TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: UTILITIES
DATE: AUGUST 7, 2006 CMR:316:06
SUBJECT: ENDORSEMENT OF A MEMORANDUM OF UNDERSTANDING TO SUPPORT THE STATEWIDE ADOPTION OF THE NATIONAL ACTION PLAN FOR ENERGY EFFICIENCY (NAPEE MOU)

This report is for the Council’s information only. No action is required.

BACKGROUND
The National Action Plan for Energy Efficiency brings together leading energy sector organizations representing different stakeholder perspectives to determine how best to promote greater investment in energy efficiency by the customers of electric and gas utilities – covering most of the energy used in American homes, buildings and industries or about 60 percent of the natural gas and electricity used nation-wide. As part of the Action Plan, leading organizations are committing to make more use of energy efficiency.

A broad consortium of energy officials and organizations in California, including the Governor, the California Public Utilities Commission, the California Energy Commission, investor-owned utilities presidents, the General Managers of the Sacramento Municipal Utility District and Los Angeles Department of Water and Power, and the National Resources Defense Council, developed a Memorandum of Understanding (MOU) to support the National Action Plan for Energy Efficiency (NAPEE). Other public utilities, including Palo Alto, were invited to join in supporting the plan by signing the MOU. The City Manager, on behalf of the City of Palo Alto Utilities, signed the Memorandum of Understanding Pledging the Support of the State of California for the National Action Plan for Energy Efficiency on July 31, 2006 (attached).

DISCUSSION
The MOU includes the following pledges to actively support the development, promotion and implementation of the NAPEE, including:

- Supporting the ongoing development of the NAPEE by reviewing the working group reports and considering their recommendations for adoption;
o Participating in the national roll-out of the NAPEE (scheduled for July 31, 2006, at the NARUC Summer Committee meetings in San Francisco) by issuing a press release on that date stating the signatory’s support for recommendations of the NAPEE and pledging specific continuing and expanded commitments to the promotion, funding and implementation of energy efficiency in California;

o Providing resources to promote recommendations of the NAPEE at speaking engagements and other educational opportunities, including participation in “buddy system” outreach efforts in which the signatories engage fellow political leaders, regulators, utilities and other stakeholders to inform them about the NAPEE’s best practice findings and recommendations; and,

o As appropriate for each signatory, continuing to model California’s best practices and policies identified in the NAPEE, including:
  ▪ designation of energy efficiency as a high priority resource option;
  ▪ adoption of targets for energy efficiency;
  ▪ pursuit of energy efficiency resources under a long-term resource planning and procurement framework;
  ▪ institution of a regulatory framework that encourages utility investment in energy efficiency; and
  ▪ sharing California’s successes with others interested in energy efficiency and learning from others’ successes in the planning and delivery of cost-effective energy efficiency programs.

Additional background information regarding NAPEE is included in a Fact Sheet from the US Department of Energy and Environmental Protection Agency (Attachment B).

RESOURCES IMPACT
The resource impacts of signing the MOU will be minimal in allocating staff time to supporting the organization.

POLICY IMPLICATIONS
The MOU pledges are consistent with and complement the Objectives and Guidelines of the Council-approved Long-term Electric Acquisition Plan (LEAP), and Gas Utility Long-term Plan (GULP). NAPEE activities will help leverage City efforts in the energy efficiency arena as described in the LEAP Implementation Task #2 (CMR 169:06, April 17, 2006), which states, "Enhance the existing efficiency programs by developing a long-term integrated resource efficiency portfolio plan that recognizes cost-effective energy efficiency and load management as priority resources in the “loading order” for energy resources. Design efficiency programs to account for the combined benefits of electric, gas, and water efficiency savings (e.g. a horizontal clothes washer saves electricity, water, and gas). Leverage joint efforts with other public power providers via NCPA’s efficiency initiatives and Public Benefits Committee. Enhance system efficiency through generation efficiency improvements and electric distribution system enhancements to lower system losses. As appropriate, additional funding for cost-effective efficiency programs will be recommended to complement and enhance the existing Public Benefits programs. Develop retail rate options that provide price signals to customers that encourage efficiency."
The MOU also supports the City’s Sustainability Policy Statement adopted April 2, 2001 (CMR 175:01), the Green Government Pledge adopted July 19, 1999 (CMR 284:99), and elements of the Comprehensive Plan, specifically:

1. **GOAL N-9**: A clean, efficient, competitively-priced energy supply that makes use of cost-effective renewable resources, and Policies.
2. **POLICY N-44**: Maintain Palo Alto’s long-term supply of electricity and natural gas while addressing environmental and economic concerns.

**ATTACHMENTS**
A. Memorandum of Understanding Pledging the Support of the State of California for the National Action plan for Energy Efficiency
B. National Action Plan for Energy Efficiency Fact Sheet

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