

**FILED**

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**TWO ELK GENERATION PARTNERS,  
Limited Partnership**

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Telephone: (303) 796-8600 Facsimile: (303) 773-0461

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Terri A. Lorenzon, Director  
Environmental Quality Council

December 1, 2006

Via U.S. Mail

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

**Two Elk Generating Station – Unit 1  
Permit No. CT-1352B  
Status Report No. 17**

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 seventeenth 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 and its financing team successfully completed, closed and funded the issuance of the new Series 2006 tax-exempt bonds in the amount of \$119 million.

Also completed, closed and funded was the remarketing of the Series 2000, 2001, 2005 and 2005B tax-exempt bonds in an aggregate amount of \$326.48 million.

### ***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 - In accordance with the PacifiCorp and TEGP executed *Large Generator Interconnection Facilities Study Agreement*, PacifiCorp prepared the draft *Large Generator Interconnection Facilities Study (the "Study")*. TEGP and PacifiCorp met on November 20, 2006 to accomplish a preliminary review and commentary on the Study. Subsequent meetings and conference calls are scheduled to comprehensively review the PacifiCorp engineering, procurement and construction schedule presented by the Study. Resolution of the PacifiCorp schedule is required to confirm the discrepancy between the TEGP requested commercial operations date of June 1, 2010 and the PacifiCorp suggested date of mid - 2012. PacifiCorp's FERC approved Open Access Transmission Tariff ("OATT") requires TEGP to provide comments to the Study by December 15, 2006. PacifiCorp is required by its' OATT to submit the Large Generator Interconnection Agreement with attachments to TEGP 30 days after receiving Study comments from TEGP.

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 and its transmission consultant provided required responses and comments to this study. TEGP has requested a status and update on PacifiCorp's *Transmission Facility Study* progress.

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

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’s local Campbell County Wyoming engineering firm continued the engineering, design, procurement and bid specification preparation for the main access road. Subcontracted engineering activities completed: soil boring and analysis; hydraulic analysis for culvert crossings of Little Thunder Creek; earthwork design including slope allowances and cut & fill calculations; preliminary documentation preparation. A special engineering consultant has been engaged to conclude the culvert wall design and expects to conclude its’ activity in December 2006. Finished plans, drawings, specifications and bid packages are anticipated for review in December 2006.

Completion of this task could release subsequent construction of the main access road, allowing site construction 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 stylized flourish extending to the right.

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