

June 19, 2006



The Honorable Judges Steve M. Mihalchick and Bruce H. Johnson
Office of Administrative Hearings
100 Washington Square, Suite 1700
Minneapolis, MN 55401

**RE: In the Matter of a Petition by Excelsior Energy for Approval of a
Power Purchase Agreement
OAH No. 12-2500-17260-2**

Dear Judge Mihalchick and Judge Johnson:

I am writing to provide written testimony in support of Excelsior Energy's above-referenced petition.

Iron Range Resources is a Minnesota state agency created by the Legislature in 1941 to diversify the economy of the iron mining areas of northeastern Minnesota. The Agency's service area is now known as the Taconite Assistance Area, encompassing approximately 13,000 square miles. A full-time commissioner appointed by the Governor of Minnesota manages the day-to-day operations of the Agency.

Iron Range Resources is funded by a portion of the taconite production taxes paid by mining companies in lieu of property taxes on each ton of taconite produced. Iron Range Resources acts as a fiscal agent for this money. Unlike other state agencies, the Agency receives no direct operational funding from the State's general fund. A 13-person Iron Range Resources and Rehabilitation Board approves the Agency's economic development projects.

The Agency's activities are guided by an overall mission -- "Advance regional growth by stabilizing and enhancing the economy of northeastern Minnesota's Taconite Assistance Area" -- and four principal goals:

1. Goal No. 1: Position the Agency to be a leader in the developing and implementing a strategy for long-term economic viability in northeastern Minnesota;
2. Goal No. 2: Sustain the region's economic base by working with existing businesses to retain existing jobs and expand to create new jobs.
3. Goal No. 3: Diversify the region's economy by growing new businesses and recruiting expanding businesses from outside the area.
4. Goal No. 4: Reclaim mining impacted lands to create diverse regional economic development resources.



An Equal Opportunity Employer

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In July, 2001, Iron Range Resources launched an energy initiative to explore and capitalize on opportunities in the energy sector and to promote regional job creation and economic growth.

In April of 2002, Iron Range Resources provided Excelsior Energy with \$1.5 million in financing for the Mesaba Energy Project (the "Project"). In August of 2004, Iron Range Resources provided Excelsior Energy with an additional \$8 million in Project financing. The Agency provided the financing to Excelsior Energy because it believes that the Project will provide a substantial economic benefit to northeastern Minnesota in accordance with Iron Range Resource's mission and goals.

The 2003 Minnesota State Legislature selected Iron Range Resources to designate a project "that is located in the taconite tax relief area on a site that has substantial real property with adequate infrastructure to support new or expanded development and that has received prior and financial and other support from the Board." See Minn. Stat. § 216B.1694, Subd. 1(3).

On November 7, 2005, in accordance with Minn. Stat. § 216B.1694, Subd. 1(3), Iron Range Resources Commissioner Sandy Layman designated two Project sites. Attached as Exhibit A is a true and correct copy of the designation letter and a certification of its authenticity.

Thank you for your consideration. If you have any questions please feel free to contact me.

Sincerely,



Brian Hiti
Deputy Commissioner

I, Brian Hiti, certify that the signature on Exhibit A is genuine and signed by Commissioner Layman in her official capacity.

Brian Hiti

Brian Hiti
Deputy Commissioner
Iron Range Resources

Sworn/affirmed before me this 19th day of June, 2006.

Sheryl Anne Aho Kochevar

Sheryl Anne Aho Kochevar
Notary Public

