

Business Leaders Hope to Zap DWP Rate Hikes

By HOWARD FINE - 3/22/2010

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Businesses in the city of Los Angeles are alarmed at the prospect of being slammed with increases of up to 26 percent on their power bills with little warning under Mayor Antonio Villaraigosa's recent proposal for a carbon surcharge.

Large office towers and industrial facilities could see as much as \$1 million a year added to power bills.

"People were very upset when they heard about this. They were shocked and upset, especially since the increase is so immediate," said Carol Schatz, chief executive of the Central City Association, which represents major downtown L.A. businesses and property owners.

The carbon surcharge on Los Angeles Department of Water & Power electricity bills, which was announced March 15, would raise more than \$600 million a year toward investment in renewable power supplies and transmission. The mayor has set a goal of having the DWP obtain 20 percent of its electricity from renewable sources such as wind and solar power by the end of the year.

The surcharge would also help pay off existing renewable power contract commitments and cover increases in natural gas prices.

Under the surcharge, which could take effect April 1, the average homeowner would pay from 9 percent to 28 percent more on their bimonthly power bill, depending on how much electricity they use. Small businesses that use less than 10,000 kilowatts would pay 20 percent more, while larger businesses would pay an additional 23 percent to 26 percent, according to figures provided by Villaraigosa's office.

Late Thursday, the DWP board of commissioners approved the surcharge and sent it on through to the City Council for consideration.

The Department of Water & Power briefed the CCA on the proposed surcharge the week before it was announced.

As an example, Schatz said the landlords of the 11-story, 156,000-square-foot building that houses the association at 626 Wilshire Blvd. will see an increase of \$100,000 per year in their power bill.

Larger office buildings or industrial facilities could see increases of up to \$1 million a year in their bills starting April 1.

"This is all being shoved through so quickly that there's no opportunity to even notify tenants of the huge power bill increases," Schatz said.

Tenants leaving

While building owners understand the city's desire to become more environmentally responsible, she said, "that has to be balanced with the unbelievably difficult economy we're dealing with now. This is all happening at a time when tenants are leaving and landlords are having to renegotiate rents downward."

Schatz and other business leaders are urging city officials to put off the program until at least July 1 to give DWP executives and city officials more time to consider the financial and economic impacts the surpluses could have on local businesses and adjust the rates if necessary.

But the Mayor's Office responded that the main purpose of the surcharge is not to charge customers more, but to encourage residents and business owners to use less electricity. They said businesses might be able to offset some of the surcharges by putting in more energy-efficient lighting or installing solar panels.

Sarah Hamilton, a spokeswoman for the mayor, said small businesses could qualify for \$2,500 in rebates toward energy-efficient lighting upgrades. Also, if businesses generate more solar power than they use, they can sell the excess to the DWP.

But local business leaders said these long-term strategies won't help businesses deal with the sudden dramatic rate increases.

"Sure, in the longer term, some businesses may want to consider these options," said Gary Toebben, chief executive of the Los Angeles Area Chamber of Commerce. "But in the short term, most businesses are struggling just to survive in this recession and don't have the financial resources to do this. And they can't even borrow the funds to make these investments because of the credit squeeze."

Also, Schatz noted that solar panels aren't very practical for high-rise office buildings and wouldn't generate excess power that could be sold back to the DWP.

Instead, Toebben said, landlords and business owners will have to make cuts elsewhere in their operations to offset the surcharge, and those cuts could include layoffs.

Other business leaders said they want to see the DWP tighten its belt before socking business ratepayers with such huge increases.

"Any time you have such a major increase in the cost of doing business, it threatens the ability of businesses to remain in the city," said Stuart Waldman, chief executive of the Valley Industry and Commerce Association in Sherman Oaks. "That's why businesses want to know that every effort has been made by the DWP and the city to cut their own costs first."

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