

MINNESOTA DEPARTMENT OF COMMERCE

NOTICE OF PUBLIC MEETING

**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**

PLEASE TAKE NOTICE that the Minnesota Department of Commerce (DOC) will hold public informational/Environmental Impact Statement scoping meetings on the Joint Permit Application submitted to the Minnesota Public Utilities Commission (PUC) by Excelsior Energy concerning the proposed Mesaba Energy Project.

Public Meeting. DOC will conduct two public information/scoping meetings in which details concerning the proposed Mesaba Project will be presented and governmental agencies, organizations, and the general public will be afforded an opportunity to ask questions and provide input into the EIS scoping decision.

The scoping meetings will be held beginning at 7 p.m. at the following locations:

West Range

Tuesday, August 22, 2006
Taconite Community Center
26 Haynes Street
Taconite, MN

East Range

Wednesday, August 23, 2006
Hoyt Lakes Arena
106 Kennedy Memorial Drive
Hoyt Lakes, MN

The public is invited to an informal “poster” session at each location beginning at 4 p.m. on the date of each meeting during which the applicant, DOC/PUC and DOE personnel will be present to discuss the proposed project and the EIS process. Displays and other forms of information about the proposed Mesaba Project will be made available to the public for review.

The public will also have until Wednesday, August 30, 2006, to submit written comments to the DOC on the scope of the EIS. Written comments should be mailed to Bill Storm (bill.storm@state.mn.us), Minnesota Department of Commerce, 85 7th Place, Suite 500, St. Paul, Minnesota 55101-2198.

Background. On June 19, 2006, Excelsior Energy submitted to the PUC a Joint Permit Application for a LEPGP site permit, a HVTL routing permit and a pipeline (partial exemption) routing permit associated with the proposed Mesaba Energy Project. On July 6, 2006, the PUC accepted the application as substantially complete and notified the applicant in writing of the decision. Copies of the application can be obtained through the DOC Project Manager and maybe viewed at PUC web site (<http://energyfacilities.puc.state.mn.us/Docket.html?Id=16573>); persons can also register to be added to the project mailing list at this site.

Regulatory Review Process. In accordance with the Power Plant Siting Act a site permit and a route permit is required before a large electric power generating plant (LEPGP) or high voltage transmission line (HVTL) can be constructed. The power plant siting act requirement became law in 1973 in Minnesota Statutes, 116C.51 through 116C.69. The rules to implement the permitting requirement for LEPGP are in Minnesota Rules Chapter 4400.

A LEPGP is defined as any electric power generating equipment and associated facilities designed for or capable of operation at a capacity of 50,000 kilowatts or more. A HVTL is defined as a conductor of electric energy and associated facilities designed for and capable of operating at a nominal voltage of 100 kilovolts or more either immediately or without significant modification.

A pipeline route permit from the Public Utilities Commission is required for the construction of certain pipelines (Minnesota Statutes 116I.015). The PUC 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 PUC's authority does not apply to interstate natural gas pipelines regulated under the federal Natural Gas Act and to pipeline owners or operators who are defined as a natural gas public utility under Minn. Stat. Sec. 216B.02.

Minnesota rule Chapter 4400.0675, Joint Processing, 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's Joint Permit Application will be reviewed under the Full Review Process (Minn. Rule Chapter 4400) within the Power Plant Siting Act. Under the full permitting process the applicant is required to submit two sites and/or routes (i.e., a preferred and an alternate) for consideration. As part of the permitting process, the Department of Commerce is responsible for certain procedural requirements (i.e., public notice and meetings), issuing the EIS Scoping Decision and the preparation of an Environmental Impact Statement (EIS). A contested case hearing will also be conducted following completion of the draft EIS. The PUC has up to one year from the time the application is accepted to complete the process and make a final decision; 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.

Project Description. Excelsior Energy is proposing to construct and operate a coal-feedstock Integrated Gasification Combined Cycle ("IGCC") power plant. The proposed power plant will be constructed in two phases; each phase will be capable of producing approximately 600 MW (net) of baseload power.

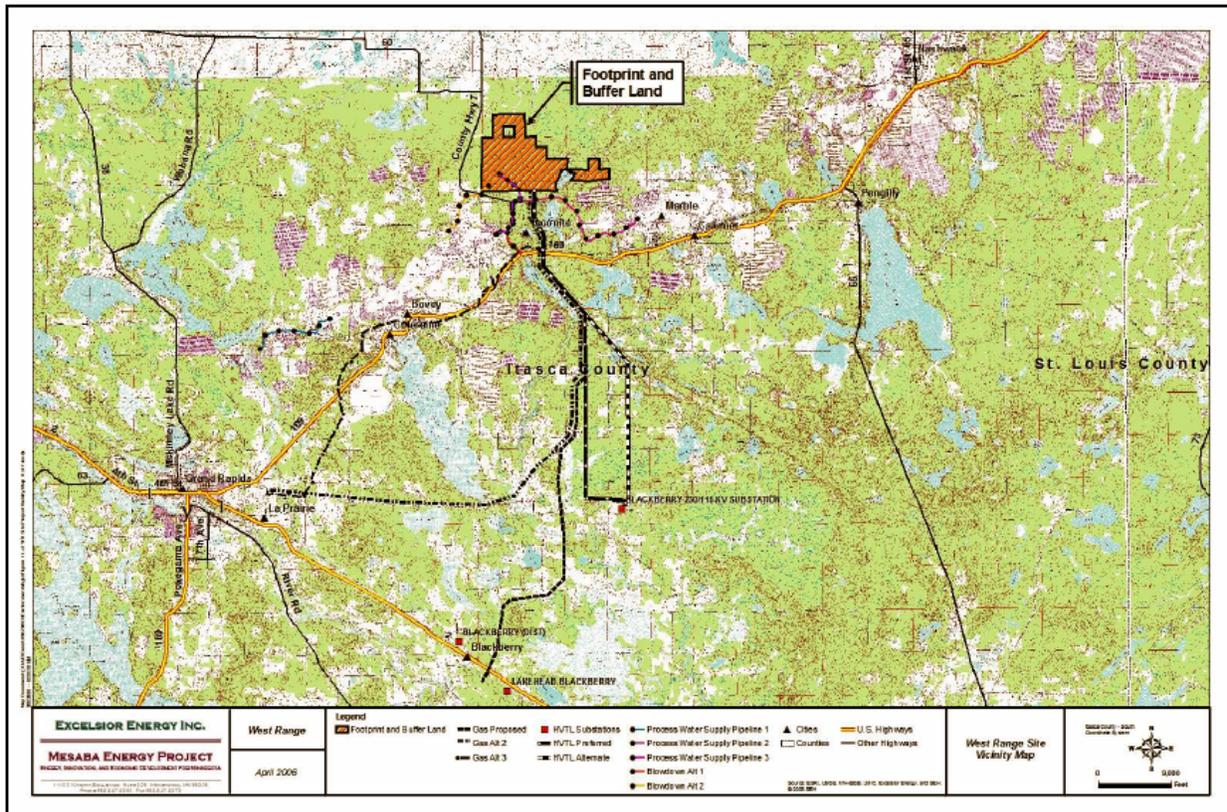
The two sites under consideration are located on the Iron Range. The applicant's preferred site, referred to as the West Range site (approximately 1,260 acres) is located just north of the city of Taconite in Itasca County, MN. The alternative site, referred to as the East Range site (approximately 825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

In the E-GasTM 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 creates 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)

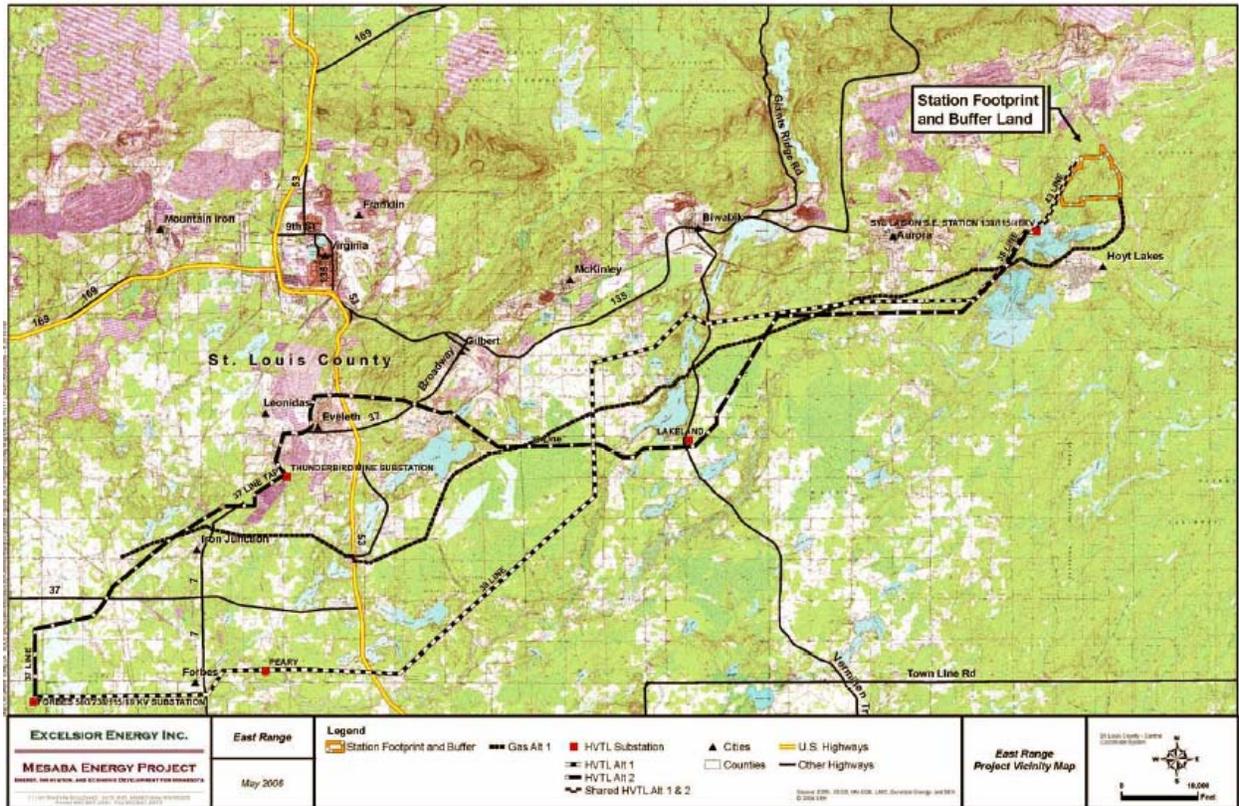
are operated in tandem at one location to produce electricity, the combination of equipment is referred to as a combined cycle electric power plant. Combining the gasification process with the combined cycle design is known as integrated gasification combined cycle (IGCC).

When both phases are completed the power block will consist of two CTG (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.

Inquiries about this project should be directed to the DOC project manager, Bill Storm (bill.storm@state.mn.us) or the public adviser, Deb Pile (Deborah.Pile@State.mn.us) 85 7th Place East, Suite 500, St. Paul, MN 55101, telephone 651.296.9535, facsimile 651.296.3698 (TTY relay service 800.627.3529).



WEST RANGE SITE



EAST RANGE SITE