

**FILED**

**OCT 05 2005**

**TWO ELK GENERATION PARTNERS  
Limited Partnership**

Terri A. Lorenzon, Director  
Environmental Quality Council

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September 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 25<sup>th</sup> Street,  
Cheyenne WY 82002

**Two Elk Generating Station – Unit 1  
Permit No. CT-1352B  
Status Report No. 2**

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 second 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. WYDOT proposed and TEGP accepted the concept of an Authority for Rendering Services Agreement which WYDOT is in the process of preparing. This Agreement will fund WYDOT services for reviewing and inspecting the engineering and construction of the Facility’s main access road intersection with Wyoming Highway 450 and 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.

Wyoming Environmental Quality Council – WYEQC issued its documented order and WYDEQ confirmed WYEQC "Order Granting Motion to Dismiss" documentation status.

### *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 commenced work on the due diligence and preliminary underwriting activities for the new TEGP tax-exempt preference allocation in the amount of \$91.18 million as Series 2005B bonds. Issuance of these bonds will elevate the bond funded to \$336.48 million in issued bonds out of a total TEGP bond authority of \$560 million, previously approved by Campbell County Wyoming.

Remarketing – TEGP's financing team commenced preliminary efforts for the potential remarketing of TEGP's previously issued Series 2000, 2001 and 2005 bonds.

### *Transmission*

Electric Interconnection - TEGP submitted and funded (\$488,626) its electric interconnection request with PacifiCorp on March 9, 2004, pursuant to PacifiCorp's Open Access Transmission Tariff, revised on July 23, 2004 (the "Tariff"). PacifiCorp completed three (3) mandatory studies (the "Mandatory Studies"): a) Generation Interconnection Feasibility Study Report – July 28, 2004; b) Large Generator Interconnection System Impact Study – January 27, 2005; and c) Large Generator Interconnection Facilities Study Report – July 19, 2005. The studies are favorable for interconnecting the Facility to the PacifiCorp electric system at or near PacifiCorp's Antelope Mine Substation in Converse County Wyoming.

Electric Transmission - TEGP submitted and funded (\$506,250) its electric transmission request with PacifiCorp on November 8, 2004, pursuant to the Tariff. PacifiCorp completed its mandatory study: Transmission Impact Study – April 11, 2005. The study is favorable for transmitting the Facility's electric output to TEGP customer(s) either within or immediately adjacent to PacifiCorp's electric system.

Refiling - PacifiCorp recommended on August 17, 2005 that TEGP refile its' electric interconnection request to optimize TEGP interconnection arrangements with PacifiCorp. TEGP submitted and funded (\$10,000) its new electric interconnection request on August



22, 2005 to PacifiCorp, pursuant to PacifiCorp's Tariff. PacifiCorp is proceeding to review and amend the Mandatory Studies going forward.

### ***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
- Revised and reissued Earthwork and Access Road design packages for rebid
- Issued conceptual arrangement of boiler building structural steel
- Revised Storm Water Pollution Prevention Plan for Earthwork subcontract
- Development of air cooled condenser and coal handling specifications
- Review and coordination of boiler drawing submittals.
- Building of 3D Computer Aided Design and Drawing Model
- Prepare Piping and Instrument Diagrams for power systems
- Revise general layout drawings for Earthwork subcontract

### ***Procurement***

Earthwork – The earthwork subcontract was developed and bid to eight (8) Wyoming pre-qualified contractors with subsequent bidder's meetings and site inspections. All eight (8) Wyoming contractors elected to no-bid. Earthwork bid packages were re-prepared and bid to pre-qualified contractors outside Wyoming.

Main Turbine Generator - Material and services requisition was completed and a Request for Quotation was re-issued to two main turbine generator manufacturers: Alstom Power, Inc. and General Electric Company. Bid evaluation, vendor coordination, review of business arrangements and final negotiations 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 the re-bid earthwork subcontract previously described.

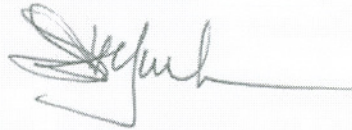
Oil Line – The Belle Fourche high pressure underground operating oil line currently traverses the Facility's site through the main power block area. Belle Fourche and TEGP

have agreed to relocate this oil line and procurement of new pipe, excavation and other relocation construction activities have completed.

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 long horizontal line extending to the right.

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