



CAMP

Citizens Against the Mesaba Project

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AUDITOR EXAMINES IRR LOANS TO EXCELSIOR ENERGY

The Office of the Legislative Auditor (OLA) has been examining Iron Range Resources (IRR) records regarding its \$9.5 million in unsecured loans to Excelsior Energy for the Mesaba Project, a plan to build a 603 MW coal-gasification power plant on the Iron Range. OLA has characterized this as an assessment of a complaint, to determine whether a formal audit should be conducted.

Early this year CAMP (Citizens Against the Mesaba Project), after reviewing more than 1500 pages of documents from IRR files, referred questions and concerns about these loans to OLA. OLA's audit manager said that his office planned "to examine Iron Range Resources actions and management of the Excelsior Energy loan . . . this spring/summer".

CAMP found that in June 2004 the IRR Board excused Excelsior from the requirement in the first loan for additional equity investments from other investors before IRR funds were disbursed. At the same time the Board also approved a second loan in the amount of \$8 million, apparently without having seen any audited financial statements. CAMP also raised questions in the areas of: Excelsior's lobbying expenditures; invoices reimbursed by IRR also reimbursed 50% by the federal Department of Energy (DOE); undocumented claims for expenses, including travel, meals and cell phones; Excelsior's classifying workers as independent contractors and consultants rather than employees; and extensions of the due date for Excelsior's first interest payment.

Using IRR and DOE funds for lobbying is prohibited by the terms of the loan agreements. This raises questions about the source of funds for Excelsior's \$1.12 million in Minnesota lobbyist disbursements since 2003 and additional tens of thousands reported by federal lobbyists.

Excelsior requested approximately \$6 million from DOE in June 2006, to partially reimburse Excelsior for invoices paid from December 2004 to March 2006. Many of these same invoices were also submitted in support of IRR disbursements. IRR loan agreements do not appear to contemplate having the same invoices reimbursed by DOE.

Excelsior failed to make its first interest payment to IRR in April 2007 as required by the loan documents. The IRR Commissioner, without a vote by the Board, extended the due date to 12/31/07 and again to 12/31/08. It remains to be seen whether Excelsior paid the second interest payment and first principal payment that were due in April 2008.

"Use of public dollars by a private, for-profit corporation should be controlled by clear standards and closely monitored for conformance with those standards", said CAMP's Co-Chair, Ed Anderson. "CAMP did not find any defined standards or meaningful oversight of Excelsior's use of the funds. These transactions should be transparent and information should be readily available to the public, rather than the heavily redacted documents that IRR made available to CAMP. We hope that OLA will follow up with a formal audit that will shed light on IRR's and Excelsior Energy's use of public funds for the Mesaba Project."

Contact: Charlotte Neigh (218) 245-1844