

**TWO ELK GENERATION PARTNERS,
Limited Partnership**

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October 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. 3**

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 third 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. In a September 26, 2005 telecon with Mr. Donald Phillips, District Engineer, WYDOT confirms the approval of the Authority for Rendering Services Agreement and the impending submittal of this Agreement to TEGP shortly. This Agreement is a condition precedent for WYDOT issuing its’ permit for the Facility’s main access road intersection at

Wyoming Highway 450. This permit remains outstanding and TEGP expects receiving this WYDOT permit going forward.

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 continued work on the due diligence and underwriting activities for the new TEGP tax-exempt preference allocation in the amount of \$91.18 million as Series 2005-B bonds. Issuance of these bonds will elevate tax-exempt bonds issued and funded to \$336.483 million, out of the total TEGP bond authority of \$560 million.

Remarketing - TEGP's financing team continued efforts for the remarketing of TEGP's previously issued Series 2000, 2001 and 2005 tax-exempt bonds.

Transmission

Electric Interconnection - Subsequent to the PacifiCorp recommended refiling of TEGP's network resource Electric Interconnection Request in August 2005, both TEGP and PacifiCorp held multiple meetings and telephone conference calls, commencing the mandatory Tariff scoping meeting and various coordination with PacifiCorp, TEGP and TEGP consultants. PacifiCorp previous system study assumptions have been discussed and will be revised in preparation for PacifiCorp re-performing PacifiCorp's System Impact Study.

Electric Transmission - Coincident with electric interconnection work, TEGP and PacifiCorp are resolving a mis-match between TEGP's electric interconnection queue position and TEGP's electric transmission service queue position, created by TEGP's refiling for electric interconnection network resource service at the recommendation of 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

In September 2005, Foster Wheeler North America Corporation issued its' notice of *Force Majeure* pursuant to the Bechtel Power Corporation purchase order with Foster Wheeler. Foster Wheeler's claim is based upon Hurricanes Katrina and Rita events which have impeded transport of materials from the Gulf region northbound on the Mississippi River. The Port of New Orleans is the primary port of entry for Foster Wheeler components manufactured offshore for all Foster Wheeler power systems. Bechtel Power Corporation subsequently delivered its' notice of *Force Majeure* pursuant the agreement between Bechtel and TEGP. The effects of both *Force Majeure* situations is indeterminate and impact to the Facility's schedule will be ascertained going forward.

Main Turbine Generator - Evaluation of bids are in process.

Air Quality Control System - Evaluation of bids for the scrubber system, selective catalytic reduction system and the pulse jet bag house particulate control system are in process.

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.

Oil Line - The Belle Fourche high pressure underground operating oil line has been relocated on TEGP adjacent properties, away from the Facility's footprint.

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. Yueh", with a stylized flourish at the end.

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