

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

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BEFORE THE  
MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS  
100 Washington Square, Suite 1700  
Minneapolis, Minnesota 55401-2138

FOR THE  
MINNESOTA PUBLIC UTILITIES COMMISSION  
127 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

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In the Matter of the Petition of Excelsior Energy Inc.  
and Its Wholly-Owned Subsidiary MEP-I, LLC For Approval of Terms and  
Conditions For The Sale of Power From Its Innovative Energy Project Using  
Clean Energy Technology Under Minn. Stat. § 216B.1694 and a  
Determination That the Clean Energy Technology Is Or Is Likely To Be a  
Least-Cost Alternative Under Minn. Stat. § 216B.1693

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**SUPPLEMENTAL TESTIMONY AND EXHIBITS OF  
EXCELSIOR ENERGY INC.**

**Renee J. Sass**

**JUNE 19, 2006**

1 EXCELSIOR ENERGY, INC.

2 BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

3 PREPARED SUPPLEMENTAL TESTIMONY OF

4 RENEE J. SASS

5 **Q Please state your name, current employment position and business address.**

6 A Renee J. Sass. I am the Vice President, Chief Financial Officer for Excelsior  
7 Energy Inc. ("Excelsior"). My business address is Excelsior Energy Inc., Crescent  
8 Ridge Corporate Center, 11100 Wayzata Boulevard, Suite 305, Minnetonka, Minnesota  
9 55305

10 **Q Would you please describe your educational and professional background?**

11 A I hold a 1987 B.A degree from the College of Notre Dame of Maryland, with a  
12 double major in business marketing and communication arts. I also received a 1989  
13 M.B.A from the University of Maryland, College of Business and Management, with a  
14 concentration in finance.

15 From 1988 to 1991, I worked for Ernst & Young in its Utility Consulting  
16 Practice in Washington, D.C., first as a consultant, and then as a senior consultant.

17 From 1991 through 2002, I was employed by NRG Energy Inc. in Minneapolis,  
18 Minnesota. During the course of my employment with NRG, I initially served in  
19 various roles relating to analysis of economic and financial feasibility of energy projects  
20 and the structuring and implementing of financing plans for various energy projects.  
21 From 1995 to 1998, I served as Executive Director of Finance. In 1999, I assumed the

1 additional role of Assistant Treasurer. Commencing in 2001, I became Vice President,  
2 Strategic Planning and Portfolio Assessment.

3 In 2003, I formed Strategic Finance Resources, Inc., and consulted to clients in  
4 the areas of project development, economic analysis, financial transactions and  
5 economic development.

6 In 2004, I commenced my current work as Vice President, Chief Financial  
7 Officer for Excelsior Energy Inc., where I am responsible for all finance and accounting  
8 activities for the Mesaba Energy Project.

9 Since 2003, I have also expanded my work as an adjunct instructor in the field  
10 of finance, teaching both graduate and undergraduate classes at a number of  
11 universities, including the University of Minnesota's Carlson School of Management,  
12 the University of St. Thomas, Metropolitan State University, and the College of  
13 St. Catherine.

14 **Q On whose behalf are you testifying?**

15 **A** I am testifying on behalf of Excelsior Energy.

## 16 **INTRODUCTION**

### 17 Scope and Summary

18 **Q What is the scope of your testimony in this proceeding?**

19 **A** The purpose of my testimony is to incorporate Subsection III, "Cost Analysis  
20 and Support," Subsection N "Project Financing Plans" of Section IV and Exhibit A to  
21 Section VI of Excelsior's original Petition that was filed on December 27, 2005 in this  
22 docket. During the preparation of the original Petition filed in this matter, I worked

1 closely with Excelsior in reviewing and preparing these Sections and I am available to  
2 answer any questions related thereto. The referenced Subsections are included in the  
3 original Petition, which is appended as Exhibit TLO-2 to the Supplemental Testimony  
4 of Thomas L. Oстераas.

5 Section III

6 **Q Please briefly describe the information contained in Section III, Cost Analysis and**  
7 **Support?**

8 A Section III provides detailed analysis of the cost to the ratepayers of the capacity  
9 and energy from Unit One of the Mesaba Energy Project, as reflected in the tariff  
10 provided for in Article 8 of the Power Purchase Agreement (the “PPA”). The PPA was  
11 originally included as Section V of the December 27 Petition. In addition, Section III  
12 compares the costs under the PPA to the costs to the ratepayers of an alternative  
13 equivalent size (600 MW (net)) supercritical pulverized coal (SCPC) plant with a  
14 complete suite of emission control technologies, as constructed and rate-based by a  
15 utility.

16 In particular, in Subsection A, the direct cost of electricity produced by Mesaba  
17 One and reflected by the PPA tariff is calculated and analyzed in detail. Subsection B  
18 provides a summary of the direct cost of electricity from a SCPC plant. The basis for  
19 the analysis in Subsection B is the Excelsior Technology Report and Excelsior  
20 Technology Report Addendum prepared by Fluor in December, 2005 (the “Fluor  
21 Report”), attached as Exhibits F and G to the original Petition. The Fluor Report is  
22 being supported by the Supplemental Testimony of Douglas Cortez.

1           Subsections C through E places the two alternatives (Mesaba One and a SCPC)  
2           on an even footing, factoring in all direct and indirect costs of power production, using  
3           a comparable analysis horizon, and making comparable and high likelihood base case  
4           assumptions on all forecast inputs. A twenty-five year analysis was utilized and it was  
5           assumed that both units would come on line in October 31, 2011.

6           Subsection C provides a cost comparison of the direct tariff costs associated  
7           with each alternative. Subsection D considers the addition of Minnesota Externality  
8           Values and Subsection E considers the addition of quantified values for fine particulate  
9           matter. The Supplemental Testimony of Robert S. Evans II addresses the  
10          environmental attributes and impact of the Mesaba Energy Project.

11          All calculations of PVRR (Present Value of Revenue Requirement) were  
12          calculated using a discount rate of 7.95% and were then are divided by total megawatt  
13          hours (MWh) produced in order to develop a truly comparable figure (PVRR/MWh) as  
14          a basis for the analysis. After analyzing the present value of revenue requirements per  
15          megawatt hour of output, additional non-tariff and non-cash costs are considered and  
16          quantified, in order to calculate the full present value of social costs (PVSC) per MWh  
17          of each alternative.

18          Finally, certain additional economically valuable project benefits that are not  
19          reflected in the quantified benefits are described in Subsection F. These factors increase  
20          IGCC's advantage over other coal-based alternatives.

1 **Q What conclusion is reached in Section III with respect to the Mesaba Energy**  
2 **project?**

3 A On a direct tariff basis (PVRM/MWh), the cost of electricity from the Mesaba  
4 Project is [Trade Data Secret Begins] [Trade Data Secret Ends] than the  
5 cost of electricity from the SCPC unit, with a cost delta of [Trade Data Secret Begins]  
6 [Trade Data Secret Ends]. Furthermore, when taking into  
7 account the quantified social costs related to environmental externalities (including  
8 quantified values for fine particulate matter provided to Excelsior in a detailed expert  
9 report by ICF Consulting, attached as Exhibit D to the original Petition and which is  
10 supported by the Supplemental Testimony of Baxter Jones), the cost of electricity from  
11 Mesaba Unit One [Trade Data Secret Begins] [Trade Data Secret  
12 Ends] the comparable costs from the SCPC plant.

13 Section IV

14 **Q Please briefly describe the information contained in Section IV, Subsection N,**  
15 **Project Financing Plans?**

16 A As noted in this Subsection, Excelsior has retained Credit Suisse First Boston  
17 (“CSFB”) as its Financial Advisor in connection with the Mesaba Energy Project.  
18 CSFB is tasked with assisting in advising on financeability and the Project's commercial  
19 arrangements and in raising the equity and debt capital required to finance the Project.

20 Pursuant to the provisions of the Energy Policy Act of 2005, the Project expects  
21 to utilize federal loan guarantees for the Project debt. The financing process will  
22 proceed in three stages: (i) the structuring stage, (ii) the equity raising stage and (iii) the  
23 debt financing stage. Debt and equity will be funded at Notice to Proceed after the

1 commercial structure of the transaction is finalized, all regulatory approvals and permits  
2 are obtained, and the terms and conditions of the federal loan guarantee are finalized.

3 Section VI

4 **Q Please briefly describe the information contained in Exhibit A of Section VI**  
5 **“Summary of Key PPA Terms and Conditions?”**

6 A Exhibit A describes the tariff structure in the Mesaba PPA, with four  
7 components that provide for payment of electric capacity and energy production in a  
8 manner that appropriately covers the Excelsior’s cost to provide each service. [**Trade**  
9 **Data Secret Begins]**

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11  
12  
13  
14  
15 [**Trade Data Secret Ends]** This Exhibit describes these fundamental cost  
16 components.

17 **Q Are there any parts of these Sections that you would like to supplement or clarify**  
18 **at this time?**

19 A Not at this time.

20 **Q Does this conclude your prepared supplemental testimony?**

21 A Yes.

# **EXHIBITS**



**EXHIBIT NO. \_\_\_\_ (RJS-1)**

# Renee J. Sass

6463 117<sup>th</sup> Street North ♦ St. Paul, MN 55110  
651-373-0691 (Cell) ♦ 651-653-1801 (Home) ♦ reneesass@comcast.net

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## PROFESSIONAL PROFILE

Finance and strategy professional with strong domestic and international experience in the development, negotiation and closing of financial and strategic transactions. Multi-functional executive with leadership experience in fast-growing entrepreneurial environment. Held board and management committee positions for domestic and international businesses. Strong level of community involvement, including adjunct teaching at the college level and nonprofit / civic roles.

Experience includes:

- Leadership of finance, human resources and all administrative functions for high growth company
- Leading domestic and international merger, acquisition and divestitures transactions
- Structuring, negotiating and closing financing transactions, up to \$2 billion
- Project development and management of cross-functional teams
- Developing and leading strategic planning efforts
- Financial forecasting and valuation

## CAREER HISTORY

**EXCELSIOR ENERGY, INC. – Wayzata, MN**  
**Vice President, Chief Financial Officer**

**2004–Present**

Responsible for all finance, accounting, insurance, human resources and administration activities for an independent energy development company actively developing a coal-fueled Integrated Gasification Combined Cycle (“IGCC”) power plant in northern Minnesota; responsible for sourcing development funding, and overseeing long term financing for this \$1.5 billion development.

**STRATEGIC FINANCE RESOURCES, INC. - St. Paul, MN**  
**President**

**2003–2004**

Advise clients in the areas of project development, financial transactions, strategic planning, mergers and acquisitions, and economic development. Strategic and financial work in a variety of corporate, government and non-profit settings, including biotechnology and health care development assignment for a large municipality and project development / financial planning work in the energy industry.

**NRG ENERGY, INC. - Minneapolis, MN**

**1991–2002**

NYSE-listed non-regulated energy company partially owned by Xcel Energy.

**Vice President, Strategic Planning and Portfolio Assessment (2001–2002)**

Senior executive with commercial asset management responsibility for all US and international (Latin American, Australian, Asian and European) businesses during restructuring of company. Led corporate strategy department at NRG, which included strategy, planning, business intelligence, and executive information systems.

- Led divestiture program involving over \$6 billion of US and non-US assets. Received offers for all assets offered, and sold significant portion of assets at prices at or above corporate expectations.
- Evaluated and negotiated key NRG merger and acquisition transactions, and represented NRG in similar transactions undertaken by Xcel Energy.
- Developed and led corporate strategic planning effort and ensured implementation of planning process throughout company; coordinated planning efforts with Xcel Energy.
- Advised Chairman / CEO and leadership team on strategic and portfolio issues. Facilitated resolution of cross-functional strategic issues.

**Assistant Treasurer and Executive Director, Finance (1999–2001)**

Established newly-created corporate role to provide oversight and expertise to regional finance groups around the world.

- Participated in and led US and international financings of significant complexity or magnitude, including leading NRG’s \$2 billion construction revolver.
- Developed NRG’s global finance policies and standards.

**Executive Director, Finance (1995–1998)**

Evaluated, structured and financed US and international power projects.

- Responsible for valuation, development and implementation of financing plans, tax and accounting planning, negotiations with partners and customers, and negotiation of credit agreements.
- Experience includes privatizations, asset acquisitions, and greenfield power plants, with transactions in United States, Europe, Asia and Australia. Structured financings with multi-lateral and bi-lateral funding agencies. Transaction values ranged from several hundred million to over \$1 billion.

**Managing Director, Strategic Planning (1994–1995)**

Established the strategic planning function at NRG and worked with Chairman / CEO, senior management, and Board of Directors to develop and implement a new strategic plan.

**Project Director (1993–1994)**

Negotiated privatization of Mitteldeutsche Braunkohlegesellschaft mbH (MIBRAG), a \$1 billion German mining and energy company. Performed valuation, structured and implemented financing plan, developed corporate tax structuring and managed post-closing transition.

**Director, Project Finance (1992–1993)**

Responsible for financial, accounting, tax and other business issues for independent power projects, with specific focus on economic and financial feasibility.

**Manager, Project Analysis (1991–1992)**

Responsible for financial evaluation and development of waste-to-energy and cogeneration projects.

**ERNST & YOUNG, Utility Consulting Practice - Washington, DC****1988–1991****Senior Consultant (1989–1991)****Consultant (1988–1989)**

Advised energy clients in the areas of financial analysis, marketing analysis and planning, and rate filings.

**BALTIMORE ORIOLES, INC. - Baltimore, MD****1985–1988****Business Coordinator for Orioles Productions (1986–1988)****Public Relations Assistant (1985–1986)****ADJUNCT TEACHING****METROPOLITAN STATE UNIVERSITY (UNDERGRADUATE)- St. Paul, MN****2000–Current**

Strategic Financial Management and Modeling - FIN 595 (Fall 03, Spr 04, Fall 04, Spr 05, Fall 05, Spr 06)

Financial Management – FIN 390 (Fall 00, Spr 01)

**UNIVERSITY OF ST. THOMAS (GRADUATE-MBA) - St. Paul, MN****2003-Current**

Financial Management - MBFC 600 (Fall 03, Fall 04, Spr 05, Spr 06)

**UNIVERSITY OF MINNESOTA, CURTIS L. CARLSON SCHOOL OF MANAGEMENT - Minneapolis, MN 2004-Current GRADUATE (MBA)**

Financial Management – MBA 6230 (Sum 04, Spr 05, Spr 06)

**COLLEGE OF ST. CATHERINE (GRADUATE MAOL) - St. Paul, MN****2004-Current**

Strategic Finance – ORLD 699/745 (Spr 04, Spr 05, Win 06)

**CONCORDIA UNIVERSITY (GRADUATE MAOM AND UNDERGRADUATE) - St. Paul, MN****2005–Current**

Managerial Finance – OMG 520 (Spr 05, Sum 05)

Personal and Organizational Finance – OMC 260 (Fall 05)

**COMMUNITY ACTIVITIES**

**NORTHERN STAR COUNCIL, BOY SCOUTS OF AMERICA – Minneapolis/St. Paul, MN** **2005-Current**  
**Board of Directors Member**  
**Committee Member: Audit Committee, Investment Committee, Learning for Life Committee**

**INDIANHEAD COUNCIL, BOY SCOUTS OF AMERICA - St. Paul, MN** **2000 – 2005**  
**Assistant Treasurer and Board of Directors Member (2002–2005)**  
**Exploring Program, PR/Communications Chair (2003-2005)**  
**Chairman’s Cabinet (2000–2002)**

**GREATER TWIN CITIES UNITED WAY – St. Paul, MN** **2004-Current**  
**Program Review Volunteer**

**CITY OF GRANT - Grant, MN** **2003 – 2005**  
**Member, Finance Committee (Supporting City Council and Mayor)**

**EDUCATION**

**UNIVERSITY OF MARYLAND, College of Business & Management, 1989**  
**Master of Business Administration – Finance Concentration**

**COLLEGE OF NOTRE DAME OF MARYLAND, 1987**  
**Bachelor of Arts – Business Marketing / Communication Arts, Double Major**