

Date: July 30, 2015

To: THE TRUSTEES

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Amendment to 2011 Cost Share Agreement for Shore Power with the City of New York

SUMMARY

The Trustees are requested to approve an amendment to the terms of an existing 2011 agreement (“2011 Agreement”) between the City of New York (“City”) and the New York Power Authority (“Authority”), relating to cost sharing for shore power service at the Brooklyn Cruise Terminal (“BCT”). The amendment will provide a revision to key terms further defining the collaborative effort to establish shore power capability at the BCT. Copies of the 2011 Agreement and the proposed amendment (entitled “First Amendment to the Agreement between the City of New York and the Authority”) are attached hereto as Exhibits “A” and “B,” respectively.

BACKGROUND

Since early 2007, the Authority has been in discussions with the City, the New York City Economic Development Corporation (“NYCEDC”) and the Port Authority of New York and New Jersey (“Port Authority”) regarding a proposal to install shore power capability at the BCT. On October 26, 2010, the Authority’s Trustees authorized the President and Chief Executive Officer, and his designees, to enter into an agreement with the City of New York (“City”) whereby the Authority on or about January 31, 2011, entered into the 2011 Agreement with the City.

The 2011 Agreement was designed to facilitate improved air quality in the densely populated community surrounding the BCT by reducing pollutants. Additionally, the region is considered a non-attainment zone for certain emissions. The issue of cruise and container ship shore pollution from on board auxiliary diesel generators has become a national or bi-coastal issue. Identifiable emissions are NO_x, SO_x, as well as fine particulate (soot). Current and prospective solutions entail: reducing the sulfur content of fuel; installing emission control devices; and accessing a land-based power source, or shore power.

Carnival Corporation & plc (“Carnival”), a global cruise company, had previously agreed to retrofit two ships berthing at the BCT with equipment that would enable these ships to connect to shore power, versus operating diesel powered generators. However, in order to make this investment and to economically justify shutting down the on-board diesel engines, Carnival stated that it required a maximum rate for electricity of 12 cents per kilowatt hour (kWh) that was lower than the applicable standard Authority tariff rate for production and delivery services. An acknowledged obstacle for shore power is its high peak demand and intermittent energy usage.

The 2011 Agreement applied only to usage resulting from the shore power connection of two specific ships at the BCT, the Queen Mary 2 and the Caribbean Princess. The cost sharing between the City and the Authority was determined as 50% of the difference between the maximum 12 cents kWh rate to be charged by NYCEDC to Carnival and the Authority's otherwise applicable tariff rate. The Authority has been advised by the City that the necessary system upgrades to allow for shore power access are near complete and should be operational by the fall of 2015. The 2011 Agreement is set to expire on December 31, 2017.

DISCUSSION

In subsequent discussions between the Authority and the City, the City requested that the 2011 Agreement be amended.

The amendment replaces paragraph 1 of the 2011 Agreement with a new provision. The provision removes references to specific ships and expands the operational conditions of the agreement. Specifically, it states the Authority and the City will each cover half of the difference between the cost of the electrical power consumed by cruise ships berthed at the BCT and drawing shore power (i) at the Carnival Rate (12 cents per kWh) and (ii) the then applicable Authority rate, not to exceed forty (40) calls per calendar year by the Carnival Corporation Lines or Non-Carnival Shore Power Vessels or four hundred (400) hours, whichever comes first. If the limits described in (ii) are exceeded by Carnival Corporation Lines and Non-Carnival Shore Power Vessels, cumulatively, applicable standard electric rates for electric supply under the Authority's Service Tariff shall be applied. In addition, the City shall provide the Authority the necessary information to track the limits related to usage of shore power at the BCT.

An issue relating to shore power in general, including the BCT operation, is the intermittent power usage. Power usage, as defined by the customer's load factor, is the average load in relation to its peak load. Generally, as the usage and load factor increase, the overall average billed rate (including the Authority's production and Consolidated Edison Company of New York, Inc. delivery services) decrease. The provision of allowing more ships to berth will have the effect of increasing the load factor and producing a lower rate. So as more calls occur, the difference between the Carnival rate and the average tariff rate are diminished, and correspondingly, the City and the Authority's cost share is reduced as is the overall financial impact.

FISCAL INFORMATION

It is estimated that this cost share agreement will aggregate to approximately \$5 million for the Authority over the remainder of the Agreement, terminating on December 31, 2017. This cost share agreement is funded by Operating Revenues.

RECOMMENDATION

The Senior Vice President – Economic Development and Energy Efficiency recommends that the Trustees approve the proposed amendments to the 2011 Agreement between the City and the Authority.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

WHEREAS, at the request of, and in cooperation with, the City of New York ("City"), the Authority has been requested to amend the Cost Share Agreement with the City for Shore Power at the Brooklyn Cruise Terminal ("BCT"); and

WHEREAS, installation of shore power capability at the BCT will result in utilization of new clean air technology, improved air quality in the region and positive health benefits for the residents in the vicinity of the BCT; and

WHEREAS, provision by the Authority of an amendment to the Cost Share Agreement with the City will allow for additional cruise ships with Shore Power capability to berth at the BCT, while placing limits on the cost share responsibility for the Authority and the City for the term of the Cost Share Agreement;

NOW, THEREFORE, BE IT RESOLVED, That the President and Chief Executive Officer, or his designee, is hereby authorized on behalf of the Authority to execute amended agreements between the Authority and the City, as described in the attached memorandum of the President and Chief Executive Officer and any other consents, agreements or other transactions as are necessary or ancillary to such agreement; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Office, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents necessary or advisable to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.



New York City
Economic Development
Corporation

Madelyn Wils
Executive Vice President
Planning, Development
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July 7, 2010

Mr. James Pasquale
Senior Vice President
New York Power Authority
123 Main Street
White Plains, NY 10601

Dear Mr. Pasquale:

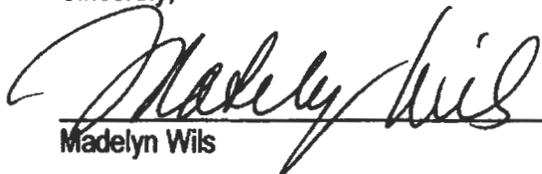
In our effort to establish shore power capability at the Brooklyn Cruise Terminal (BCT), the City of New York and the New York Power Authority agree to share the cost of supplying power to cruise ships (specifically, and limited to the Queen Mary II and the Caribbean Princess) berthing at the facility. The terms of the agreement are as follows:

- Carnival Cruise Line will pay 12 cents per kilowatt hour (kWh)
- NYPA and the City of New York will split the difference between 12 cents per kWh and the NYPA tariff rate
- The term of the deal is five years
- Any escalations would be covered by the City and NYPA in equal proportion

The City of New York, the Port Authority and NYPA will work together to reduce the Con Edison delivery rate.

The term of this agreement will commence on or about January 1, 2012, at which time the Port Authority will have completed the necessary landside infrastructure and the Queen Mary II and Caribbean Princess have been retrofitted to accept shore power connections.

Sincerely,



Madelyn Wils

AGREED TO:



James Pasquale,
Senior Vice President, Marketing and Economic Development
New York Power Authority

AGREEMENT

THIS AGREEMENT (this "Agreement") is entered into as of the ____ day of January, between the City of New York (the "City") with its office located at City Hall, New York, NY 10007, and the New York Power Authority ("NYPA") with its office located at 123 Main Street, White Plains, NY 10601.

WITNESSETH

WHEREAS, the City and NYPA wish to collaborate to establish shore power capability at the facility commonly known as the Brooklyn Cruise Terminal (the "BCT"), which facility is owned by the Port Authority of New York and New Jersey (the "Port Authority") and leased by New York City Economic Development Corporation ("NYCEDC") pursuant to a certain Amendment and Restatement of Agreement of Lease dated as of January 1, 2009;

WHEREAS, pursuant to that certain New York Cruise Terminals Usage Agreement dated as of June 25, 2004 between NYCEDC and Carnival Corporation (as amended by that certain Amendment to New York Cruise Terminals Usage Agreement dated as of June 19, 2006 between NYCEDC and Carnival Corporation), two cruise lines that are subsidiaries of the Carnival Corporation, directly or indirectly, (i.e. Carnival plc, trading as Cunard Line ("Cunard") and Princess Cruise Lines, Ltd., ("Princess")), each have the right to berth cruise ships at the BCT, subject to the terms set forth in such agreement;

WHEREAS, the Port Authority expects to construct shore power infrastructure at the BCT and complete such construction in 2012;

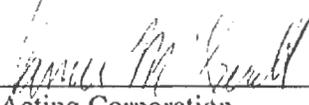
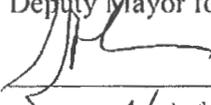
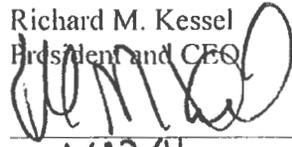
WHEREAS, pursuant to an agreement to be entered into by NYCEDC, Cunard and Princess (the "Carnival Shore Power Agreement"), Cunard and Princess will, following the completion of construction of the shore power infrastructure at the BCT, cause their respective cruise ships, the Queen Mary 2 and the Caribbean Princess, to employ the shore power infrastructure when each such ship is berthed at the BCT and, in connection therewith, Cunard and Princess, as applicable, shall pay NYCEDC or its designee a fixed rate of \$0.12 per Kilowatt hour (the "Carnival Rate") for the NYPA-supplied electricity used by its cruise ship;

WHEREAS, in furtherance of the shared goal of establishing shore power capability at the BCT, the City and NYPA are each willing to be responsible for paying, for a period not to exceed five (5) years, an equal portion of the difference between the Carnival Rate and the actual cost of providing shore power to the Queen Mary 2 and Caribbean Princess;

WHEREAS, NYCEDC, Cunard and Princess will agree, pursuant to the Carnival Shore Power Agreement, that the Carnival Rate will apply no earlier than January 1, 2013.

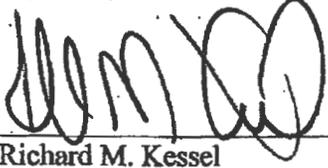
NOW, THEREFORE, the City and NYPA agree as follows:

1. From the date of the first use of the shore power infrastructure at the BCT by either the Queen Mary 2 or the Caribbean Princess on or after January 1, 2013, until the termination of this Agreement, NYPA and the City will each pay half of the difference between the cost of the electrical power consumed by the Queen Mary 2 and the Caribbean Princess when berthed at the BCT and drawing shore power (i) at the Carnival Rate and (ii) at the then applicable NYPA tariff rate.
2. From the date of this Agreement until the termination of this Agreement, NYPA and the City will work together to reduce the Con Edison delivery rate included in the NYPA tariff rate to ensure long-term viability of shore power in New York City.
3. This Agreement shall terminate on December 31, 2017 or upon the expiration or earlier termination of the Carnival Shore Power Agreement, whichever comes first, in either case without the need for any further action by either of the parties hereto.
4. NYPA and the City shall adopt mutually acceptable billing procedures to effectuate the sharing of the costs described in Paragraph 1. NYPA shall not seek recovery from the City of NYPA's share of the costs described in Paragraph 1 through any tariff, the Long Term Agreement between the parties, or any other agreement under which NYPA provides services to the City. In addition, the City shall not seek recovery from NYPA of its share of the costs described in Paragraph 1 through any agreement between the City and NYPA.
5. No amendment, assignment or other modification of any of the terms of this Agreement shall be binding unless such amendment, assignment or other modification shall be in writing and executed by authorized officers of the parties hereto.

<p>Approved as to Form</p>  <p>James M. Kessel Acting Corporation Counsel</p>	<p>CITY OF NEW YORK Authorized Representative: Stephen Goldsmith Title: Deputy Mayor for Operations Signature:  Date: 1/22/2011</p> <p>NEW YORK POWER AUTHORITY Authorized Representative: Richard M. Kessel Title: President and CEO Signature:  Date: 1/22/11</p>
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Certificate of Appointment

Since the office of Executive Vice President and General Counsel very recently became vacant, I, Richard M. Kessel, President and Chief Executive Officer of the Power Authority of the State of New York (the "Authority"), in order to effectuate the Board of Trustees' resolution adopted on October 26, 2010 authorizing the Authority's entry into a cost share agreement with New York City Economic Development Corporation for shore power at the Brooklyn Cruise Terminal as specified in said resolution, hereby appoint Judith McCarthy as Acting General Counsel and an officer of the Authority for the limited purpose of doing any and all things and taking any and all actions and delivering any and all agreements, certificates and other documents, including approving the form of all such documents, to effectuate such resolution.



Richard M. Kessel
President and Chief Executive Officer

February 2, 2011

EXHIBIT B

FIRST AMENDMENT
TO THE AGREEMENT BETWEEN
THE CITY OF NEW YORK AND NEW YORK POWER AUTHORITY

THIS AMENDMENT dated this day of , 2015 by and between the City of New York (the "City") acting by the Department of Citywide Administrative Services ("DCAS"), located at One Centre Street, 17th Floor, New York, New York 10007, and the New York Power Authority ("NYPA") with its office located at 123 Main Street, White Plains, NY 10601.

WITNESSETH:

WHEREAS, on or about January 31, 2011 the City and NYPA entered into an agreement concerning the payment of the cost of the electrical power consumed by two named cruise ships when berthed at the Brooklyn Cruise Terminal (the "BCT") ("Agreement"); and

WHEREAS, the City and NYPA wish to further define its collaboration to establish shore power capability at the BCT; and

WHEREAS, pursuant to that certain New York Cruise Terminals Usage Agreement dated as of June 25, 2004 between the New York City Economic Development Corporation ("NYCEDC") and Carnival Corporation (as amended by that certain Amendment to New York Cruise Terminals Usage Agreement dated as of June 19, 2006 between NYCEDC and Carnival Corporation), Carnival plc, trading as Cunard Line ("Cunard") and Princess Cruise Lines, Ltd., ("Princess" and together with Cunard, the "Carnival Lines"), are two cruise lines that, directly or indirectly, are subsidiaries of the Carnival Corporation, and each of which continue to have the right to berth cruise ships at the BCT, subject to the terms set forth in such agreement; and

WHEREAS, the Port Authority of New York and New Jersey expects to complete construction of shore power infrastructure at the BCT by fall 2015; and

WHEREAS, pursuant to a certain agreement dated as of February 14, 2011 entered into by NYCEDC and the Carnival Lines (the "Carnival Shore Power Agreement"), the Carnival Lines (and additional Carnival Corporation Lines upon approval by NYCEDC) (collectively with the Carnival Lines the "Carnival Corporation Lines") will, following the completion of construction of the shore power infrastructure at the BCT, cause certain of their respective cruise ships to employ the shore power infrastructure when such cruise ships are berthed at the BCT; and

WHEREAS, the Carnival Corporation Lines, as applicable, shall pay NYCEDC or its designee a fixed rate of \$0.12 per Kilowatt hour (the "Carnival Rate") for electric supply under the NYPA Service Tariff or any successor tariff; and

WHEREAS, currently there are no scheduled calls at the BCT through the end of 2017 for vessels with shore power capability outside of Carnival Corporation Lines (Non-Carnival Line"); and

WHEREAS, in the event that any Non-Carnival Line vessels schedule calls at the BCT prior to the end of 2017 and seek to employ shore power, NYCEDC will seek to enter into a shore power agreement with such Non-Carnival Line, so that upon the execution of any such agreement such vessels may employ shore power at the BCT ("Non-Carnival Shore Power Vessels"); and

WHEREAS, in furtherance of the shared goal of establishing shore power capability at the BCT, the City and NYPA are each willing to be responsible, over the period ending December 31, 2017, for an equal portion of the difference between the Carnival Rate and the cost of NYPA-supplied electricity providing shore power to the certain Carnival Corporation Lines cruise ships and Non-Carnival Shore Power Vessels as applicable; and

WHEREAS, NYCEDC and the Carnival Lines agreed, pursuant to the Carnival Shore Power Agreement, that the Carnival Rate was to apply no earlier than January 1, 2013.

NOW, THEREFORE, the City and NYPA agree as follows:

A. All capitalized words and expressions shall have the meaning ascribed to them in the Agreement, unless otherwise defined herein.

B. Paragraph 1 of the Agreement is deleted in its entirety and replaced with the following:

1. "From the date of the first use of the shore power infrastructure at the BCT by any Carnival Corporation Lines cruise ships or Non-Carnival Shore Power Vessels, as applicable, on or after January 1, 2013, until the termination of this Agreement on December 31, 2017, NYPA and the City will each cover half of the difference between the cost of the electrical power consumed by those ships when berthed at the BCT and drawing shore power (i) at the Carnival Rate and (ii) at the then applicable NYPA tariff rate, not to exceed a total of forty (40) calls per calendar year by the Carnival Corporation Lines cruise ships or Non-Carnival Shore Power Vessels, as applicable, or four hundred (400) hours per calendar year of use by the Carnival Corporation Lines cruise ships or Non-Carnival Shore Power Vessels, as applicable, whichever first occurs. A list of the current scheduled calls at the BCT through the end of 2015 of Carnival Corporation Lines cruise ships that have shore power capability is

listed on Exhibit A hereto. If the limits described in (ii) are exceeded by Carnival Corporation Lines and Non-Carnival Shore Power Vessels, cumulatively, applicable standard electric rates for electric supply under NYPA Service Tariff 100 or any successor tariff shall be applied. Upon NYPA's request, the City shall provide to NYPA the information necessary to track the limits identified in this Paragraph 1 related to usage of shore power at the BCT by Carnival Corporation Lines cruise ships or Non-Carnival Shore Power Vessels."

C. Except as modified herein, all other covenants, terms and conditions of the Agreement will remain unchanged and continue in full force and effect.

NEW YORK POWER AUTHORITY

By: _____

Title: _____

Date: _____

CITY OF NEW YORK
Department of Citywide Administrative Services

By: _____

Title: _____

Date: _____

Approved as to Form

Acting Corporation Counsel

Exhibit A

Shore Power Capable Carnival Corporation Lines Ships Current Scheduled Calls at the BCT

1/3/2015 Brooklyn Queen Mary 2
5/10/2015 Brooklyn Queen Mary 2
6/3/2015 Brooklyn Queen Mary 2
6/21/2015 Brooklyn Queen Mary 2
7/14/2015 Brooklyn Queen Mary 2
7/30/2015 Brooklyn Queen Mary 2
8/4/2015 Brooklyn Queen Mary 2
8/19/2015 Brooklyn Queen Mary 2
9/4/2015 Brooklyn Queen Mary 2
9/21/2015 Brooklyn Caribbean Princess
9/26/2015 Brooklyn Regal Princess
9/27/2015 Brooklyn Queen Mary 2
10/3/2015 Brooklyn Regal Princess
10/10/2015 Brooklyn Regal Princess
10/17/2015 Brooklyn Regal Princess
10/24/2015 Brooklyn Regal
10/28/2015 Brooklyn Caribbean Princess
10/29/2015 Brooklyn Queen Mary 2
11/12/2015 Brooklyn Queen Mary 2
11/25/2015 Brooklyn Queen Mary 2
12/22/2015 Brooklyn Queen Mary 2