

EXHIBIT NO. _____ (TLO-12)

**Minnesota Power's Response to
Excelsior Energy Information Request No. 109
Oct. 27, 2006**

EXCELSIOR ENERGY

Information Request

MPUC Docket Number: E-6472/M-05-1993
OAH Docket Number: 12-2500-17260-2

Date of Request: October 13, 2006

Requested From: Minnesota Power

Response Due: October 27, 2006

Party Requesting Information: Excelsior Energy

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
109.	Please provide the basis for the statement, at page 8, lines 15-16 of Ms. Hodnick's [sic] testimony, that customers and shareholders would be "forced to shoulder the responsibility for the capital required" by the Mesaba Project.

Response:

Based on the Direct Testimony of Karen T. Hyde, responsibility for "material risks" on Project construction, financing, and technological uncertainty would be shifted to Xcel and Xcel's customers under the Mesaba Project PPA's pricing structure and terms. (See Hyde at page 7). These three economic elements of the Mesaba Project relate to capital costs either directly (project construction costs), financially (project financing costs for construction) or indirectly, through technology risks. Regardless of who arranges for the capital funding to build the Mesaba Project, if the Mesaba PPA is approved with terms as Ms. Hyde describes them, these capital-related costs of the Project will be borne eventually by Xcel's ratepayers as Xcel makes payments to Mesaba LLC. In effect, Xcel's customers then ultimately would shoulder the responsibility for these capital or capital-related costs. In addition, the Direct Testimony of George E. Tyson II demonstrates that Xcel's shareholders would be significantly impacted because the Mesaba PPA would create approximately \$1.9 billion of imputed debt for Xcel, causing credit rating downgrades. (See Tyson at pages 12-19).

Response by: Margaret Hodnik
Title: Director
Department: Regulatory & Public Affairs
Telephone: 218-723-3966

List sources of information: