

July 17, 2006

VIA OVERNIGHT CARRIER

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Re: In the Matter of Excelsior Energy Power Purchase
Agreement with Mesaba Energy Project
MPUC Docket No. E6472/M-05-1993
OAH Docket No. 12-2500-17260-2

Dear Dr. Haar:

Enclosed please find an original and 15 copies of Minnesota Power's Comments in the above-referenced Docket. An Affidavit of Service is also enclosed.

Please contact me at the number below should you have any questions regarding this filing.

Yours truly,



David R. Moeller

DRM:sr
Enc.
c: Service List

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of a Petition by
Excelsior Energy, Inc. for Approval
Of a Power Purchase Agreement, Under
Minn. Stat. § 216B.1694,
Determination of Least Cost
Technology, and Establishment of a
Clean Energy Technology Minimum
Under Minn. Stat §216B.1693

PUC Docket No. E-6472/M-05-1993
OAH Docket No. 12-2500-17260-2

**MINNESOTA POWER
COMMENTS**

Minnesota Power files these comments in response to the Minnesota Public Utilities Commission (“Commission”) July 7, 2006 Notice in the above-referenced Dockets. The Commission has requested written comments on whether the Commission’s Order referring this matter to the Office of Administrative Hearings should be supplemented to address: “the costs of transmission upgrades and related facilities beyond the substation associated with the Mesaba Energy Project; and the costs of other infrastructure investments associated with the Mesaba Energy Project.”

Minnesota Power is a party to this proceeding and has previously provided the Commission comments on the critical importance of addressing public policy and economic matters that stem from this Docket.¹ Minnesota Power believes the two potential supplemental issues regarding costs for the transmission to permit firm power delivery and other infrastructure investments that will be required if the Mesaba Energy Project receives Commission approval fall squarely within the realm of public policy and ratepayer economic concerns that should be considered in this proceeding. To the extent the information that can fully address these issues is not already part of the contested case record, it should be.

¹ See Minnesota Power Comments dated January 30, 2006 in PUC Docket No. E-6472/M-05-1993.

In addition, since Excelsior Energy has proposed to interconnect with a substation in Minnesota Power's control area² as its entry point for power delivery, Minnesota Power considers it especially important for the Administrative Law Judges ("ALJs"), and eventually the Commission, to analyze the economic impact of Excelsior Energy's plans for delivering power from Minnesota Power's service territory to Xcel Energy's system. Excelsior Energy's recently-filed Joint Application provides primary and alternative transmission routes from the West Range and East Range sites to a substation in Minnesota Power's control area, but does not propose transmission routes from that Point of Interconnection to Xcel Energy's system. Minnesota Power recognizes that the precise network upgrades will not be known until the Midwest Independent Transmission System Operator ("MISO") interconnection process is further along.³ However, a Commission decision approving the proposed power purchase agreement ("PPA") which will authorize construction of the Mesaba Project to serve Xcel Energy is a de facto decision to incur new transmission and potentially other infrastructure costs for the Mesaba Project, including those from a Minnesota Power substation to the Xcel Energy Point of Receipt. Transmission additions of the magnitude required for this Project have local and regional service and reliability impacts and cost implications. Minnesota Power's customers and other utility ratepayers in the region will be affected by changes to the transmission grid that would result from construction of the Mesaba Project, including the possibility of increased transmission costs. If all infrastructure investments and cost impacts occasioned by the Mesaba Project are ultimately covered by Excelsior Energy's proposed PPA with Xcel Energy, Minnesota Power's economic concerns about transmission impacts will likely be alleviated, but at present the record in the contested case does not provide adequate information to draw that conclusion. Thus, Minnesota Power feels the Commission must fully address the issue of transmission and other infrastructure costs and cost allocation resulting from the Mesaba Project in order to reach a decision in this proceeding.

² See Joint Application dated June 19, 2006, Section II in MPUC Docket No. E-6472/GS-06-668 and Supplemental Testimony and Exhibits of Excelsior Energy Inc. - Stephen D. Sherner, dated June 19, 2006 in OAH Docket No. 12-2500-17260-2.

³ Excelsior Energy's December 27, 2007 Petition provides an overview of the MISO interconnection process for the Mesaba Energy Project. See Section IV(I) at pages 80 to 92.

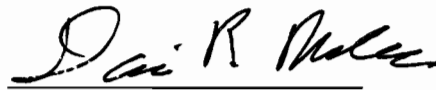
Related to a complete cost analysis of the Mesaba Project's transmission and other infrastructure additions along with a determination of the related cost allocation, the Commission is charged (under Minn. Stat. § 216B.1694, subd. 2(7)) with the responsibility for including the economic development benefits of the Mesaba Project as a factor in making its final decision. Beyond plant construction costs and job creation impacts, the Commission's economic development assessment also should include all costs incurred for delivering the power from the Mesaba Project to Xcel Energy. To accomplish this, the Commission must have a complete record of the infrastructure investments needed to deliver the power the Mesaba Project would produce.

In summary, if the Mesaba Project is approved and constructed, it will require significant transmission and other infrastructure investments to permit the firm power delivery that will be required from a substation in Minnesota Power's control area to the Xcel Energy delivery point. Minnesota Power believes the Commission must ensure that there is a complete record established in this proceeding of what the total cost for transmission builds and infrastructure will be for the Mesaba Project and who will be paying for this investment. The costs and cost allocation for these types of infrastructure additions are undoubtedly a public interest matter and as such are relevant for inclusion in the Commission's analysis and final decision. The Commission should direct Excelsior Energy to provide public information on the total costs for the transmission for firm power delivery and related infrastructure necessary from the Mesaba Project site to Xcel Energy's Point of Receipt. Excelsior Energy should also be directed to identify who it anticipates will ultimately incur the transmission costs of firm delivery from a substation in Minnesota Power's control area to Xcel Energy's system.

For the above-stated reasons, Minnesota Power respectfully requests that the Commission supplement its April 26, 2006 Order so that additional transmission and infrastructure issues will be considered by the ALJs and ultimately better inform the Commission's determination regarding the public interest factors enumerated in Minn. Stat. §§ 216B.1693 and 216B.1694.

Dated: July 17, 2006

Respectfully submitted,

A handwritten signature in cursive script, reading "David R. Moeller". The signature is written in black ink and is positioned above a horizontal line.

David R. Moeller
Attorney
Minnesota Power
30 West Superior Street
Duluth, MN 55802
218-723-3963
dmoeller@allete.com

STATE OF MINNESOTA)
) ss
COUNTY OF ST. LOUIS)

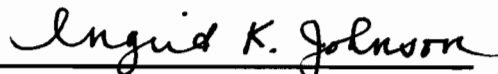
AFFIDAVIT OF SERVICE VIA
OVERNIGHT AND
FIRST CLASS MAIL

Susan Romans of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 17th day of July, 2006, she served Minnesota Power's Comments in MPUC Docket No. E6472/M-05-1993/OAH Docket No. 12-2500-17260-2 to Burl Haar and Sharon Ferguson via Overnight Mail and to Administrative Law Judge Steve M. Mihalchick, and the persons on the attached Service List, via First Class Mail.

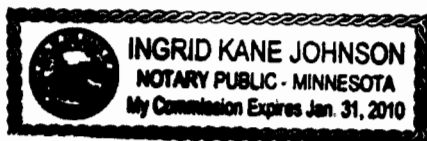


Susan Romans

Subscribed and sworn to before
me this 17th day of July, 2006.



Notary Public



**In the Matter of a Petition by Excelsior Energy, Inc.
Administrative Law Judges' Service List as June 13, 2006**

Commission and Administrative Law Judges

Burl W. Haar (15) Public Utilities Commission Suite 350 121 East Seventh Place St. Paul, MN 55101-2147	Steve M. Mihalchick Office of Administrative Hearings Suite 1700 100 Washington Square Minneapolis, MN 55401-2138	Bruce H. Johnson Office of Administrative Hearings Suite 1700 100 Washington Square Minneapolis, MN 55401-2138
--	--	---

Parties

Sharon Ferguson (4) Department of Commerce Suite 500 85 7 th Place East St. Paul, MN 55101-2198	Julia Anderson Assistant Attorney General 1400 Bremer Tower 445 Minnesota St St. Paul, MN 55101-2131	Valerie M. Smith Assistant Attorney General 1400 Bremer Tower 445 Minnesota Street St. Paul, MN 55101-2131
Thomas L. Oстераas Excelsior Energy Suite 305 11100 Wayzata Blvd Minnetonka, MN 55305	Byron E. Starns Leonard, Street and Deinard 150 South Fifth Street, Suite 2300 Minneapolis, Minnesota 55402	Scott G. Harris Leonard, Street and Deinard 150 South Fifth Street, Suite 2300 Minneapolis, Minnesota 55402
Brian M. Meloy Leonard, Street and Deinard 150 South Fifth Street, Suite 2300 Minneapolis, MN 55402	Christopher Clark Xcel Energy 800 Nicollet Mall, Fifth Floor Minneapolis, MN 55402-2023	Michael C. Krikava Briggs and Morgan 2200 IDS Center Minneapolis, MN 55402
SaGonna Thompson Xcel Energy 414 Nicollet Mall, RSQ-4 Minneapolis, MN 55401-1993	Judy Poferl Xcel Energy Services, Inc. 5 th Floor 414 Nicollet Mall Minneapolis, MN 55401	Chuck Kerr Great Northern Power Development LP Suite 3600 601 Jefferson Street Houston, TX 77002-7906

David R. Moeller
Minnesota Power
30 West Superior Street
Duluth, MN 55802-2093

Richard A. Voss
VP-Power Development
Great Northern Power
Development LP
1022 East Divide Ave., Suite E
Bismarck, ND 58501

Antone J. Rude
Great Northern Power
Development LP
10127 93rd Street N.E.
Monticello, MN 55362

Alan C. Lukes
Great Northern Power
Development LP
1749 Pinto Place
Bismarck, ND 58503

Carol Overland
Overland Law Office
402 Washington St.
Northfield, MN 55057-2467

John E. Drawz
Fredrikson & Byron, P.A.
Suite 4000
200 South Sixth Street
Minneapolis, MN 55402-1425

Mollie M. Smith
Fredrikson & Byron, P.A.
Suite 4000
200 South Sixth Street
Minneapolis, MN 55402-1425

Steven J. Quam
Fredrikson & Byron, P.A.
Suite 4000
200 South Sixth Street
Minneapolis, MN 55402-1425

William A. Blazar
Minnesota Chamber Of
Commerce
Suite 1500
400 Robert Street North
St. Paul, MN 55101

Mike Franklin
Minnesota Chamber Of
Commerce
Suite 1500
400 Robert Street North
St. Paul, MN 55101

Elizabeth Goodpaster
Minnesota Center For
Environmental Advocacy
26 E. Exchange St., Suite 206
St. Paul, MN 55101-1667

Eric F. Swanson
Winthrop & Weinstine, P.A.
225 South Sixth St, Suite
3500
Minneapolis, MN 55402

Robert S. Lee
Mackall, Crouse & Moore,
PLC
1400 AT&T Tower
901 Marquette Ave
Minneapolis, MN 55402

Todd J. Guerrero
Lindquist & Venum
4200 IDS Center
80 South 8th Street
Minneapolis, MN 55402-2274

David Sasseville
Lindquist & Venum
4200 IDS Center
80 South 8th Street
Minneapolis, MN 55402-2274

Mark Rolfes
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496

Bray Dohrwardt
Briggs and Morgan, P.A.
2200 IDS Center
80 South 8th St
Minneapolis, MN 55402

Kathleen L. Winters
Assistant Attorney General
900 Bremer Tower
445 Minnesota Street
St. Paul, MN 55101-2127

Non-party Participants

Annette Henkel
Minnesota Utility Investors
405 Sibley Street, #227
St. Paul, MN 55101

David M. Aafedt
Winthrop & Weinstine, P.A.
225 South Sixth St, Suite
3500
Minneapolis, MN 55402

Jerry Larsen
HPC-LLC
4610 IDS Center
80 S. 8th Street
Minneapolis, MN 55402

Peter H. Grills
W2800 First National Bank
Bldg
332 Minnesota Street
St. Paul, MN 55101

Robert H. Schulte
Schulte Associates LLC
9072 Palmetto Drive
Eden Prairie, MN 55347

Steven Clemmer
Clean Energy Research
Director
Union of Concerned Scientists
2 Brattle Sq, 6th Floor
Cambridge, MA 02238
(email only)

Email service list**Parties**

susan.mackenzie@state.mn.us
janet.gonzalez@state.mn.us
steve.mihalchick@state.mn.us
bruce.johnson@state.mn.us
maria.lindstrom@state.mn.us
julia.anderson@state.mn.us
christopher.b.clark@xcelenergy.com
tomosteraas@excelsiorenergy.com
sharon.ferguson@state.mn.us
squam@fredlaw.com
msmith@fredlaw.com
jdrawz@fredlaw.com
dmoeller@allete.com
overland@redwing.net
christophergreenman@excelsiorenergy.com
byron.starns@leonard.com
brian.meloy@leonard.com
scott.harris@leonard.com
teresa.j.kowles@xcelenergy.com
Jennifer.sanner@xcelenergy.com

mkrikava@briggs.com
valerie.smith@state.mn.us
bdohrwardt@briggs.com
bblazar@mnchamber.com
dsasseville@lindquist.com
tguerrero@lindquist.com
rsl@mcmlaw.com
eswanson@winthrop.com
bgoodpaster@mncenter.org
mrolfes@otpc.com
apm@mcmlaw.com

Non-Party Participants

daafedt@winthrop.com
ahenkel@mutilityinvestors.org
jerome.larsen@hpc-llc.com
rhs@schulteassociates.com
pete.grills@grillslegal.com
sclemmer@ucsusa.org
jshaddix@janetshaddix.com