

Nancy Rader: The answer to L.A.'s energy future is blowing in the wind

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Mayor Antonio Villaraigosa and the city of Los Angeles should be applauded for taking the time to implement a new rate-setting process for the Department of Water and Power that ensures the city will address its aging infrastructure needs and meet its state-mandated renewable energy goals, and protect ratepayers while doing so.

However, the irony of the situation is while the city straightens out the ratepayer advocate position and weighs a rate increase, it could cause LADWP to miss out on an enormous opportunity that can help meet both of its goals: securing 33 percent of the city's energy from renewable sources by 2020 and keeping costs down.

On hold with the city are a number of renewable energy contracts for large-scale projects that are in position to start construction immediately and also qualify for federal American Recovery and Reinvestment Act grants. Because ARRA treasury grants offset one-third of a renewable energy project's overall construction costs, these projects are cheaper for the city to acquire, therefore saving ratepayers money.

But time is running out to bring these pending projects online. For a renewable energy project to be eligible for the 30 percent treasury grant, the project must begin construction by Dec. 31 and be completed and placed in service one year later.

So what's the hold up?

LADWP's efforts to procure additional renewable energy projects have been put on hold until the Los Angeles City Council weighs a requested rate increase and fills the new ratepayer advocate position. Most observers don't expect the ratepayer advocate to be appointed until sometime in 2012.

The LADWP's delay in re-starting its renewable energy acquisition program until sometime after the end of this calendar year however puts the city at substantial risk of losing "its share" of the benefit of these expiring federal tax incentives.

An independent performance audit of DWP's renewable program, commissioned last April, found that the utility's suspension of its renewables program puts the city's ability to comply with its short and long-term renewable energy mandates in jeopardy. The performance audit noted that if investments in renewables are delayed, the costs could "rise dramatically."

While the appointment of a new ratepayer advocate and the opportunity for careful consideration of the proposed LADWP rate increase are clearly important and take time, it is also important for ratepayers that the LADWP and the city take advantage of these important federal tax incentives before they expire.

A reasonable solution to this dilemma is for the City Council to provide a limited authorization to DWP to proceed with pending renewable projects that are competitive and can qualify for the federal tax incentives that can be passed through to the city as project price discounts. But action must be taken immediately as these projects need approval from the DWP and the City Council to proceed before the end of the year.

The bottom line is that the DWP must comply with the state's renewable mandates or face steep fines, and losing the expiring tax benefits will merely result in higher renewable energy prices down the road. As one of the least-cost sources of renewable energy, wind energy has an important role to play in helping California cost-effectively achieve its renewable energy goals, which in turn address some of the state's most critical environmental problems.

Wind energy produces electricity without emitting any greenhouse gases or air pollutants and without using water, requires no mining or drilling for fuel, helps preserve habitat and open space, and poses no national security threats. Wind energy already supplies almost 5 percent of California's electricity needs, with the potential of at least doubling that by 2020.

The Los Angeles region has already seen the economic and environmental benefits of wind energy projects and will continue to do so with the swift action of city leaders.

It's time to move forward on a workable solution that allows the city to meet its state-mandated energy goals and protect ratepayers by making use of scarce federal resources. Anything less would be a missed opportunity.

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