

Invenergy

October 22, 2004

Mr. Bill Storm
Minnesota Environmental Quality Board
658 Cedar Street, Room 300
St. Paul, MN 55155

Re: Response to the Johnson and Peterson comment letters

Dear Mr. Storm:

Dick Peterson, Cannon Falls School Board Chair and Brad Johnson, Goodhue County Auditor/Treasurer/Assessor expressed concerns about Invenergy Cannon Falls' pending Minnesota legislation requesting a personal property tax and possible future conversion to other fuels. In response, Invenergy offers the following information.

We understand that most, if not all, of the power plant projects built in Minnesota since the mid-1980s have been granted a property tax exemption similar to what the Cannon Falls project has requested. In fact, there are 14 instances of legislation (Minnesota Statute 272.02) exempting power generation facilities in Minnesota from Personal Property Tax. When Invenergy responded to Xcel Energy's RFP, it did so with the assumption of a personal property tax exemption and priced its proposal accordingly. Invenergy is requesting to be treated consistently with other recent projects in Minnesota.

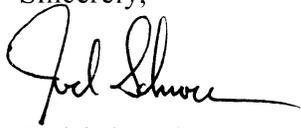
Mr. Johnson states that he does not believe that regulated utilities require an exemption from personal property tax. While that may or may not be true for a regulated utility such as Xcel or GRE, Invenergy is not a regulated utility. Invenergy is providing electrical generating capacity to Xcel for a fixed price. Any cost overruns associated with the construction of the facility are not passed on to the ratepayers of Minnesota. The construction cost risk is borne by Invenergy.

While Invenergy cannot state that the plant will never be converted to other fuel uses, it is unlikely to occur. The combustion turbines are designed to combust natural gas primarily with fuel oil as a backup. Conversion to any other fuel would require new technology development. For instance, conversion to coal would require the construction of a nearby coal gasification facility. Coal gasification, although a technology in the testing stage, is not ready for full commercial development, nor is it something considered in the design of the Cannon Falls Energy Center. If conversion to an alternative fuel does become possible or desired, any fuel conversion proposal would, at a minimum, require a new air permit and a new site permit authorizing the use of the new fuel source. Both processes involve public input and provide defined processes for soliciting public comment prior to approval. Invenergy has no plans for conversion to an alternative fuel and cannot foresee this occurring.

Invenergy

If you have any additional questions, please contact me at 312-224-1417.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel Schroeder". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Joel Schroeder
Project Manager
Invenergy Cannon Falls LLC

cc: Bryan Schueler – Invenergy
James Bertrand – Leonard, Street & Deinard