Minnesota Municipal Power Agency

"Providing Low-Cost Energy to Minnesota Municipal Utilities Since 1995"

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Construction Nears Completion at Faribault Energy Park

Construction to convert Faribault Energy Park (FEP) from simple cycle to combined cycle operation entered its final stages in the first quarter of 2007. Major milestones were reached despite difficulties caused by extremely cold weather in early February and significant snowfall in early March. The project remains on schedule to be in commercial operation on July 1. The major milestones during this quarter include significant progress on the steam turbine generator (STG) building, the cooling towers and exhaust stack, the utility rack, the turbine rotors, the heat recovery steam generator (HRSG), and the hiring of a startup team.

The STG building saw significant improvements to both the interior and the exterior. All the roof panels have been installed, and the wall panels are currently being installed. The decorative stone around the base of the building is in place, and work continues on the decorative stone on the arches. On the interior, the walls have been sheet-rocked, and the building insulation is complete.

The utility rack has been completed between the HRSG and the STG. It carries piping and electrical wiring from the north side of the HRSG to the STG building. It also features a catwalk that allows workers to move from the HRSG to the STG at 38 feet above grade.

The cooling towers for the hot water created by the plant have been built. All cans of the new exhaust stack are in place, and aviation lights have been installed at the top. The pipe bridge, a steel structure that connects the cooling towers to the HRSG and the STG building, has been erected. The welding on all the main steam piping for this structure is nearly complete.

The three turbine rotors have been set, with one for high pressure, one for intermediate pressure, and one for low pressure. On the HRSG, work continues on the seal welding, installation of the transition duct to connect it to the existing combustion turbine, and preparation of the old stack for removal. The ammonia

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New Minnesota Renewable Energy Standard

On February 22, 2007, Minnesota Governor Tim Pawlenty signed into law one of the strongest renewable energy standards in the nation. Electric utilities in Minnesota must supply a minimum of 25% of their energy from renewable sources by 2025. MMPA is excited for the many opportunities this renewable energy standard provides.

This law makes Minnesota a leader in renewable energy. Minnesota is the 22nd state in the nation to enact a renewable energy law. The Minnesota law is one of the strongest in the nation. To protect consumers, the bill allows utilities to appeal to the Public Utilities Commission if it appears the renewable standard will substantially increase electric rates. The bill received overwhelming bipartisan support in both the Minnesota House and Senate. The House passed the bill with a vote of 123-10 and the Senate passed the bill 61-4.

Energy utilities will provide renewable power by utilizing the natural resources found in our state. A large part of the renewable generation is expected to come from wind power, with additional power coming from biomass, small hydro and solar generation. This investment in Minnesota renewable energy is expected to create thousands of jobs and billions of dollars in investment in the local Minnesota economy. Depending on electric demand growth, Minnesota will add between 5,000 and 6,000 megawatts (MW) of renewable energy in the next two decades. Currently, more than 50% of electricity in Minnesota is generated from burning coal, while renewables make up less than 5% of generation.
The law requires Minnesota utilities to provide 7% renewable energy by 2010,

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FEP Construction

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storage tank, which controls the temperature inside the HRSG, has been placed.

Universal Energy has been hired as the startup team for the plant. It will manage the testing of all systems as the facility transitions from the construction phase to commercial operation. It has been on site since early February and has performed excellent work so far.

Once the combined cycle conversion is complete, Faribault Energy Park will produce enough electricity to power more than 250,000 homes. The park was recently featured in a special edition of the *Faribault Daily News* for its innovative commitment to education and community involvement. When finished, the park will include three constructed wetlands with demonstrations of wind and solar energy in addition to a pedestrian trail marked with informational signs.

New Renewable Energy Standard

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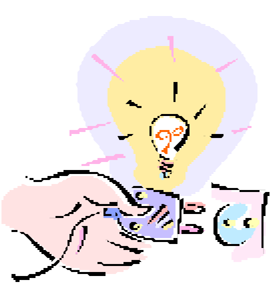
12% by 2012, 17% by 2016, 20% by 2020, and 25% by 2025. The standard requires Xcel Energy to provide 30% renewable energy by 2020 because it owns nuclear generation. By 2008, a renewable energy trading program for all Minnesota utilities will be in place. MMPA has several renewable initiatives in place, including wind and biomass, and is confident and excited to meet these new standards.

Two New CIP Programs Introduced

Two new conservation programs are available to customers of MMPA member utilities in the Agency's Conservation Improvement Program. The purchase of compact fluorescent light (CFL) bulbs will be free with a completed application form at participating retailers during the months of June and November (up to $2.70 per bulb). Home energy audits will be offered to residents at a reduced cost. Both of these new initiatives aim to help customers save both energy and money.

The CFL purchase program will allow households in participating cities to obtain up to eight CFL bulbs for free (up to $2.70 per bulb) with a filled out application form. CFL bulbs use less energy and last up to ten times longer than conventional light bulbs. This program allows you to increase the energy efficiency of your home by upgrading your lighting. The program will only be offered for two months of the year, so check with your local participating retailer.

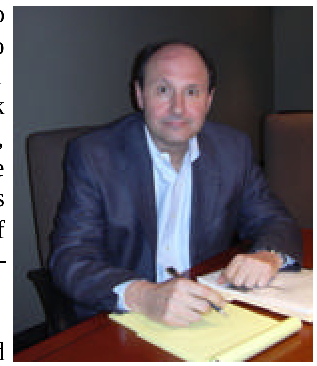


The home energy audit program offers customers the choice of two different energy audits. The basic home energy audit is available for $35 and the advanced home energy audit for $100. The audits normally cost $150 and $250. During a home energy audit, a trained professional will evaluate and recommend ways to improve your home's energy efficiency. The basic home energy audit includes a blower door test to determine the airtightness of your home, a safety inspection of mechanical systems, and an inspection of the building shell. The advanced home energy audit includes all of the elements of a basic home energy audit plus infrared camera photographs to determine where heat may be escaping from your home. By implementing the auditor's recommendations, you will save both energy and money.

The utilities participating in MMPA's Conservation Improvement Program are Arlington, Brownton, Buffalo, Chaska, Le Sueur, North Saint Paul, Olivia, and Winthrop. Please contact your local utility or go to www.mmpa.biz for more information on these new programs.

Joe Fulliero Hired As New Vice President of Operations

Joe Fulliero joined the MMPA team on January 22, 2007, as Avant Energy Services' new Vice President of Operations. In this role, he will manage the affairs of MMPA by overseeing day-to-day operations, budgeting and forecasting, as well as the performance of the agency compared to budget. In addition, he will maintain relationships with member counterparties and transmission suppliers while supervising the operation of the Agency's generation assets.



Mr. Fulliero comes to MMPA from Split Rock Energy, where he served as Manager of Trading Operations. Prior to that, he worked for over 25 years at Northeast Utilities in Berlin, Connecticut, where he served as Manager of Retail Power Operations, Managing Director of Trading and Wholesale Gas, and Director of Northeast Utilities Service Company.

Mr. Fulliero holds a Master of Science degree in Management with concentration in finance from Rensselaer Polytechnic Institute. He has also received a Bachelor of Science degree in Engineering from the University of Connecticut and a Bachelor of Arts in Liberal Arts with concentration in economics from Fairfield University.

Who are we?

The Minnesota Municipal Power Agency (MMPA) was founded in 1992 and became operational in 1995. It is composed of the cities of Anoka, Arlington, Brownton, Buffalo, Chaska, East Grand Forks, Le Sueur, North St. Paul, Olivia, Shakopee, and Winthrop. The goal of the Agency is to provide reliable, low-cost power to its members at an acceptable level of risk.