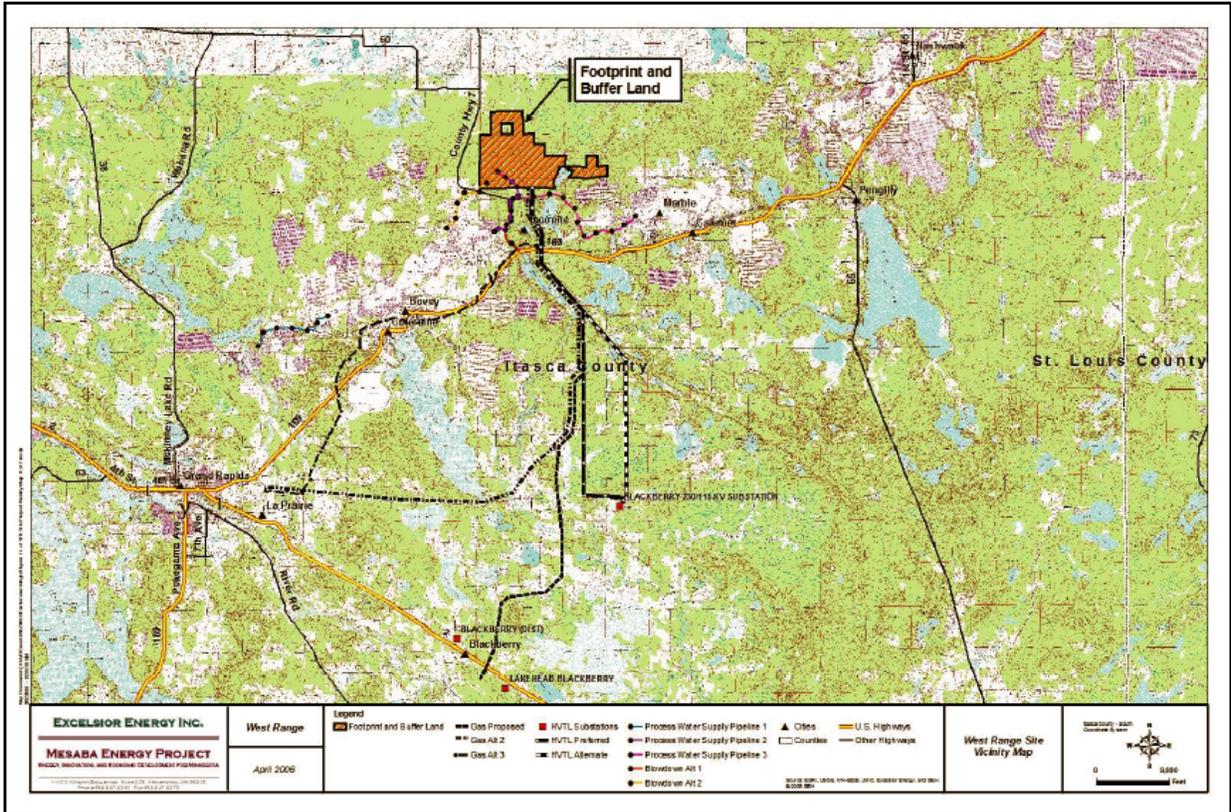
Department of Commerce. The DOC has designated DOC staff member William Storm (Tel: 651-296-9535 or bill.storm@state.mn.us) as project manager and Deborah Pile (Tel: 651-297-2375 or Deborah.Pile@state.mn.us) as the public advisor for the pipeline route permit proceedings. The public advisor is available to answer questions about the permitting procedures and how to effectively participate in the process, but does not provide legal advice. You may contact them at: Department of Commerce, 85 7th Place East, Suite 500, Saint Paul, MN 55101-2198. Other contact information: Toll-Free: 1-800-657-3794, Fax: 651-297-7891 or TTY: Minnesota Relay Services, 1-800-627-3529, and ask for the DOC.

DOC Legal Counsel. Karen Finstad Hammel, Minnesota Attorney General's Office, 1400 Bremer Tower, 445 Minnesota Street, St. Paul, MN 55101-2127; Fax: 651-297-1138; karen.hammel@state.mn.us; Tel: 651- 297-1852

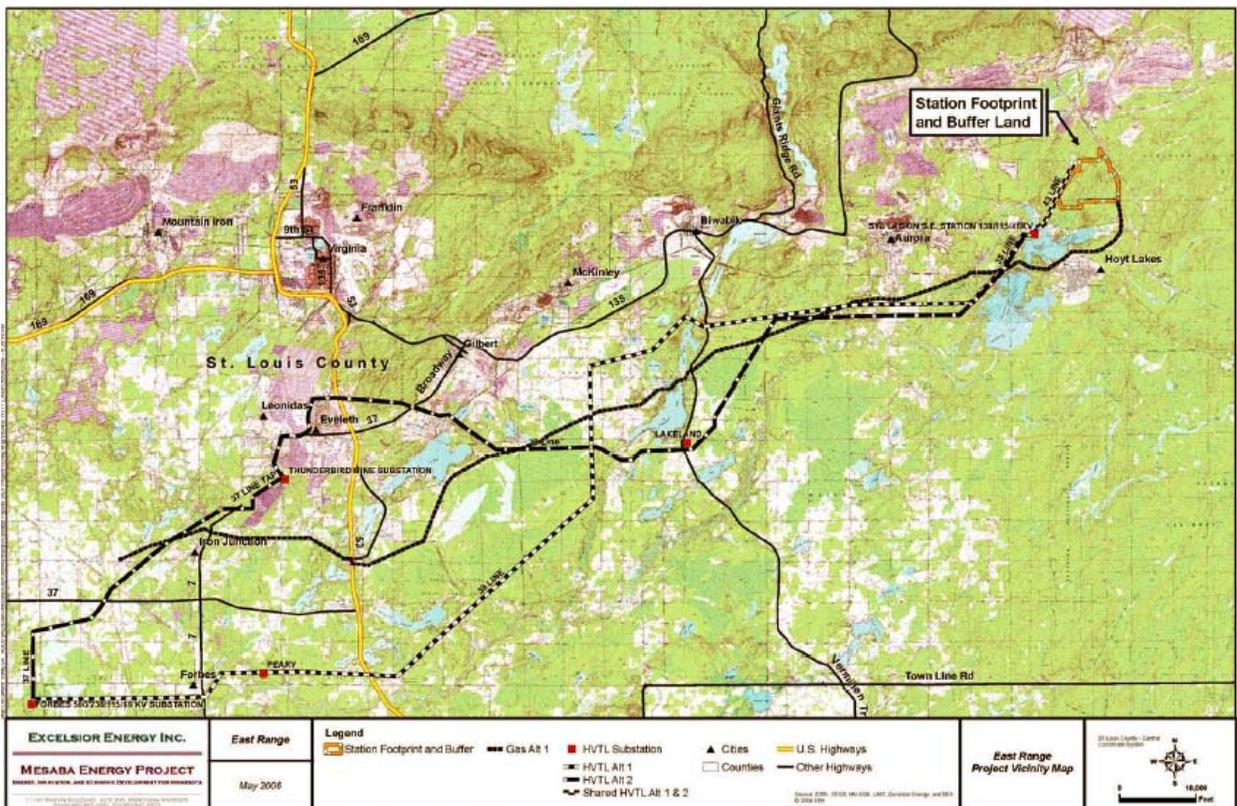
Project Mailing Lists. If you would like to have your name added to the PUC route permit proceeding mailing list for the Mesaba Energy project, you may register at: <http://energyfacilities.puc.state.mn.us/Docket.html?Id=16573> or contact the DOC staff at the address above.

Excelsior Energy Legal Counsel. Byron E. Starns and Matthew B. Seltzer, Leonard, Street and Deinard, 150 South Fifth Street, Suite 2300, Minneapolis, MN 55402; byron.starns@leonard.com or matthew.seltzer@leonard.com; Fax: 612-335-1657; Tel: 612-335-1500.

PUC Information Websites. Information regarding the Mesaba Energy project is available at: <https://www.edockets.state.mn.us/EFiling/home.jsp>. Type in 06-668 for information on the proceedings, including all prefiled testimony. Information on the proceeding is also available at: <http://energyfacilities.puc.state.mn.us/Docket.html?Id=16573>.



WEST RANGE SITE



EAST RANGE SITE