

**TWO ELK GENERATION PARTNERS,
Limited Partnership**

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Terri A. Lorenzon, Director
Environmental Quality Council

November 27, 2007

Via US Mail and Hand Delivery

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. 28**

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

Licensing & Permitting

TEGP has extended the Wyoming Department of Transportation permit through May of 2008 to meet the construction schedule of the access road referenced in the construction section. TEGP completed the paving on this portion of road in October. The Wyoming Department of Transportation was scheduled to complete striping in early November. Once striped the interconnection permit requirements will be satisfied.

TEGP has extended the Army Corps of Engineers permit that is involved in the construction of the access road which is referenced in the construction section of this update through May 2009.

Brad Enzi of TEGP continued to meet with local developers and communities in Campbell County in October to address housing needs of the project. These results are being incorporated into the socio economic update to the Wyoming DEQ ISC.

Tetra Tech, TEGP's consultant, and Brad Enzi of TEGP continued to complete the socio economic update to the ISC. A draft submittal is scheduled for early November.

TEGP and WYDEQ-Air Division have been meeting to discuss the construction and contractual activities of the project to date, including its continuous construction and TEGP's irrevocable commitment to complete the facility.

We believe that all permits remain in full force and effect.

Financing

TEGP continues to work with its financial advisors and prospective financial participants in developing and optimizing financial structures for the Project. In general, this will involve closely working with Campbell County to issue and remarket tax-exempt bonds in support of the project and an equity arrangement on behalf of the owners.

TEGP has preliminarily selected a lead underwriter for the project, subject to execution of a definitive agreement in moving the financing forward, TEGP and the lead underwriter issued Requests For Proposals for the independent engineering and power market studies that are required for the remarketing of the bonds. Proposals were received. TEGP selected and entered into agreements with Global Energy resources for a power market study and Burns & Roe for independent engineering review. Separately, an update to the fuel consultants report will be prepared.

TEGP already has received proposals for the non-tax-exempt portion of construction costs and is in discussions with participants regarding project investment and ownership positions. These discussions will continue while the tax-exempt bond arrangements are finalized.

TEGP is reviewing equity investor proposals that were received in October.

Transmission and Power Purchase Agreements

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

with PacifiCorp. Under the terms of the OATT, PacifiCorp is required to identify for TEGP, as a generator requesting interconnection, exactly what physical changes to its system are necessary to allow TEGP to become a part of the PacifiCorp transmission system.

Electric Interconnection - PacifiCorp and TEGP entered into a Large Generator Interconnection Agreement, effective September 28, 2007.

The September 28, 2007 LGIA represents an irrevocable financial commitment on behalf of TEGP and provides much needed transmission from the PRB to the PacifiCorp transmission system, and points west. "Network" upgrades are those that benefit all classes of customers on the PacifiCorp transmission system, including PacifiCorp's Wyoming retail consumers. The executed agreement (LGIA) allows the Two Elk unit to be connected as a network resource to the PacifiCorp transmission system. PacifiCorp has agreed to complete the upgrades, which will be paid for by TEGP, by November, 2011. The completion of the Two Elk facility will be coordinated to that schedule.

Power Sales and Off-take Arrangements. The progress on the PacifiCorp interconnection has allowed our customers to move forward with the finalization of power purchase and other off-take agreements. Each customer that will be taking power from Unit 1 has received approval from its board of directors or other regulatory body to proceed with process of executing the final definitive agreements, now that interconnection has been defined. Studies by PacifiCorp of incremental transmission upgrades, if any, to support individual customer transmission service requests made of PacifiCorp were completed by PacifiCorp in August and provided to those customers.

Following completion of the LGIA agreement with PacifiCorp, all customers were notified and directed as to how to complete the Power Sales and Off-take contracts.

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

Construction

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. October activities included:

- Continued coordination of construction scheduling to meet the on line date established through the PacifiCorp LGIA agreement.
- Update on the production slot and manufacture of the steam turbine and delivery schedule.

- Update on the construction of the Foster Wheeler Boiler and delivery schedule.
- Review and coordination of major equipment schedules.
- A review of the manpower grids and trade breakdowns.
- Housing availability and local labor force.

Stetson Construction continued work on the road, the plant site, and the surrounding areas. Construction activities continue on the natural gas supply line(s).

Bechtel, TEGP and the lead underwriter are in the process of scheduling a meeting to coordinate a plan for procurement of the balance of the materials and supplies for Unit#1 in relationship to the refunding and later remarketing of the tax-exempt bonds, together with taxable bonds.

In October, MGM Enterprises continued work on the rough grading of the site. This consisted of moving several thousand yards of dirt to get the initial site leveling completed. MGM Enterprises continued work on the Highway 450 interconnection. They were able to complete the paving of the interconnection in October with striping to be completed by WYDOT in early November. This will allow the site to be accessed from Highway 450 directly north of the site. Work on the access road is scheduled to be complete in late December. The contract for the road and site grading dated August 1, 2007, represents a binding contract and irrevocable financial commitment on behalf of TEGP.

Should you have any questions, please feel free to contact us.

Sincerely,

TWO ELK GENERATION PARTNERS,
Limited Partnership

A handwritten signature in blue ink that reads "M. Bradley Enzi". The signature is written in a cursive style with a large, stylized "E" at the end.

M. Bradley Enzi, Vice President
North American Power Group, Ltd. for
Two Elk Power Company, its
General Partner