

**TWO ELK GENERATION PARTNERS,
Limited Partnership**

8480 East Orchard Road, Suite 4000 Greenwood Village, Colorado 80111
Telephone: (303) 796-8600 Facsimile: (303) 773-0461

FILED

APR 04 2007

April 2, 2007

Terri A. Lorenzon, Director
Environmental Quality Council

Via U.S. Mail

Mr. David A. Finley, Administrator
Air Quality Division
Wyoming Department of Environmental Quality
The Herschler Building 2-E
122 West 25th Street,
Cheyenne WY 82002

**Two Elk Generating Station – Unit 1
Permit No. CT-1352B
Status Report No. 21**

Dear Mr. Finley:

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 twenty first monthly status report for the Two Elk Generating Station, Unit 1 (the “Facility”).

Licensing & Permitting

All permits are in full force and effect at this time.

Financing

TEGP continues to work with TEGP financial advisors and prospective financial participants in developing and optimizing financial structures for the Project.

Transmission and Power Purchase Agreements

TEGP continued coordination activities involving PacifiCorp on the March 9, 2004 TEGP Electric Interconnection and Electric Transmission Open Access Tariff (the "OATT") application continuing with PacifiCorp.

Electric Interconnection - TEGP executed PacifiCorp's *Large Generator Interconnection Facilities Study Agreement* in August 2004 and PacifiCorp prepared its third report the draft *Large Generator Interconnection Facilities Study* (the "Study") in November 2006. On December 23, 2006, PacifiCorp notified TEGP that in its internal review, PacifiCorp identified new Wyoming oil and gas loads representing approximately 300 MW of new electric load growth which was not accounted for in the Study. Both TEGP and PacifiCorp agree that the likely result of a re-Study would include a substantial reduction in the cost of achieving TEGP's requested Network Resource Interconnection and a significant reduction in the time required to construct the upgrades necessary for TEGP's requested Network Resource Interconnection.

PacifiCorp issued the final *Large Generator Interconnection Facilities Study* on January 9, 2007 without re-performing the Study in light of the Wyoming load growth. PacifiCorp issued the draft *Large Generator Interconnection Agreement* on January 16, 2007 which included the final *Large Generator Interconnection Facilities Study* as an appendix among other appendices and attachments. TEGP has responded to PacifiCorp citing the need for PacifiCorp to re-perform the Study prior to issuing the final *Large Generator Interconnection Facilities Study* and the draft *Large Generator Interconnection Agreement*. PacifiCorp has completed and submitted to TEGP the Draft Re-study of the *Large Generator Interconnection Facilities Study* on March 30, 2007.

Electric Transmission - PacifiCorp previously stated that PacifiCorp will perform a stability analysis during the Transmission Facilities Study stage. PacifiCorp previously submitted to TEGP the first results of Pacific's Transmission Facility Study: "*Antelope Mine Substation – Wasatch Front Transmission Project Corridor Study*". This study identified existing and potential transmission corridor(s) which PacifiCorp would utilize to provide transmission service to TEGP. TEGP previously requested that PacifiCorp submit to TEGP the PacifiCorp Power Flow Studies performed for the Study (and re-Study) in order to confirm the assumptions and cost basis contained in the Study (and re-Study). TEGP has again requested that PacifiCorp submit to TEGP Power Flow Studies

and PacifiCorp has verbally agreed to provide these studies pursuant to a new confidentiality agreement which PacifiCorp will submit to TEGP.

Conclusion of PacifiCorp interconnection and transmission matters is required to finalize power purchase agreements which have been initiated with new customers.

TEGP and PacifiCorp are continuing coordination on both interconnection and transmission matters.

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 coordination
- Review and coordination of equipment schedules

TEGP continues its review of the bid specification package for the main access road.

Completion of this task is required to release subsequent construction of the main access road, allowing site construction of the Facility to proceed going forward.

Procurement

Bechtel has informed TEGP that Foster Wheeler North America Corporation’s Notice of *Force Majeure*, resulting from hurricane events in the Gulf coast region is no longer in effect, pursuant to the Bechtel Power Corporation purchase order with Foster Wheeler.

Construction

Construction of the main access road is required to release site construction to proceed.

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 flourish extending to the right.

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