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**TWO ELK GENERATION PARTNERS,
Limited Partnership**

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Terri A. Lorenzon, Director
Environmental Quality Council

December 1, 2005

Via U.S. Mail & E-Mail
dolson@state.wy.us

Mr. Dan Olson, Administrator
Air Quality Division
Wyoming Department of Environmental Quality
The Herschler Building 4-W
122 West 25th Street,
Cheyenne WY 82002

**Two Elk Generating Station – Unit 1
Permit No. CT-1352B
Status Report No. 5**

Dear Mr. Olson:

In accordance with the Wyoming Environmental Quality Council Order of June 30, 2005 – “Order Granting Motion to Dismiss”, Two Elk Generation Partners, Limited Partnership (“TEGP”) is pleased to provide Wyoming Department of Environmental Quality – Air Quality Division (“WYDEQ”) with this fifth monthly status report for the Two Elk Generating Station, Unit 1 (the “Facility”).

Licensing & Permitting

Wyoming Department of Transportation – Work continued with WYDOT for permitting the Facility’s main access road intersection with Wyoming Highway 450. TEGP received the Authority for Rendering Services Agreement from WYDOT. This Agreement is a condition precedent for WYDOT issuing its’ permit for the Facility’s main access road intersection at Wyoming Highway 450. While this permit remains

outstanding. TEGP and WYDOT have a defined process to proceed with the engineering and design, issuance of the WYDOT permit, and subsequently the construction of the Highway 450 interchange with the Facility's main access road, at the conclusion of this defined process.

Financing

Wyoming Bond Authority - TEGP's financing team consisting of George K. Baum & Co., Cheyenne WY, the underwriters and Kutak Rock, LLP, Denver CO bond counsel, bond buyer and their legal counsel, bond trustees and their legal counsel, and others completed work on the due diligence, underwriting, issuance and funding activities for the new TEGP tax-exempt preference allocation in the amount of \$91.18 million as Series 2005-B bonds. These bonds were issued in November 2005 with the proceeds of funds going into a trust account.

Remarketing efforts for the previously issued Series 2000, 2001 and 2005 tax-exempt bonds continued with defeasance and reissue documentation being drafted, selection of new bond buyer(s) and remarketing/closing documentation being prepared for a December 2005 close.

Transmission

In November a number of important TEGP matters were addressed by both TEGP and PacifiCorp involving Electric Interconnection and Electric Transmission. Additionally, two major new transmission projects were announced involving Wyoming and new AC and DC connections in the desert southwest.

Electric Interconnection - PacifiCorp re-proposed its System Impact Study for TEGP, and submitted to TEGP a second revision of the Generation Interconnection Impact Study Agreement. The need for a second revision was the result of: 1) new and revised PacifiCorp assumptions needed in conducting the System Impact Study; 2) changes in the relevant PacifiCorp generation interconnection request priority queue; 3) neighboring utility impacts on network resource evaluation(s).

Electric Transmission - TEGP and its transmission consultant continued to identify and coordinate PacifiCorp's third proposed incremental tariff rate calculations. Additional questions for items which appeared to be inappropriate for tariff inclusion were submitted to PacifiCorp. TEGP and PacifiCorp continue coordinate and understand PacifiCorp Tariff based responses. Pursuant to PacifiCorp's Open Access Transmission Tariff,

mutual concurrence is required for incremental tariff rates associated with new transmission service, if any.

Conclusion of PacifiCorp transmission matters is required to finalize power purchase agreements which have been initiated.

Two (2) new major transmission projects were identified and or announced:

The TransWest Express Project – Announced by Arizona Public Service Company and consisting of two 500 kV AC transmission lines from Wyoming to northern Arizona with an intermediate interconnection in Utah.

The NorthernLights Transmission Project Announced by TransCanada as the Celilo Project and the Inland Project, consisting of 750 kV HVDC transmission line(s) from Montana or Wyoming to Nevada and northern Arizona.

TEGP and PacifiCorp have not had an opportunity to assess and impact or lack thereof to TEGP's active interconnection service and transmission service requests with PacifiCorp.

Engineering

Bechtel Power Corporation – the Facility's Engineering, Procurement and Construction contractor and Foster Wheeler North America Corporation and manufacturer and supplier of the Facility's main boiler are the primary providers of engineering and engineering work products. Activities include:

- Regular and periodic design coordination meetings
- Review and coordination of boiler drawing submittals

Procurement

Evaluation of Foster Wheeler North America Corporation's Notice of *Force Majeure*, resulting from hurricane events in the Gulf coast region continues, pursuant to the Bechtel Power Corporation purchase order with Foster Wheeler.

Construction

Main Access Road - Construction of the main access road is restrained by the absence of the WYDOT permit for intersecting with Wyoming Highway 450. Main access road work and completion is required to release subsequent construction activities and main access road construction will be incorporated in a re-bid earthwork subcontract.

Should you have any questions, please feel free to contact us.

Sincerely,

TWO ELK GENERATION PARTNERS,
Limited Partnership

A handwritten signature in black ink, appearing to read "D. Yuch", with a stylized flourish extending to the right.

Daniel D. Yuch, Vice President
North American Power Group, Ltd. for
Two Elk Power Company, its
General Partner