



December 8, 2008

To: Rod Swope, City Manager
From: Kirby Day, Director of Shore Operations
Princess Cruises and Tours

Re: continued support for shore power from marine passenger fees

In November of 2000, Princess Cruises embarked on a \$6.0 million shore power project in Juneau, the first of its kind anywhere in the world. This project was undertaken as a proactive attempt by Princess to reduce visible emissions from our ships during their port calls in Juneau.

While the total cost of the project was approximately \$6.0 million, the total amount spent on shore side infrastructure in Juneau was \$3.0 million. This included expenses relating to the new electrical transformer, the dockside gantry system, steam boiler and related building, and conduit pipe and sophisticated switch and breaker systems.

The marine passenger fee ordinance states:

69.20.120 USE OF PROCEEDS:

- a)The proceeds of the Fund shall be appropriated to address the impacts caused by the marine passenger ship industry including:
 - Design, construction, operation, or maintenance of capital improvements to relieve impacts of marine passenger ships.....
 - Projects and programs that promote safety, environmental improvements....,

We believe that the use of marine passenger fees to help pay for the shore side costs of the program is consistent with the intent of the ordinance. The shore power system has virtually eliminated the impacts of visible emissions from Princess ships in Juneau, while enhancing the efficiency of the vessel operations.

In addition to eliminating visible emissions, the shore power project benefits the community in another important way. All amounts paid by Princess Cruises for shore power reduces every AEL&P customer's electric bill. Further, if AEL&P has fuel costs for diesel generation, the Princess payments would be used to defray those fuel costs so local customers would not be negatively impacted. Princess Cruises has purchased in excess of \$2.0 million in shore power electricity since the project was completed.

In 2001, there was a "handshake agreement" with the Assembly to help fund the project going forward, but Princess was asked to identify the CBI as a partner in the project. We have continued to do this. Princess is asking for reimbursement over time, of \$3.0 million for shore side costs. The company paid the entire cost of the project in good faith, with no guarantee, but with an understanding that we would come before the Assembly each year to ask for a fraction of the passenger fees. The Assembly has funded the request at a level of \$300,000 for the past eight years. This year would represent the ninth year of this support for the project. The request for \$300,000 calculates to approximately 6% of the total passenger fees anticipated to be collected (approx \$5 million) and 19% of the \$1.54 million that Princess will pay in passenger fees in 2009.

Princess Cruises appreciates your willingness to consider continuing support of this program.

Thank you again.