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**TWO ELK GENERATION PARTNERS,
Limited Partnership**

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Terri A. Lorenzon, Director
Environmental Quality Council

November 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 25th Street,
Cheyenne WY 82002

**Two Elk Generating Station – Unit 1
Permit No. CT-1352B
Status Report No. 16**

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

Licensing & Permitting

TEGP received its’ renewal from WYDEQ: *Large Construction Storm Water Discharge Permit No. WYR 101299*, expiring March 15, 2011.

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

Financing

TEGP and its financing team are involved in activities for forthcoming issuance of the new Series 2006 tax-exempt bonds in the amount of \$119 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 is preparing the *Large Generator Interconnection Facilities Study (the "Study")* and notified TEGP in September 2006 that PacifiCorp is not able to complete the *Study* by the required October 6, 2006 – the 90 day FERC mandated schedule. PacifiCorp states it will complete the *Study* by November 15, 2006. The *Study* and its' subsequent acceptance by TEGP is required for the development and negotiation of the FERC approved Large Generator Interconnection Agreement between PacifiCorp and TEGP. PacifiCorp notified TEGP September 29, 2006 and stated: "Based on our experience with transmission and substation construction, PacifiCorp believes that it will not be possible to meet your (TEGP) requested commercial operations date of June 1, 2010." TEGP and PacifiCorp discussed the status of the *Large Generator Interconnection Facilities Study* currently in progress and PacifiCorp's September 29, 2006 notification in a TEGP-PacifiCorp meeting in October 2006. Resolution of these important outstanding issues will be achieved in November 2006.

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 are scheduling a meeting in November 2006 to resolve the aforementioned PacifiCorp delays.

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. Finished plans, drawings, specifications and bid packages are anticipated for review in November 2006.

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

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

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