

NEWS

Long Beach will ask voters to increase taxes on local power plants this November



by **John Donegan**

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Snow-capped mountains can be seen behind the Alamitos Energy Center power plant, also known as AES Alamitos, in Long Beach on Friday, December 31, 2021. Photo by Stephen Carr.

City lawmakers voted Tuesday to put a ballot measure before voters in November that would end exemptions on a 5% utility tax long enjoyed by two Long Beach power plants. If approved, the measure would yield millions annually for Long Beach’s general fund, an urgent remedy for the city as it is set to **face increasing deficits** in the coming years.

The measure was one of four the city considered this summer, and it was ultimately chosen as it is expected to have the “least impact on taxpayers,” City Manager Tom Modica said in a presentation to the City Council. The city’s **polling of likely voters** also showed it had the best chance of passing.

The measure focuses on two of the four fossil fuel power plants in the city: the Alamitos Energy Center and the Haynes Plant, which were built in the 1950s and 1960s, respectively. For at least the past 30 years, the two have been exempt from paying the utility tax.

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“This is a longstanding issue,” Long Beach Mayor Rex Richardson said. City municipal code allows exemptions from this tax, including certain electrical corporations and government agencies.

If approved in November, the tax levied on the two plants would add \$15 million to the city’s general fund starting in 2026 — \$18 million by 2030 — and \$7.5 million to the next year’s budget, though revenue will ebb with utility prices and usage.

And the expected cost: 50 cents, paid annually by each Southern California Edison ratepayer. In a city report, officials said that due to the power company’s power purchase agreement, the cost should be distributed across the company’s entire service area — 15 million residents, instead of the 150,000 living in Long Beach.

Support for the measure has come from the environmentalists, firefighter and police unions and residents who have lived near the plants.

According to Long Beach City Auditor Laura Doud, the Alamitos Energy Center has fallen out of compliance with environmental standards at least four times since 2000. Last month, the AEC reached a \$195,000 settlement with the state Air Resources Board after it was found the plant had exceeded emission limits over a 130-day period in 2020.

Smokestacks from gas plants emit soot and other pollutants that escape into the air and enter the nearby communities, leading to respiratory problems, emergency room visits, asthma and heart attacks.

“Even when the plants are in compliance, there’s still an environmental impact,” Doud said.

Meanwhile, the Haynes Plant, operated by the Los Angeles Department of Water and Power, provides “little to no” electricity to Long Beach residents, Doud said.

These plants are “the only two entities” citywide that do not pay utility taxes, Doud added.

Complaints about the tax proposal were submitted to the city, officials said, from the AEC’s owner and its operator, SoCal Edison, arguing that the exemption would result in “double taxation” on the consumer. SoCal Edison told officials they will seek the California Public Utilities Commission’s approval to pass the cost along to only Long Beach ratepayers.

If that were approved, officials said that would result in \$50 more annually for local ratepayers — about \$4 per month, assuming SoCal Edison splits the cost of the utility tax with LADWP.

AES Corp., which owns the AEC, has a history of hampering past attempts to remove the exemption, officials said. The first came in 2002 when voters rejected a measure brought forth by the Huntington Beach City Council. In 2009, the same measure was brought before voters in Redondo Beach. It also failed.

In both cases, AES argued that it would be “double taxation on residents,” as they would pay taxes “to generate the electricity and on their consumption of electricity,” a city report said, before rejecting the argument as “not reasonable.”

John Gregory, a spokesman for LADWP, asked the City Council on Tuesday to “maintain the exemption” as the tax would place an unfair levy on a fellow government agency, one that earns all of its revenue from ratepayers — 54% of which live in “disadvantaged communities.”

“First and foremost, we’re sensitive to the revenue pressures of the city, we’re part of a local government as well,” Gregory said. “And we know it’s a delicate balance to strike between the revenues for the city and the services they’re paying for.”

Stephanie Cathcart, a spokesperson for the Virginia-based AES Corp., said the tax would have “negative impacts on energy costs” for ratepayers in Long Beach and across the region.

A spokesperson for SoCal Edison said Tuesday that representatives for the power company have already met with city staff on the issue and plan to meet again following the council meeting.

This comes as the city faces immediate and long-term pressures, from an expected **\$20.3 budget shortfall in 2025** due to a precipitous decline in oil valuations — 63% by 2035 — that forces the city to create new

revenues that will compensate for the coming losses.

Yet it's unclear how fruitful the Haynes Plant will prove to be in the long term. LADWP announced last year that it plans to shutter several gas plants by 2029, including Haynes, to meet L.A.'s goal of being carbon neutral by 2050. The department has not said how it will supplement the power — about 1,700 megawatts — following the plant's closure.

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