

Golder Associates Inc.

6241 NW 23rd Street, Suite 500
Gainesville, FL 32653-1500
Telephone (352) 336-5600
Fax (352) 336-6603

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July 26, 2001

BUREAU OF AIR REGULATION

9839537

Mr. Howard L. Rhodes, P.E., Director
Division of Air Resources Management
Florida Department of Environmental Protection
Mail Station #5505
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

RE: DEP FILE NO. 099-0568-001-AC / PSD-FL-266
LAKE WORTH GENERATION, L.L.C. COMBINED CYCLE PROJECT
SEMIANNUAL REPORT OF CONSTRUCTION ACTIVITIES

Attention: Mr. C. H. Fancy, P.E., Chief, Bureau of Air Regulation

Dear Clair:

This semi-annual report of the construction activities is submitted on behalf of Lake Worth Generation, L.L.C. (LWG) as required by the April 2, 2001 permit extension. This semi-annual report covers the period from January 1, 2001 through June 30, 2001. As described in the Department's Project Evaluation for the permit extension, information was provided by LWG concerning the construction activities and contractual commitments for the project. This report provides updated information on those activities and commitments provided to the Department as well as additional tasks that have occurred over the semi-annual period of January 1, 2001 through June 30, 2001.

Combustion Turbine - The total payments made to General Electric Company (GE) for the combustion turbine is \$19,822,700 through June 2001. A meeting was held with GE in May discussing the order and schedule. Attending the meeting was the LWG, City of Lake Worth, and NEPCO (the EPC contractor, see below). The shipment date for the turbine of January 2002 remains on schedule.

Gas Pipeline - Construction has started on the natural gas lateral that will supply natural gas for the project. Florida Public Utilities Company is constructing the pipeline and all pipes have been purchased. The construction is from west (connecting the lateral with the Florida Gas Transmission mainline) to east (the LWG site). Construction is expected to be completed by the end of the year.

Energy Services Agreement (ESA) - An ESA has been executed with the City of Lake Worth for interconnection with existing City of Lake Worth facilities. The separate three-way interconnection agreement between LWG, City of Lake Worth, and Florida Power & Light Company has been signed by all parties. As described previously, \$3.4 million in costs are associated with these agreements.

Other Major Equipment - An order has been placed for the steam turbine and \$1,439,600 has been paid through June 2001. Orders have been placed for the transformers for the steam turbine (S4) and combustion turbine (LWG1).

Engineering/Procurement/Construction (EPC) Contract for Facility - National Energy Production Corporation (NEPCO) has been selected as the EPC contractor for the facility. The contract has been signed for about \$120 million.

EPC Contract for Electrical Interconnection - The contract for the EPC contractor for the interconnection of the facility with the electric system has been awarded.

Project Entrance and Roads - Project entrance and roadway location and design has been completed. The construction of the north/south road is expected to be completed by the end of July. The project entrance and roadway will be constructed after completion of the north/south road.

Public Works Maintenance Building - The following activities have occurred related to the relocation of the City of Lake Worth's Public Works Department:

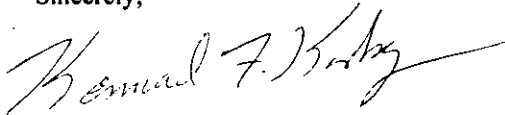
- EPC contract awarded to Ahrens Companies;
- New building location selected (required plugging and abandoning wells);
- Four wells were plugged and abandoned and a new well was drilled (04/01);
- Preliminary floor plan and electrical definition submitted (03/01);
- New building permit issued (4/24/01);
- Contractor mobilized (4/30/01);
- New building 95-percent complete, city began to move (05/01);
- New building 97-percent complete, Certificate of Occupancy in progress (06/01);
- Demolition of old Water Department Building complete (06/01); and
- The new offices are expected to be occupied in July 2001.

Demolition and Utilities Relocation - The following activities occurred over the reporting related to demolition and utilities relocation.

- Demolition of Donkey Boiler Building completed;
- Existing oil tanks demolished;
- Temporary and permanent power installed to new Building Maintenance Department Building and Paint Shop Building;
- Underground pipeline permits obtained and materials are expected next week; construction is planned to start on July 9, 2001; and
- Electrical Subcontractor (Rossman) obtained all materials in May 2001 and started relocation of overhead power lines the week of June 25, 2001, but was delayed by buried water lines. Power line was restaked and waiting for Rossman to return to the site.

Please call if you have questions.

Sincerely,



Kennard F. Kosky, P.E.
Principal

KFK/jkw

cc: Mr. Derald Wildharber, LWG
Mr. Harry Lovrak, LWG
Mr. Leonard Shapiro, Energy Resources Group, Inc.
Mr. Isadore Goldman, FDEP Southeast District
Mr. James Stormer, Palm Beach County Health Department

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