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Los Angeles utility's touted 'Green Power' program running out of steam

by James Nash

Despite spending millions to promote its clean-energy effort, the Los Angeles Department of Water and Power has lost nearly 75 percent of the program's participants — many of them phantom, nonpaying customers. Today, fewer than 2 percent of the DWP's customers are signed up for the Green Power Program, and the number is declining, although millions of dollars was spent to market it, using the controversial contracts with the public relations firms of Fleishman-Hillard and the Lee Andrews Group.

Since it was launched in 1999, the program has been the subject of glowing national press coverage — and stinging internal audits, which found that the conservation effort included more than $4.8 million in marketing costs. Enrollment in the program has dropped from a peak of nearly 100,000 of the DWP's 1.4 million electricity customers to about 27,000 today.

DWP officials acknowledged Tuesday that most of the losses came after a critical audit persuaded them to drop some 60,000 low- income customers who were assigned to the Green Power Program even though they weren't paying the $3 monthly charge for it. Still, the DWP calls the program a success, noting that it's one of the nation's largest such efforts. The program has dwindled from nearly 40,000 paying customers a couple of years ago to 27,000 today, but DWP officials say it's still one of the bigger energy-conservation efforts in the nation.

"Of our paying customers, a lot have stuck with it," said Walter Zeisl, a DWP spokesman for the Green Power Program. "Twenty-seven-thousand customers is still a sizable figure that shows that consumers want to bring environmentally friendly energy to Los Angeles."

The Green Power Program once was the centerpiece of the DWP's energy-conservation efforts, with the utility paying Fleishman-Hillard and the Lee Andrews Group millions of dollars a year to market it. Those contracts have been the target of highly critical audits by City Controller Laura Chick and are now swept up into county and federal investigations of the administration of Mayor James Hahn.

Part of the DWP's $3 million annual payment to Fleishman-Hillard involved the Green Power Program, while all of the Lee Andrews Group's $2.4 million annual contract was for the program. Both contracts were terminated in 2004 amid a growing "pay-to- play" scandal involving allegations that city contracts were traded for political donations and favors.

Critics said the Green Power Program has failed to live up to lofty expectations generated in part by an expensive marketing campaign. "It was a tough sell," said Brady Westwater, a neighborhood council leader and member of Mayor James Hahn's Green Ribbon Committee on Renewable Energy. "They said they wanted green power, but they really weren't laying it out. They needed to put it into clear language and really be honest with people about the cost."

Green Power customers pay an average of $3 a month more on their power bills, with the added cost going toward more expensive renewable energy sources such as solar and geothermal power. In a 2001 article in the San Francisco Chronicle, DWP officials claimed that 75,000 power customers were paying $3 a month as part of the Green Power Program. And in a *Daily News* article published Sunday, Donna Andrews, president of the Lee Andrews Group, said her firm helped induce about 100,000 people to join the program as part of the company's $2.4 million-a-year contract with the DWP.

Andrews, who did not respond to a request for an interview Tuesday, had defended her firm against charges that it had overbilled the DWP for attending meetings, hiring subcontractors and employing student interns. DWP auditors in 2002 recommended asking the Lee Andrews Group to repay $52,195 in disputed costs, but, after discussions with the company, utility managers elected not to seek reimbursements.

In the same 2002 audit, DWP auditors contested nearly $300,000 in bills from Fleishman-Hillard, which had promoted the Green Power Program for the DWP until the Lee Andrews Group received a separate contract in 2002.An August 2002 audit of the Green Power Program concluded that the program was heavy with marketing and administrative costs, which accounted for 49 percent of revenues. Auditors recommended reducing the proportion to 15 percent.

The auditors noted that much of the Green Power Program revenues went toward lavish parties and promotional events, such as a February 2002 VIP "Voices for a Green L.A." concert. Fleishman-Hillard subcontracted the event to the Lee Andrews Group, which in turn hired a company to manage the concert; that firm, called Community Art Resources, then hired a four-star restaurant called Patina to cater it, according to the audit.

Zeisl said the DWP was handling marketing for the Green Power Program with nine employees internally since the Lee Andrews and Fleishman-Hillard contracts expired last summer. But he defended the initial marketing costs as necessary to promote a program that was largely unknown to Angelenos.

"There were some loaded marketing expenses. We did a lot of events in the community that we partnered on. It is a bit of a challenge from the perspective of getting the word out."

Comments by Tom Hewson, who sent us the article:

This article makes you wonder about how many people are truly willing to pay the costs for the higher cost renewable power. LAWPD had one of the largest green power programs and spent millions to promote it. This article exposes the primary excuse used by proponents for the voluntary green power program failure — lack of proper promotion — to be dead wrong and likely a waste of ratepayer money.

With the green power purchasing program failures, proponents shifted to renewable portfolio standards in an effort to force their high-cost power choices onto ratepayers. Many RPS mandates were promoted because of their assumed environmental benefits at little incremental cost. Unfortunately, time has found that they were wrong about the cost (promoter belief that, if promoted, unit costs would decrease significantly and would become cost-effective) and environmental benefit (no SO_2/NO_X benefit for cap & trade programs, CO_2 credit smaller with natural gas on margin). If we want to clean up the environment there are much cheaper and more effective alternatives to RPS.