

Astoria Energy II Power Project

Report No. 20

For period ending February 28, 2011

Prepared for

New York Department of Public Services

Astoria Energy II

by

SUEZ Energy Astoria II LLC

as

**Owner's Representative,
Project Construction Oversight Management**

CONFIDENTIAL

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1. EXECUTIVE SUMMARY

This report is for the Astoria Energy II (AE II) power generation project and is a summary of activities through February 28, 2011 (except as specifically noted otherwise).

The AE II project entails the construction of a new approximate 550 MW (summer rated) combined cycle power generation plant that completes the installation of an approximate 1,100 MW (summer rated) power generation facility located in the Astoria section of Queens, New York City. The project secured commitments for debt financing and equity funding. The AE II project Commercial Operation Date is scheduled for May 31, 2011.

A Master Power Purchase & Sale Agreement (MPPSA) with New York Power Authority (NYPA) was signed in July 2008, and subsequently amended in September 2008. The Agreement is for a Full Products Toll transaction, resulting in firm (fixed) revenues for the first 20 years of the project.

As of February, 2011 the Expected Cost at Completion is projected to be approximately 1.1% under budget.

Engineering is reported as 100% complete and procurement activities are approximately 99% complete on a value basis. Start-up and commissioning activities are approximately 62%. The Total Project is approximately 96% complete (Vs 94% in January) and is approximately two months behind the original plan in aggregate.

The Contractor's February 27, 2011 schedule update predicts the project will achieve Commercial Operation (MPPSA) and Substantial Completion by May 31, 2011. However, on March 2, 2011, the Project suffered from events on the 345KV back feed system which effectively suspended progress on critical path start-up and commissioning activities. While the Contractor remains very focused and dedicated to delivering the project to the Owner on May 31, 2011, the Owner's Representative is concerned about the reasonableness or likelihood given the recent events. The Owner's Representative is confident the project can achieve Commercial Operation (TCOD) under the terms of the Master Power Purchase and Sale Agreement and Substantial Completion under the terms of the EPCM by no later than July 1, 2011.

EPC Progress	Total Project		Feb-11	
	Planned	Actual	Planned	Actual
Total Project	97.2%	96.0%	2.1%	2.0%

A team of Owner Project Managers and Engineers provide oversight of the EPC activities under a Project Construction Oversight Agreement. The oversight process provides independent monitoring of Contractor activities on behalf of the Owner(s). The oversight activities in February focused on the start-up and commissioning activities and scheduling.

Recent events on the 345 kV system have resulted in a temporary disconnection from NYPA's Q35 L&M feeders via at the new 345 kV substation (constructed by AE II). AE II and NYPA have both notified ConEd of their completed analysis and verification of proper operation of the relay protection system and requested the restoration of back-feed power. Until such back-feed power is re-energized, the project is incurring effectively a day for day delay at the AE II site. The project is expected to resume receiving back-feed power through the new substation in late March.

Astoria II secured all necessary project insurance. The Owner provides Worker's Compensation and General Liability insurance for the contractors under a consolidated Owner Contracted Insurance Plan in order to control a competitive management process and realize a dollar-volume policy discount. The Owner has also secured the Builder's Risk, Global Marine, Pollution Liability, and Terrorism insurance policies. There are no material claims against the Owner's insurance policies to date.

2 Detail Report

2.1 Engineering Progress

The SLCI engineering effort is reported as 100% complete from a design/drawing perspective. Engineering continues to support construction.

2.2 Equipment & Materials Procurement

Major Equipment

AE II secured the critical long-lead major equipment items in July, 2008 with the purchase of the Combustion Turbine Generators (CTGs), Steam Turbine Generator, and Heat Recovery Steam Generator (HRSG). The Procurement process, including spares, is continuing with the issuance of Purchase Orders completing approximately 99% of all procurement on a dollar value basis.

The Owner has issued payments for 99.9% of the value for Combustion and Steam Turbines, Heat Recovery Steam Generators, and Generator Step-up Transformers.

The Air Cooled Condenser (ACC) Vendor has been paid approximately 93% of the Contract value.

Other Equipment and Materials

As of this reporting period, the project issued purchase orders for all mechanical and electrical equipment for the project. The Contractor anticipates additional purchases for miscellaneous materials.

2.3 Safety

The EPCM Contractor retains primary responsibility for construction safety and utilizes a project-specific Safety Manual with Site Safety Procedures. The Project also utilizes a full-time Safety Coordinator provided by the EPCM Contractor and each major Trade Contractor employs a Safety Coordinator for their respective work. Owner Representatives will be conducting independent observations as part of the Project Construction Oversight Management.

The Astoria II Site has worked 1,653,592 direct hours to-date with 21 recordable incidents, 246 first aid cases, 8 Lost Time Accidents (LTIs) and 6 modified duty cases. The total man – hours worked without a lost time case is 371,322 direct hours. Project has worked 92,063 man-hours for the month. There were two recordable incident cases reported for the month, no LTI's cases reported and no modified duty cases.

Recordable Incidence Rate

Project to Date	*NAICS (National)	*NAICS (New York)
2.54	3.8	4.8

*Changed to 2009 average NAICS Code 237

Anticipated High Risk Activities for March

Traffic flow, moving equipment / worker interface continue to the predominant risks associated with the project over the past and upcoming month. Energized circuits, both electrical and mechanical continue to be a risk as more systems are energized and with back-feed at hand. The commissioning of systems by start-up remains a high risk activity.

Site

There were two recordable incident cases for February:

On 2/17/2011 a Craftsperson pulled back muscle.

On 2/18/2011 a Craftsperson was hit in the mouth by a scaffold clamp.

Audits and Reviews

Contractor representatives reviewed their particular work operations in February with an eye toward fire prevention and confined space work. No additional significant health and safety concerns were noted.

FDNY reviewed the project on five (5) separate occasions during the month and DOB reviewed the project three (3) separate occasions and no violations were issued.

Safety Training

The Contractor is continuing to provide new hire orientations for all personnel coming on Site. Individual workers receive both the General Orientation as well as the Trade Contractor specific orientations. Training on the 3-week look-ahead risk assessment process will continue for the new contractors. The look-ahead program will continue to be an ongoing activity with continuing monitoring of the process.

The 4-Hour Scaffold User Training and Lock-out-Tag-out (LOTO) sessions are being conducted on a regular basis and will be continued until the completion of the project to maintain OSHA Standards and to further train trades-people.

Safety Meetings

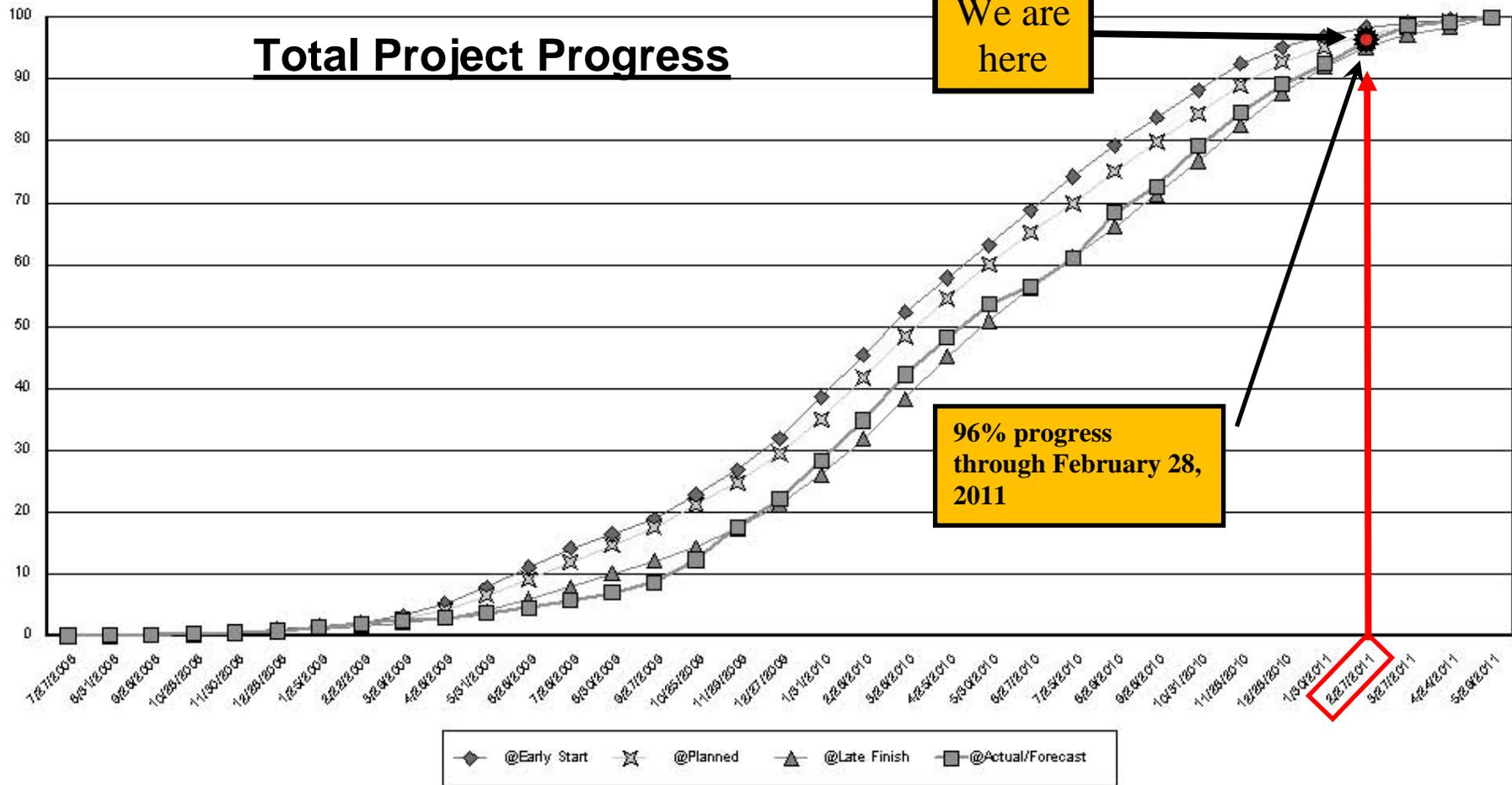
The following items were covered in the weekly Safety Meetings during the month of February.

- 1) Coordination of work activities.
- 2) No Smoking
- 3) Hot work permits in areas posted as such
- 4) Steam and hot pipe issue
- 5) Rotating Equipment
- 6) Hydrogen and CO2
- 7) Start-up LOTO process
- 8) Energized piping and associated pressure tests
- 9) Energized equipment and cable trays

2.4 Total Project Status

The EPCM Contractor estimates the Total Project to be approximately 96.0% complete as compared to a plan progress value of 98.3%. Total Project progress advanced approximately 2% in February as compared to a plan of 3.5% and the progress forecast of 2.3% for the month.

The Contractor's Progress Curve and planned schedule recovery is presented in the Figure below:



2.4.1 Trade (sub) Contracts

Several construction-related contracts are in progress or planned for the project including:

Civil Construction Contract(s) – Includes the Temporary Facilities, General Site Services, Concrete and Civil Structural Construction which collectively covers all temporary facilities, underground piping and electrical, civil works, and structural foundations.

Air Cooled Condenser – The Air cooled condenser construction is a separate contract more fully described in Section 2.2 that includes the complete engineering, supply and installation of the equipment. The Air Cooled condenser modules are fully fabricated and all 12 Modules have been delivered and installed at Astoria. The Air cooled condenser work, including certain start-up and commissioning activities, is currently scheduled for completion in February 2011. The ACC work is behind schedule (approximately 95% complete) and the Vendor has been notified of the Owner's intent to claim Liquidated Damages for failure to achieve Substantial Completion on January 22, 2011.

HRSG Maquila and Management Services Agreement – is an Agreement between AE II and AEnergy II Mexico, S. De R.L. De C.V. ("AE Mexico"), a company organized to operate as an IMMEX company in Mexico for the purpose of importing the AE II's HRSG components and contracting with DV SANTOS CMI S.A. DE C.V. ("Santos Mexico") for HRSG assembly services. AE II has delegated the administration and management of AE Mexico to the EPCM Contractor in conjunction with the responsibility for managing the HRSG assembly in Tampico, Mexico, and in accordance with the terms and limitations of the HRSG Maquila and Management Services Agreement.

The EPCM Contractor continues the administration and management of AE Mexico in support of the requirements of operating as an IMMEX company in Mexico, and the recovery of Value Added Tax (VAT) remains outstanding. In addition, import duties have been paid, and are in the process of being recovered by Basham, Ringe, and Correa, the Owner's local counsel.

2.5 Con Ed / NYPPA Interconnection

AE II implemented the NYISO interconnection process in accordance with NYISO's Large Generator Interconnection Agreement (LGIA) process. The LGIA was executed by all parties in December, 2010.

Concurrent with the commercial and legal processes for securing the Interconnection Agreement, the EPCM Contractor, ConEd and NYPA are working to advance the interconnection. Interconnection substation work advanced in February and is now estimated to be approximately 99% with only punch-list activities remaining:

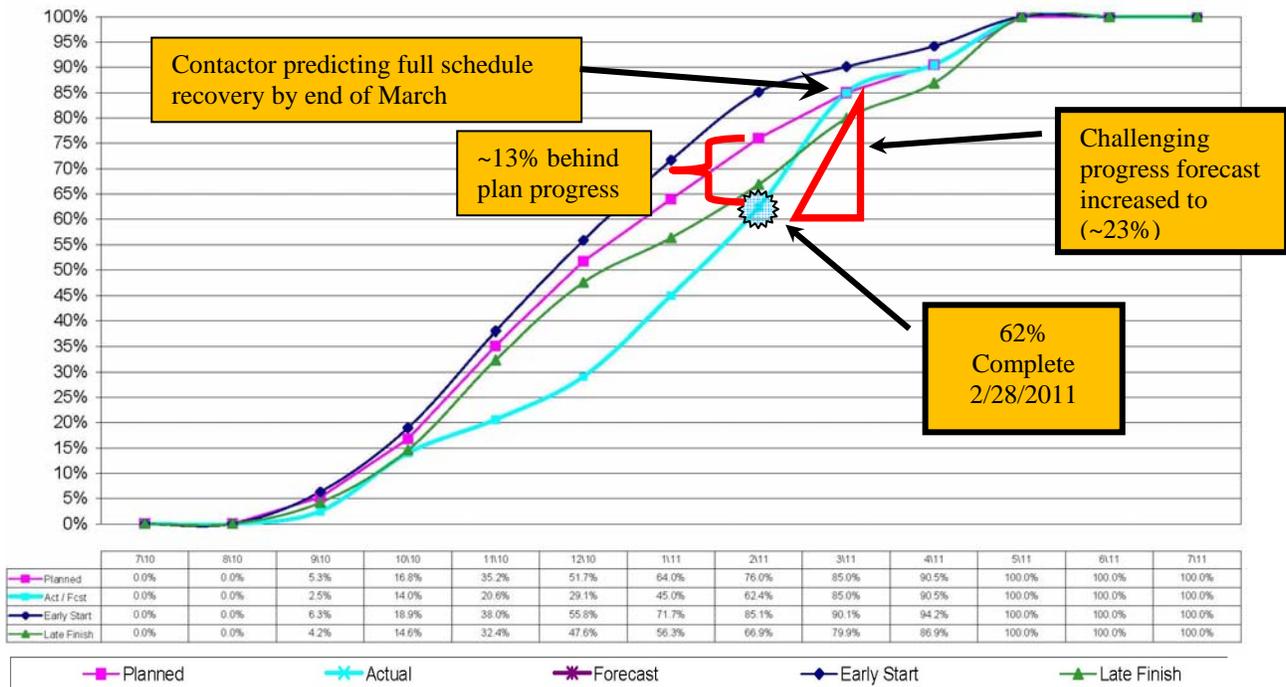
2.6 Start – up and Commissioning

The EPC Contractor utilizes a conventional start-up and commissioning process wherein the facility is broken-down into 127 individual systems. Each system is processed through a series of jurisdictional transitions to Start-up Management for system commissioning and ending under the jurisdictional control of the Owner for plant operations. The systems are being reviewed and inspected (the system “Walk-down”) by the start-up team for verification of compliance with quality control and assurance requirements.

Each system is “turned over” and “Accepted” by the start-up manager subject to the construction team’s continued pursuit and completion of minor outstanding items to be tracked as “punch-list” items. The acceptance of each system by the Start-up Manager is a key milestone indicating the system is ready for commissioning and all construction-related records and documentation have been completed.

As of February 28, 2011, one hundred sixteen systems (~91%) have been accepted as reasonably complete by the Start-up Manager and are now under jurisdictional control of the start-up team.

Start-up and Commissioning Progress



2.7 Insurance

Project insurance includes:

- OCIP: Owner Controlled Insurance Program (W.C. – G.L. – Umbrella)
- Builder's Risk Policy
- Marine Cargo & Marine Liability Policies
- Environmental/Pollution Liability
- Terrorism
- Automobile Liability

2.7.1 Owner Contracted Insurance Policy (OCIP)

An OCIP is insurance purchased by the owner on behalf of the project. It includes coverage for Worker's Compensation (W.C.), General Liability (G.L.) and excess/umbrella liability for construction activities of all enrolled contractors working at the designated project sites (Local 3 NYC electrical unions are not included in the OCIP as they use an alternative resolution process for Worker's Compensation claims).

2.7.2 Builder's Risk

The Builder's Risk policy covers repair/replacement of assets ("Contract Works") that are lost or damaged during construction, including resulting Delay in Start-up (revenue stream). Contract Works are valued/insured for a blanket limit consistent with the target EPC Budget. The Delay in Start-up coverage is insured for potential lost profits due to delayed COD.

2.6.3 Marine Cargo in transit and DSU

Marine Cargo in transit and DSU coverage is based on a cargo value for any one vessel, conveyance, and/or location. The policy covers marine cargo shipments of all the major components from ports of fabrication and manufacturing origin through final delivery of the equipment.

2.6.4 Marine Liability coverage

Marine Liability coverage provides protection for liabilities arising from the charter of vessels (for example, shipment of the pipe racks and transport of the HRSG), including Charterer's legal liability, Wharfinger legal liability, Terminal Operators' legal liability, Cargo Owner's legal liability, and marine Facility Operator's legal liability.

2.6.5 Pollution Legal Liability (Environmental)

Pollution Legal Liability (Environmental) policies include coverage for Contractor's Pollution Liability (CPL); Pollution Legal Liability (PLL) for owner's site liability at both AE I, AEII and Con Ed easements.

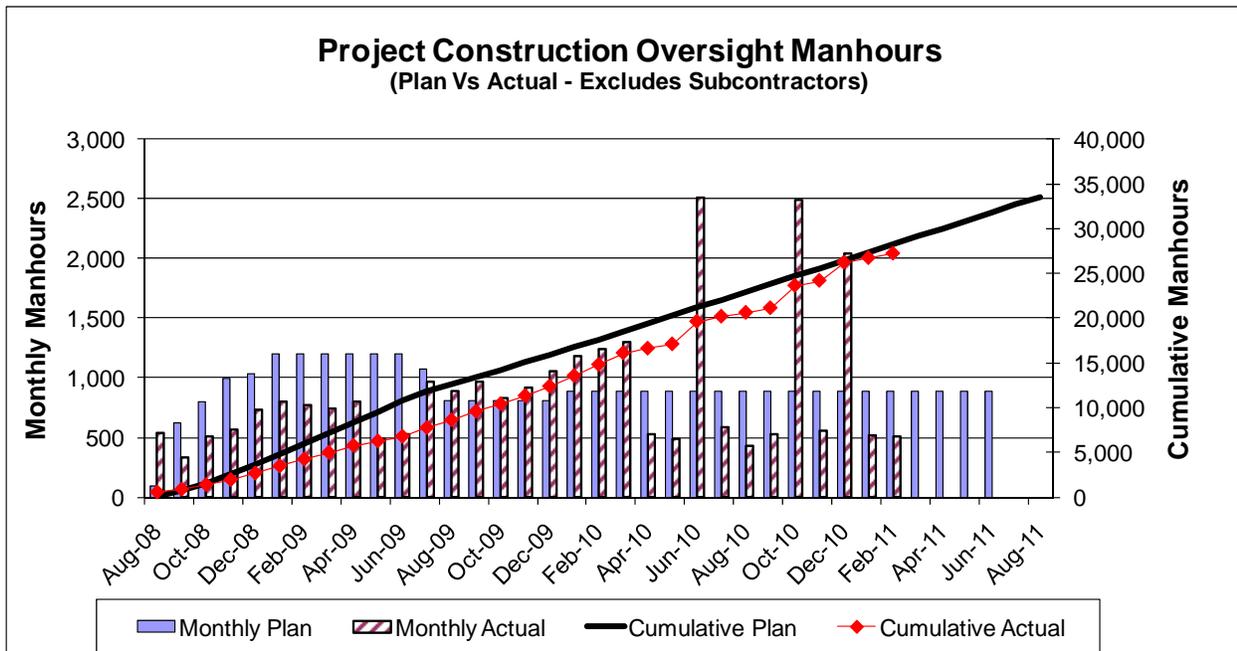
2.6.6 Terrorism & Auto Liability

AEII has been added to the GSENA master policies for Terrorism and Auto Liability (by endorsement)

2.8 Project Construction Oversight

AE II retained SUEZ Energy Astoria II, LLC (SEA II) through a Project Construction Oversight Agreement (PCOA) to serve as the Owners Representative under the EPCM Contract. Under the terms of the PCOA SEA II administers the EPCM activities recommending the execution and payment of third party contracts, providing informational reports regarding the status of EPC progress, and coordinating certain third party consultants performing services on behalf of the Owner.

Figure 1 –Project Construction Oversight Labor



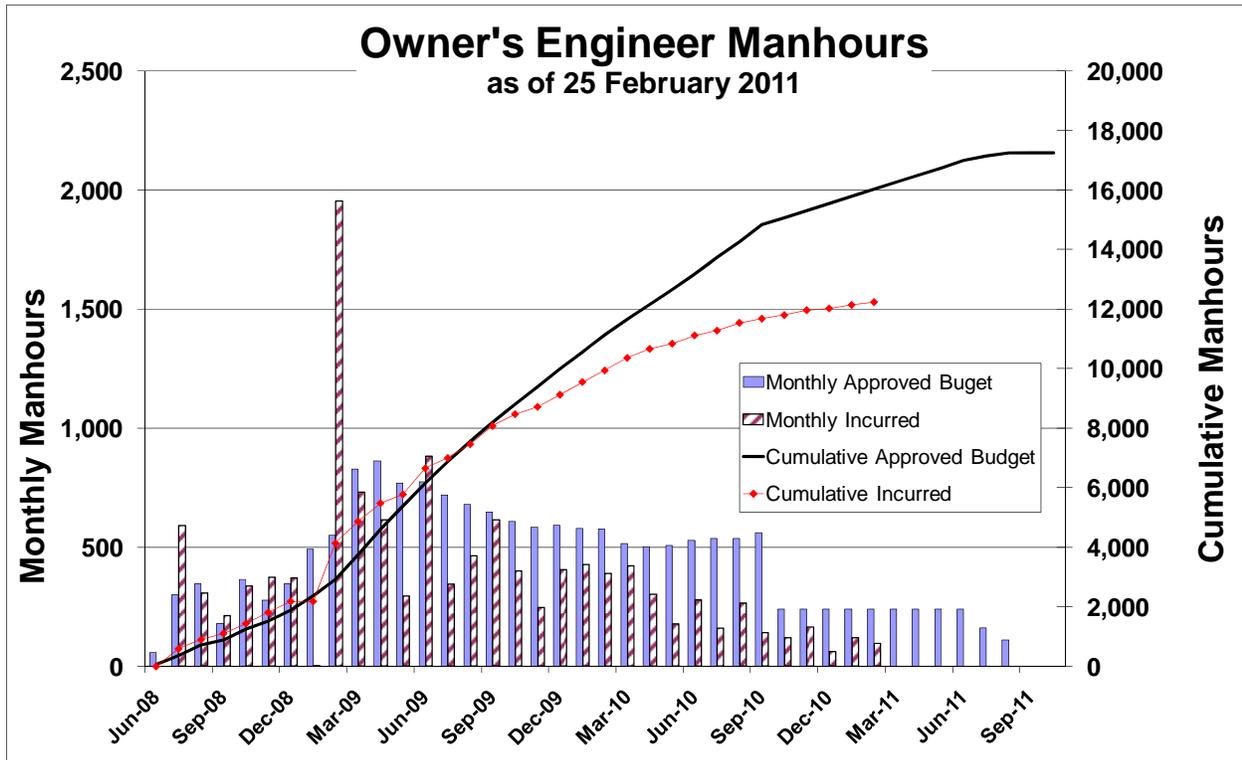
2.8.2 Engineering and Environmental Consultants

Third party contracts administered and coordinated on behalf of the Owner include;

- i) TRC Environmental Consultants,
- ii) URS Corporation as the Owner’s Engineer,
- iii) Tech Serve as the Owner’s Engineer with respect to the Electrical Interconnection and,
- iv) ESS Group, Inc. for Environmental Inspection services required by the terms of the Article X Certificate.

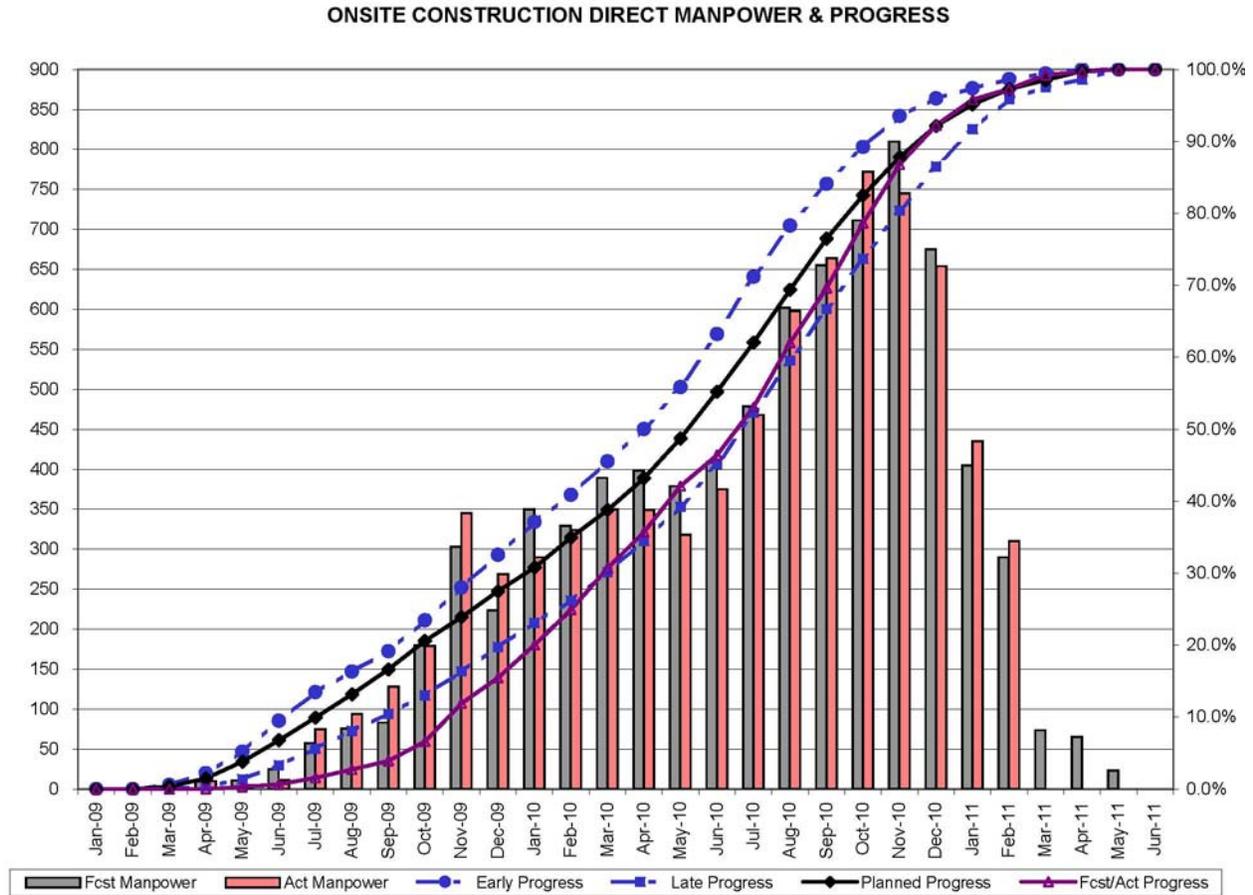
The Owner’s Engineer has accrued 12,234 man-hours or approximately 63% of the total 19,500 engineering man-hour forecast. The cumulative Owner’s Engineering man-hours remain below the plan level as shown in the chart below:

Figure 2 – Owner’s Engineer Labor



2.9 Staffing

As of February 28, 2011 staffing was approximately 315 direct labor individuals on the project site – a reduction of approximately 120 from the January report and approximately 100 more than forecast in the January report. To date the project has not encountered any problems with staffing shortages and labor resources are expected to be readily available as the project activity increases.



2.10 Permits

2.10.1 Article X Amendment

On April 7, 2009 the NY Siting Board approved an Amendment to the Article X Certificate. The Amendment specifically provided:

- i) Permission to construct a combined capacity of 1,240 MW for AE and AE II,
- ii) Authorization for the second power block of the Facility to be interconnected to the bulk power transmission system at the New York Power Authority's ("NYPA") Q 35 L&M 345 kV transmission lines; and
- iii) Authorization for the completion of construction of the second power block in the Spring of 2011

2.10.2 Permitting Status

The status and schedule for each permit item is presented in the Table below:

Table 2 – Permitting Status

Astoria Energy - Phase II	
List of Permits In Progress and Up Coming	
	Work Description on Permit
1	FDNY issued their approval to the working on Fuel Gas Piping, Gas Compressor and Gas Compress Enclosure. SLCI construction team to follow their testing requirements.
3	Instrumentation package Permit has been issued by NYC DOB. 9-16-2010 Work in progress.
4	Fire Detection and Suppression permits were submitted to NYCDOB and FDNY in April 2010. Permit Application was approved June 4, 2010. Additional information submitted by GE Responses to FDNY on July 20, 2010. The permit has been issued by the NYC DOB. Fire Department has witnessed the hydro test, discharge test will be scheduled and witnessed by FDNY (Jan 15 and 16)
5	NYCDOB Fuel Oil Tank Remediation NYCDOB permit application has been issued. Hydro test of the fuel oil tank was successfully conducted on Nov. 3rd and 4th, 2010. Fire protection system completion is required before sign off.
6	Permit to Take Water application for Hydro test is approved by DEC. The water utilized for Fuel Oil Tank hydro test has been discharged to the pond after filtration at a slow rate to maintain integrity of the pond.
7	ACC Onsite Erection NYCDOB Permit was issued on July 13, 2010
8	Astoria GIS Enclosure HVAC NYCDOB permit application has been approved waiting completion and test of fire protection systems.
9	Fuel Gas Compressor Building HVAC NYCDOB will be handled with main application for Gas compressor building.
10	Final submittal and closure of the NYCDOB permit for seven permit applications including all foundations and piling will start as soon as the owner signs the NYC DOB required final cost affidavit forms.
11	Final submittal and closure of the NYCDOB permit for foundations will begin as soon as the owner signs the NYC DOB required final cost affidavit form.
11	Fire alarm systems are filed as 5 different applications. Test will be required as they are completed

2.11 Project Schedule

The Contractor's February 27, 2011 project schedule update continues to forecast the Commercial Operation Date (COD) of May 31, 2011.

2.11.1 Discussion regarding any delays / changes to schedule

Per the project schedule update, the project start-up and commissioning activities remain approximately six weeks behind the original Project Baseline Schedule dated February 2009 (the "Plan"). Initial firing of the combustion turbines is scheduled for March 28, 2011 versus January 26, 2011 in the Plan.

On March 2, 2011, the EPCM Contractor notified the Owner's Representative of a ground fault failure of a 345KV cable effectively suspending progress of critical path start-up and commissioning activities. As of March 14, 2011 the cable had been replaced and new cable terminations were being installed. The Contractor is expected to resume critical path start-up and commissioning in late March.

2.11.2 Conclusion regarding project achieving Commercial Operation Date

As of March 15th the EPCM Contractor reports that achieving the "Commercial Operation Date" ("COD") and Substantial Completion is now likely to occur July 1.

As of March 15th the Owner's Representative remains confident the project will complete the Conditions Precedent for COD under the terms of the Master Power Purchase & Sale Agreement ("MPPSA") by July 1, 2011.

The Owner's Representative view is that Substantial Completion and subsequent COD under the terms of the Credit Agreement will most likely occur July 1, 2011.

2.11.3 Completion Date according to schedule and budget

As of March 15, the EPCM Contractor's forecast for the Completion Date (Substantial Completion) is July 1, 2011.

The Owners Representative's view is that the Contractor has very reasonable means for achieving COD under the MPPSA and Substantial Completion under the EPCM by July 1, 2011 and the prolonged start-up and commissioning activities are likely to increase the Owner's EPC cost beyond the current Forecast of \$876 MUSD.

However, the project retains EPC contingency of approximately 11% of the remaining work cost projections. Therefore, Owner's Representative does not envision the necessity for contingent equity funding to complete EPC work at this time.

APPENDICES

Appendix 1

Safety Statistics

WEEKLY SAFETY STATISTICS SUMMARY

Project: Astoria II Expansion Project	
Location: Astoria, New York	
Heavy Civil Engineering Construction	NAICS Code # 237
CURRENT LOST TIME OSHA RATE:	PROJECT RATE 0.97
CURRENT RECORDABLE OSHA RATE:	PROJECT RATE 2.54
LOST TIME NATIONAL AVERAGE RATE:	2.3
RECORDABLE NATIONAL AVERAGE RATE:	3.8
The Project Annual Safety Target is Half the National Average Rates	
Total Man Hours w/o Lost Time:	371,322
Total Man Hours Project to Date:	1,653,592
Total Man Hours for the week	17,160

Month & Year:	Feb-11
Week Ending:	2/27/2011

Current Man Power:	357
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LEADING INDICATORS	WEEK	MONTH	YEAR	PROJECT
Near Miss Incidents	-	-	1	12
First Aid Cases	-	3	6	248
Documented Safety Inspection - SNC-Lavalin	8	31	66	739
Documented Safety Inspection - Trade Contractors	110	562	1,124	14,158
Safety Meetings Held	19	81	170	1,740
Job Safety Analysis	149	1,147	3,135	17,445

LAGGING INDICATORS	WEEK	MONTH	YEAR	PROJECT
Recordable Incidents w/o Lost Work Days	-	2	2	13
Modified Duty Cases	-	-	-	4
Lost Time Incidents (LTI)	-	-	-	4
Total Lost Time Cases Project to Date	-	-	-	8
Fatalities	-	-	-	-
TOTAL RECORDABLE INCIDENTS	-	-	-	21
Modified Work Days (U.S. Calendar Days)	-	-	-	54
Lost Time Days (U.S.)	7	28	56	214
Regulatory Agency Visits	-	5	12	89
Equipment Damage	-	-	-	6
Property Damage	-	2	3	10
Spills	-	-	-	12

Appendix 2

Summary Schedule

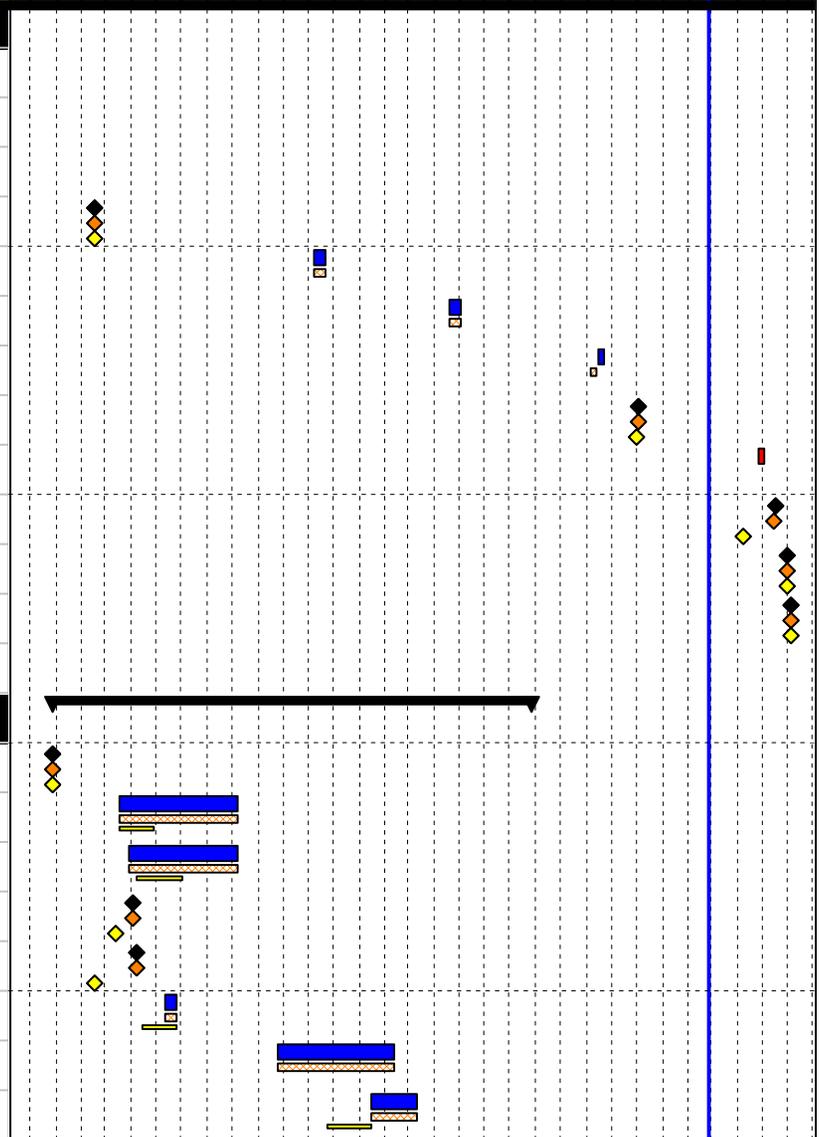
Activity ID	Activity Name	Orig Duration	Start	Finish	Total Float	2009												2010												2011							
						N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J
						5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	2	21	22	23	24	25	26	27	28	29	30	31	3	33	34	35	36

MILESTONES

MLA100100	LNTP/ Final SOW & Guaranteed Flow Diagram	0	01-Jul-08 A		
MLA100200	Begin Engineering	0	01-Jul-08 A		
MLA100201	Full Notice to Proceed	0	01-Jul-08 A		
MLA6020S	Begin Site Mobilization	0	17-Feb-09 A		
MLA100800	November 2009 Phase 1 Plant Outage	10	07-Nov-09 A	21-Nov-09 A	
MLA100810	April 2010 Phase 1 Plant Outage	16	19-Apr-10 A	04-May-10 A	
MLA100820	October 2010 Phase 1 Plant Outage	6	15-Oct-10 A	22-Oct-10 A	
MLA164100	Fuel Gas Available	0		03-Dec-10 A	
MLA180111	April 2011 Plant Outage	7	26-Apr-11*	02-May-11	0
MLA000100	Mechanical Completion	0		16-May-11	3
MLA000800	Substantial Completion - (Completion Date)	0		31-May-11*	0
MLA100999	Final Acceptance (After 96 hr Reliability Test)	0		04-Jun-11	210
MLA000850	Final Completion	0		27-Nov-11	34

PERMITS, NOTIFICATIONS & CONTRACTS

PNA11610	Excavation Permit Issued	0		27-Dec-08 A	
PNE100300	Permits for U/G Piping Activities	30	18-Mar-09 A	07-Aug-09 A	
PNH100300	Permits for Steel Erection Activities	40	30-Mar-09 A	07-Aug-09 A	
PNA11500	Piling & Foundation Permit 1&2 Issued	0		02-Apr-09 A	
PNA00000	Article 10 Amendment Issued	0		07-Apr-09 A	
PNF100400	Permits for Foundation / Concrete Activities	30	12-May-09 A	27-May-09 A	
PNL152130	Permits for Con Ed GIS Area Work (PSC Approval)	40	25-Sep-09 A	11-Feb-10 A	
PNK100300	Permits for A/G Piping Activities	30	15-Jan-10 A	11-Mar-10 A	



Second Baseline	Critical Rema...
Second Baseline Milestones	Baseline Mile...
Primary Baseline	Current Bar L...
Actual Work	Milestone
Remaining Work	Summary

Astoria II Energy, LLC

Summary Schedule

Data Date: 27-Feb-11



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