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MARCIE L. EDWARDS General Manager

November 30, 2015

The Honorable City Council Office of the City Clerk Room 395, City Hall Mail Stop 160

Attention: Councilmember Felipe Fuentes, Chairperson, Energy and Environment Committee

Honorable Members:

Subject: Council File 13-0934-S1 – Economic Development Incentives

In response to the Motion 13-0934-S1(Fuentes - Blumenfield), the Los Angeles Department of Water and Power (LADWP) made an initial presentation to the Energy and Environment Committee (Committee) on September 17, 2015 on customer eligibility and its application verification process. Following this presentation, the Committee instructed the LADWP, in consultation with the Office of Public Accountability Ratepayer Advocate, to provide a written report back within 60 days.

In this response to the Council motion and to direction received from the Committee, the LADWP has performed the following analysis:

- Defined and stated the program focus;
- Developed a draft for the application process;
- Analyzed the bill discount over three years; and,
- Met with the Economic and Workforce Development Department (EWDD) to discuss implementation.

The LADWP Business Promotion Bill Credit (BPBC) program is designed to encourage businesses to relocate to the City of Los Angeles. BPBC provides bill credit amounts that will be phased out over three years to qualified businesses.

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Business Promotion Bill Credit by Year:

Year	Credit Amount
1 st Year	7.6%
2 nd Year	5.0%
3 rd Year	2.5%

Benefits of the BPBC program include:

- Job creation,
- Increased hiring,
- Greater participation in energy efficiency and water conservation measures,
- Capital investment,
- Increased per capita income, and
- Increased tax revenues

BACKGROUND:

On July 11, 2013, AB93 was adopted and one of the major consequences of this legislation was its impact on LADWP's legal authorization to continue the Enterprise Zone Rate (EZ rate). This rate had authorized a declining discount from 35 percent to 10 percent over five years for most electric charges. Since that time, City Council Members and members of the business community have pushed for the development of a new economic development rate.

LADWP's Economic Development Division (EDD) began researching alternatives in November 2014. A working group was formed within LADWP with the Rates Group, Legal, and the Power System to discuss the possibility of having a Business Promotion Rider – BPBC included as part of the power rates case to help retain, attract, and/or expand businesses in order to spur local economic growth.

The LADWP working group spent the past few months reviewing the under-loaded substations and excess generation, as well as discussing the proposed bill credit with internal and external stakeholders. Based upon the data gathered, the proposed BPBC is structured in a way to help attract new businesses without imposing unwarranted or unnecessary costs on LADWP or its customers. While the Committee requested that other options be explored to incentivize new business growth within the City, adjustments to the Utility Users Tax and/or Business Tax are outside the jurisdiction of the LADWP and therefore not included within the scope of this report. The proposed BPBC is the only recommended incentive for the proposed rate ordinance.

The new BPBC program will be capped at 80 Megawatts, which is the anticipated level of typical excess generation over the next 10 years based upon the most recent Integrated Resource Plan. The value of the proposed credit is based on the value of having new customers pay for portions of the excess generation through their rates rather than having no cost recovery for this excess generation.

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The proposed BPBC structure:

- Cap the total BPBC participation amount at 80 Megawatts, available for new loads with not less than 100 Kilowatts Demand at each service point
- Only new load that is certified by LADWP EDD or the Rate Applications group will qualify
- BPBC participation will be offered on a first come, first served basis
- Effective October 1st, 2016

Application Nerification Process:

A flow chart showing the application/verification processes for businesses applying for the incentive is enclosed. LADWP will establish the criteria for qualifying customers through the rate ordinance service rider. The City's Economic and Workforce Development Department (EWDD) will assist LADWP in developing the application so as to facilitate the gathering and sharing of aggregated data regarding employment and business creation in the City. EDD will use this data to inform program design and implementation and track and report as requested. EWDD will also assist in crafting the BPBC approval letter to ensure that all other potential City benefits and contact information is provided to the approved applicants. Going forward, if the City adopts geographic or other incentive programs, LADWP and EWDD will work together to ensure that BPBC applicants will be notified of eligibility to participate in those programs as well.

Customers will be notified of potential BPBC eligibility when establishing service and/or as part of a business attraction effort. EDD and EWDD will work closely to market these incentives through different mediums including, but not limited to, the Business Source Centers and Work Source Centers. LADWP staff will develop an application that will also determine eligibility/applicability for other LADWP programs including, but not limited to, energy efficiency incentives, conservation measures and solar incentives.

The initial application will be paper-based. Applications will be faxed, mailed or emailed into EDD staff for processing. Applicants will be notified within 24 hours of receipt of application. EDD staff will follow up with the applicant to obtain any missing information, with completed applications forwarded to the LADWP Rates Group for bill discount approval. Upon approval, EDD staff will inform applicant and notify EWDD of the approval. The Rate Applications Group at LADWP can also determine qualification and arrange application for the incentive.

BPBC can be used to target the development of business in the most economically disadvantaged communities in the City by encouraging businesses to relocate to the City of Los Angeles. Customer benefits provided through BPBC will be phased out over three years to qualified businesses. Although the benefits will be available throughout the City, EDD staff will aggressively target businesses located in or amenable to locating in under-served communities.



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In Conclusion:

Based upon further analysis, the LADWP recommends that the BPBC be included as part of the proposed rate action. LADWP EDD staff will work with EWDD to develop a streamlined application process that gathers employment and business creation data, as well as communicates the availability of any other benefits offered by other City departments. LADWP staff will provide annual reports to the Board of Water and Power Commissioners, City Council and Mayor regarding participation in the BPBC.

If you have any further questions or if additional information is required, please contact me at (213) 367-1338, or have your staff contact Ms. Winifred Yancy, Director, Intergovernmental Affairs and Community Relations, at (213) 367-0025.

Sincerely,

Marcie L. Edwards General Manager

KW:sts Enclosure: Business Promotion Bill Credit Process

 c: Councilmember Bob Blumenfield, Vice Chair, Energy and Environment Committee Councilmember Mitch O'Farrell, Energy and Environment Committee Councilmember Gilbert Cedillo, Energy and Environment Committee Councilmember Paul Koretz, Energy and Environment Committee Frederick H. Pickel, Ph.D, Rate Payer Advocate, City of Los Angeles Mr. Ron Galperin, City Controller Ms. Sharon Tso, Chief Legislative Analyst Mr. Miguel Santana, City Administrative Officer Board of Water and Power Commissioners Ms. Winifred Yancy Ms. Meg Barclay, Economic Workforce Development Department