

**TWO ELK GENERATION PARTNERS,  
Limited Partnership**

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

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June 2, 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. 11**

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

***Licensing & Permitting***

WYDOT reviewed the revised design and engineering technical work products for the Facility’s main access road and WY Highway 450 intersection, submitted to WYDOT in May 2006 by TEGP’s Gillette WY engineering firm. WYDOT also met with engineering personnel and visited the proposed main access road intersection with WY Highway 450.

WYDOT issued its permit for construction of the main access road and WY Highway 450 at Mile Post 52.14 on May 24, 2006. This permit was handed to TEGP personnel in its meeting with WYDOT on May 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 application continuing with PacifiCorp.

Electric Interconnection - PacifiCorp and TEGP met in May 2006 to review and comment on PacifiCorp's final System Impact Study of April 21, 2006 consisting of: a modified one-line diagram, a technical estimate of system level upgrades necessary to accomplish the TEGP electric interconnection, a technical estimate of communication, data and telemetry requirements, and a cost estimate. PacifiCorp confirmed that PacifiCorp can have interconnection-related facilities and network upgrades ready for backfeed within 18 months of a signed Standard Large Generator Interconnection Agreement.

TEGP requested PacifiCorp response on the following: 1) Determination of the source of funds needed for network upgrades, either from TEGP or from PacifiCorp, all pursuant to PacifiCorp's FERC approved OATT; 2) An updated integrated Queue listing for PacifiCorp's eastern region; 3) PacifiCorp's interest in upgrading the size of TEGP's proposed transmission line for cost efficiency in view of current potential new transmission line(s).

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 this 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