

Golder Associates Inc.

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



January, 30 2003

RECEIVED

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, FL 32399-2400

FEB 03 2003

BUREAU OF AIR REGULATION

Attention: Ms. Trina Vielhauer, Chief, Bureau of Air Regulation

RE: DEP FILE NO. 099-0568-001-AC/PSD-FL-266
LAKE WORTH GENERATION, L.L.C. COMBINED CYCLE PROJECT
SEMI-ANNUAL REPORT OF CONSTRUCTION ACTIVITIES
FOR THE PERIOD JULY 1, 2002 - DECEMBER 31, 2002

Dear Trina:

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 July 1, 2002 through December 31, 2002. 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. The first, second and third semi-annual reports were submitted to your office with updates on construction activities and commitments from January 1, 2001 through July 30, 2001. 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 July 1, 2002 through December 31, 2002.

Combustion Turbine - The combustion turbine was delivered in February 2002. The air inlet filter system has been installed and the lube oil system was filled and commissioned. The turbine/generator set is rotated on a regular basis and the lube oil pumps are operated. The gas turbine electrical building has been completed. The HVAC is operated continuously to preserve batteries and equipment.

Gas Pipeline - Construction of the gas pipeline was completed in March 2002. The pipeline has been tested and filled with natural gas. The pipeline interconnection was completed, commissioned and placed in service on September 27, 2002.

Energy Services Agreement (ESA) - As described previously, the 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 was signed by all parties. The cost associated with these agreements was \$3.4 million dollars.

Other Major Equipment - Purchase Orders have been issued on all engineered equipment and the various components are in some form of manufacturing and/or delivery. Total value of equipment on order is \$ 67 million.

Engineering/Procurement/Construction (EPC) Contract for Facility - The original EPC Contractor, NEPCO, was terminated due to ENRON bankruptcy. WW Gay was hired for an interim period to complete several tasks. Overall the project is 65% complete. Retaining walls are complete, rough grading is complete, most foundations are complete, underground pipelines are 90% complete, underground electrical conduit and vaults are complete, grounding grid is 80% complete, sound attenuation wall is complete. See Current Status below.

EPC Contract for Electrical Interconnection - Design engineering was completed and all engineered equipment was bid and PO's issued. Switchyard construction work is 20% complete. Hypoluxo interconnection with FPL was completed. Fiber optic cable has been delivered. The electrical interconnection transfer was completed, tested and placed in service at the FPL Hypoluxo station in September 2002.

Project Entrance and Roads - As reported previously, construction of the north/south road and the project entrance road has been completed.

Public Works Maintenance Building - As reported previously, activities related to the relocation of the City of Lake Worth's Public Works Department have been completed. This included plugging and abandoning four wells, drilling of one new well, construction of the new building, Certificate of Occupancy issued, relocation of city staff and equipment, and demolition of old Water Department Building.

Demolition and Utilities Relocation - As reported previously, activities related to the demolition and utilities relocation have been completed. This included demolition of the Donkey Boiler Building, demolition of the oil tanks, power installed in the new Building Maintenance Department Building and Paint Shop Building, underground pipeline completed, and relocation of power lines.

Streets and Sanitation Department Relocation - Construction is complete and the city personnel and equipment occupy the facility.

Current Status - As described above, NEPCO, a subsidiary of Enron, was selected as the EPC for the Lake Worth Generation Project. The ENRON bankruptcy prevented LWG from finalizing the project financing. NEPCO continued as EPC under a transition agreement but was terminated when NEPCO filed for bankruptcy. LWG continued to search for financing but due to market conditions has been unable to finalize financing for the Project. The construction of the Project was suspended on September 30, 2002 due to the uncontrollable and unforeseen circumstances brought on by the ENRON and NEPCO bankruptcies and the developments in the energy sector. Current, LWG is pursuing alternatives for the project. We will contact the Department to set up a meeting to discuss the alternatives being considered and the permitting implications.

Please call if you have questions.

Sincerely,

GOLDER ASSOCIATES INC.



Kennard F. Kosky, P.E.
Principal

KFK/jkw

cc: Mr. Derald Wildharber, Lake Worth Generation, L.L.C.
Mr. Brian Chatlosh, Lake Worth Generation, L.L.C.
Mr. Leonard Shapiro, Energy Resources Group, Inc.
Mr. Isadore Goldman, FDEP Southeast District
Mr. James Stormer, Palm Beach County Health Department
Mr. Richard Zwolak, Golder Tampa

\\Gatorbait\1998\9839537 Lake Worth\9839537a\05\L013003.doc