

**TWO ELK GENERATION PARTNERS,  
Limited Partnership**

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July 5, 2006

Via U.S. Mail

**FILED**

**JUL 07 2006**

**Terri A. Lorenzon, Director  
Environmental Quality Council**

Mr. David A. Finley, 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. 12**

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

***Licensing & Permitting***

TEGP reviewed all federal and state of Wyoming permits issued to the project for completeness and effectiveness. All permits are in full force and effect at this time.

TEGP will proceed to apply to WYDEQ for extending its’ *Large Construction Storm Water Discharge* Permit No. WYR 101299, expiring August 31, 2006.

### ***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 - PacifiCorp and TEGP completed its joint review of the PacifiCorp Study: *Large Generator Interconnection System Impact Study* (final). Work and procedures were performed and PacifiCorp issued (and re-issued) for TEGP review, execution and funding PacifiCorp's *Large Generator Interconnection Facilities Study*, the final PacifiCorp OATT study required in the electric interconnection process.

PacifiCorp responded to TEGP inquiries and requests as follows: 1) TEGP will fund all need PacifiCorp network resource upgrades, in accordance with PacifiCorp's FERC approved OATT; 2) PacifiCorp provided its integrated queue listing for PacifiCorp's eastern region – interconnection and transmission; 3) PacifiCorp received its senior management approval to study increasing the interconnection and transmission line size from 230 kV to 345 kV (or higher) resulting from multiple applicants requesting PacifiCorp services, pursuant to PacifiCorp's OATT.

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 received 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 continue to evaluate information on recently announced transmission projects involving Wyoming to assess any impact or lack thereof to TEGP's active interconnection service and transmission service requests and applications 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



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