



(ACT) ACTION NEEDED  
(INF) INFORMATION ONLY  
(DIS) DISCRETIONARY

## AGENDA

REGULAR MEETING OF THE  
BOARD OF PUBLIC UTILITIES  
OF THE CITY OF NEEDLES  
TUESDAY, MAY 5, 2026 AT 4:00 PM  
CITY COUNCIL CHAMBERS  
1111 BAILEY AVENUE, NEEDLES

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THE PUBLIC MAY ATTEND VIA TEAMS AND MAY SUBMIT ANY COMMENTS  
IN WRITING PRIOR TO NOON ON THE DAY OF THE MEETING BY EMAILING  
[csallis@cityofneedles.com](mailto:csallis@cityofneedles.com)

TO JOIN THE LIVE TEAMS MEETING: log into the City of Needles website at  
[www.cityofneedles.com](http://www.cityofneedles.com) to access the agenda and [Click here to join the meeting](#)

If asked, enter the following: Meeting ID: 805 684 833#  
OR listen in and participate by calling Teams: 1-323-488-2227 - Meeting ID: 805 684 833#  
Meetings are being recorded

### CALL TO ORDER - ROLL CALL

### APPROVAL OF AGENDA

(ACT)

### CORRESPONDENCE

**PUBLIC APPEARANCE:** Persons wishing to address the Board on subjects other than those scheduled are requested to do so at this time. When called by the Chairman, please come to the podium and announce your name and address for the record. In order to conduct a timely meeting, a three minute time limit per person has been established by Municipal Code Section 2-18. Amendments to California Government Code Sec. 54950 prohibits the Board from taking action on a specific item until it appears on the agenda.

**CONSENT CALENDAR:** All matters listed on the Consent Calendar are considered to be routine and will be enacted by one motion in the form listed. The Chairman or any Member of the Board may pull an item from the Consent Calendar for discussion. Prior to Board action, a member of the public may address the Board on matters scheduled on the Consent Calendar. A three-minute time limit per person applies. **Recommended Action:** Approve Items 1 through 2 on the Consent Calendar by affirmative vote (ACT)

1. Approval of the minutes of the regular meeting held April 7, 2026
2. Approve a Second Amendment to the Joint Use of Poles between the City of Needles and the Fort Mojave Indian Tribe Telecommunications Inc. for seven (7) new connections along E Broadway Street

**REGULAR ITEMS** (A three minute time limit per person has been established per Municipal Code Section 2-18)

- 3. Information on the City of Needles and the Needles Public Utility Authority Due To/Due From: YTD January 2026 and the Purchase and Management Agreements between the Entities (INF)
- 4. Accept and file the Letter of Support to the California Air Resources Board (15-day) Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation (ACT)
- 5. California Municipal Utilities Association Comment Letter on Advanced Clean Fleet Regulations (DIS)

**REPORTS** (INF)

- 6. Present Perfected Rights Report March 2026
- 7. Needles Public Utility Authority Unaudited Income Statement through December 31, 2026

**MANAGER'S REPORT**

- 8. Manager's report April 17 and 24, 2026

**BOARD REQUESTS**

**ADJOURNMENT**

**INTERNET ACCESS TO BOARD AGENDA AND STAFF REPORT MATERIAL IS AVAILABLE PRIOR TO THE MEETING AT: [HTTP://WWW.CITYOFNEEDLES.COM](http://www.cityofneedles.com)**

**Posted: April 30, 2026**

*SB 343-DOCUMENTS RELATED TO OPEN SESSION AGENDAS -- Any public record, relating to an open session agenda item, that is distributed within 72 hours prior to the meeting is available for public inspection at the Administrative Office, 817 Third Street, Needles, CA 92363.*

*In compliance with the American with Disabilities Act, if you need special assistance to participate in this meeting, please contact Cheryl Sallis, Secretary to the Board, at (760) 326-2113 ext 115. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting (28 CFR 35.102-104 ADA Title II).*

BOARD OF PUBLIC UTILITIES

April 7, 2026

The regular meeting of the Board of Public Utilities held on the 7th day of April, 2026, was called to order at 4:00 p.m. with CHAIRMAN CAMPBELL presiding and the following COMMISSIONERS present:

COMMISSIONERS JONES, WALTERS, CAIRNS AND POWELL

Also Present: SECRETARY SALLIS, CITY MANAGER MARTINEZ, UTILITY MANAGER TORRANCE AND OTHER KEY STAFF

EX ABSNC COMMISSIONER CAIRNS MOVED, SECONDED BY COMMISSIONER WALTERS, to grant an excused absence to COMMISSIONER BROWN. Motion carried by the following roll call vote:

AYES: CHAIRMAN CAMPBELL, COMMISSIONERS JONES,  
WALTERS, CAIRNS AND POWELL  
NOES: NONE  
ABSENT: COMMISSIONERS BROWN AND McNEIL

APPROVAL AGENDA COMMISSIONER CAIRNS MOVED, SECONDED BY COMMISSIONER POWELL, to approve the agenda. Motion carried by the following roll call vote:

AYES: CHAIRMAN CAMPBELL, COMMISSIONERS JONES,  
WALTERS, CAIRNS AND POWELL  
NOES: NONE  
ABSENT: COMMISSIONERS BROWN AND McNEIL

CORSPNDN: None

PBLC APRN: None

CNST CAL: COMMISSIONER WALTERS requested to pull agenda item #5 (authorize the City Manager to Execute a Professional Services Agreement with SMH Electrical Construction to complete the XIO Installation at L Street Booster Station and Well #15, at a cost not to exceed \$43,533, utilizing Water Asset Replacement Funds).

COMMISSIONER CAIRNS MOVED, SECONDED BY CHAIRMAN CAMPBELL, to pull agenda item #5 and approve agenda items 1 through 4.

1. Approval of the minutes of the regular meeting held March 3, 2026
2. Authorize an increase in electrical engineering fees to Brooks Consulting, not to exceed \$20,000, utilizing the adopted FY26 electric operations & maintenance budget
3. Accept and file the approval of Calendar Year 2026 Colorado River Water Diversion for the City of Needles

4. Authorize the Voluntary Parker Davis Reduction for April, May, and June 2026

Motion carried by the following roll call vote:

AYES: CHAIRMAN CAMPBELL, COMMISSIONERS JONES,  
WALTERS, CAIRNS AND POWELL  
NOES: NONE  
ABSENT: COMMISSIONERS BROWN AND McNEIL

PROF SVCS Utility Manager Torrance briefly explained that XIO is the SCADA (Supervisory  
AGREE W/ Control and Data Acquisition) equipment for the water system, equipment that is  
SMH ELCT needed to reduce manpower, overtime, etc. as the information will be obtained  
CONSTR over the employee's phone once installed.

CHAIRMAN CAMPBELL noted that a water and wastewater master plan report was done about five years ago and the new Board Members should be provided a copy.

COMMISSIONER CAIRNS MOVED, SECONDED BY COMMISSIONER WALTERS, to authorize the City Manager to execute a professional services agreement with SMH Electrical Construction to complete the XIO installation at the L Street Booster Station and Well #15, at a cost not to exceed \$43,533, utilizing water asset replacement funds. Motion carried by the following roll call vote:

AYES: CHAIRMAN CAMPBELL, COMMISSIONERS JONES,  
WALTERS, CAIRNS AND POWELL  
NOES: NONE  
ABSENT: COMMISSIONERS BROWN AND McNEIL

REG ITEMS: CHAIRMAN CAMPBELL spoke on the Environmental Protection Agency's (EPA) change in ruling to the greenhouse gas mobile sources. He suggested  
GHG AD- the Ad-Hoc Committee draft a letter to be sent to all elected representatives  
HOC COMM that stationary sources be included because of the positive impact that could have on our rates. After a brief discussion, COMMISSIONERS CAIRNS, WALTERS AND JONES volunteered to serve on the Ad-Hoc Committee.

COMMISSIONER POWELL MOVED, SECONDED BY CHAIRMAN CAMPBELL, to appoint COMMISSIONERS CAIRNS, WALTERS AND JONES to the Greenhouse Gas Ad-Hoc Committee. Motion carried by the following vote:

AYES: CHAIRMAN CAMPBELL, COMMISSIONERS JONES,  
WALTERS, CAIRNS AND POWELL  
NOES: NONE  
ABSENT: COMMISSIONERS BROWN AND McNEIL

COMMISSIONER McNEIL entered the meeting at 4:14 p.m.

FY 2026  
MID-YR  
BUDGET  
REVISNS

After a brief explanation and review of the mid-year budget revisions for each department and the changes proposed, City Manager Martinez recommended Board approval as submitted.

In preparation for next year’s budget, CHAIRMAN CAMPBELL requested a report at the next meeting on: 1) streetlights (who pays) which is a city, not utility, function as it is a public safety issue; 2) explanation of the due to/due from between the city and utilities; and 3) enlighten the Board on the purchase agreement, what it is, and the annual cost.

COMMISSIONER CAIRNS MOVED, SECONDED BY COMMISSIONER POWELL, to approve the revised budget for fiscal year ending June 30, 2026 for Needles Public Utility Authority, Water, Wastewater, Electric and All American Canal. Motion carried by the following roll call vote:

- AYES: CHAIRMAN CAMPBELL, COMMISSIONERS JONES, WALTERS, McNEIL, CAIRNS AND POWELL
- NOES: NONE
- ABSENT: COMMISSIONER BROWN

REPORTS: CHAIRMAN CAMPBELL acknowledged the Present Perfected Rights Report February 2026.

MGR’S RPT: Utility Manager Torrance explained that in midyear budgets, revenues were adjusted as the city has been providing water to the Fort Mojave Indian Tribe. A portion of a 12” line owned and operated by the Tribe that runs along the side of the California/Arizona bridge collapsed into the river. The Tribe is currently supplying water to its own customers off a well that has a citation for iron and manganese. The Tribe will be installing a highline to feed the Arizona side while they make permanent repairs as they cannot continue to supply water off their well. The Tribe will go back on city water until these permanent repairs can be completed.

City Manager Martinez reported on various grants received by the city and other matters of community interest.

BRD RQSTS: COMMISSIONER JONES noted that he may not be at the July meeting.

CHAIRMAN CAMPBELL declared the regular meeting of the Board of Public Utilities held on the 7th day of April, 2026, adjourned at 4:26 p.m.

ATTEST: \_\_\_\_\_

Chairman

\_\_\_\_\_

Secretary



# City of Needles, California Request for Commission Action

CITY COUNCIL  BOARD OF PUBLIC UTILITIES

Regular  Special

**Meeting Date:** May 5, 2026

**Title:** Approve a Second Amendment to the Joint Use of Poles between the City of Needles and the Fort Mojave Indian Tribe Telecommunications Inc. for seven (7) new connections along E Broadway Street

**Background:** In December 2024, the City entered into a Joint Use of Poles between the Fort Mojave Telecommunications Inc. The original request was for 4 attachments along Needles Highway and across BNSF right-of-way. The First Amendment was approved in July, 2025 for an additional 9 attachments along Erin, Bailey and Washington Ave.

The Fort Mojave Telecommunications Inc. is requesting seven (7) joint-use attachments along E Broadway to avoid boring near a 12-inch water main and major gas transmission lines.

The recommended action is to authorize Amendment #2 the Fort Mojave Indian Tribe Telecommunications Inc. to Joint Pole Agreement for only the additional seven (7) attachment. The original agreement also only permits the applicant to apply for the power poles by an anchor and does not authorize drilling into the poles, which may impact the integrity of the pole.

**Fiscal Impact:** Increase in annual Joint-Use Pole Fees to the Needles Public Utility Authority.

**Environmental Impact:** N/A

**Recommended Action:** Approve a Second Amendment to the Joint Use of Poles between the City of Needles and the Fort Mojave Indian Tribe Telecommunications Inc. for seven (7) new connections along E Broadway Street.

**Submitted By:** Rainie Torrance, Utility Manager

**City Manager Approval:** Patrick J. Martinez

**Date:** 04/29/2026

**Other Department Approval (when required):** \_\_\_\_\_

**Date:** \_\_\_\_\_

**SECOND AMENDMENT  
TO  
NON-EXCLUSIVE LICENSE AGREEMENT  
FOR THE JOINT USE OF POLES**

SECOND AMENDMENT TO NON-EXCLUSIVE LICENSE AGREEMENT FOR THE JOINT USE OF POLES (“**Amendment**”) is made and entered into as of May 5, 2026 (“**Effective Date**”), by and between Citizens Utilities Rural Company, a California corporation, doing business as Fort Mojave Telecommunications, Inc. hereinafter referred to as “**Licensee**”, and the City of Needles, a California charter city and the Needles Public Utility Authority, collectively hereinafter referred to as “**City.**” Licensee and City may be referred to individually as a “**Party**” and collectively as the “**Parties.**”

**RECITALS**

**WHEREAS**, the Parties entered into that certain Non-Exclusive License Agreement for Joint Use of Poles dated December 10, 2024 (“**Agreement**”); and

**WHEREAS**, pursuant to the Agreement, Licensee was granted a non-exclusive license to utilize certain Joint Use Poles owned by City, as photos of and identifier described in Exhibit "A" to the Agreement; and

**WHEREAS**, the Parties desire to amend the Agreement to add additional Joint Use Poles to the scope of the Agreement; and

**WHEREAS**, Section 14.2 of the Agreement provides that any modification to the Agreement will be effective only if in writing and signed by both Parties.

**NOW, THEREFORE**, in consideration of the foregoing Recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, City and Licensee agree as follows:

1. **Incorporation of Recitals.** The Parties hereby agree that the recitals set forth in this Amendment are deemed incorporated into this Amendment and the Agreement by this reference.
2. **Definitions.** All capitalized terms used but not defined in this First Amendment shall have the meanings ascribed to them in the Agreement.
3. **Amendment to Recital A.** The Parties hereby agree that Recital A of the Agreement is hereby deleted in its entirety and replaced with the following:

A. The Licensee has requested approval from Needles Public Utility Authority ("NPUA") to utilize certain power poles across eleven (11) specific locations to expand the Licensee's service area within California jurisdiction, as follows: (i) Location One: Eagle Pass Road, where the NPUA has two (2) power poles; (ii) Location Two: Needles Highway, crossing a San Bernardino County flood control area; (iii) Location Three: NPUA identification number 4883N Highland; (iv) Location Four: NPUA identification number 4878N Dead end on Highland; (v) Location Five: NPUA identification number 4864N Highland; (vi) Location Six: NPUA identification number 4608N Erin Drive; (vii) Location Seven: NPUA identification number 4595N Erin Drive; (viii) Location Eight: Situated on Fremont & Highland (no NPUA identification number); (ix) Location Nine: NPUA identification number 2713N L-Street at Fremont & Highland; (x) Location Ten: NPUA identification number 4689N Washington & Bailey; and (xi) Location Eleven: NPUA identification number 4584N Washington & Bailey. Photographic documentation of each Joint Use Pole is attached hereto as **Exhibit "A"** (hereinafter "**Joint Use Pole**" or "**Joint Use Poles**") and incorporated herein by this reference.

4. **Amendment to Recital B.** The Parties hereby agree that Recital B of the Agreement is hereby deleted in its entirety and replaced with the following:

B. The Parties agree that this nonexclusive license Agreement only pertains to the Joint Use Poles depicted in Exhibit "A" as amended by the Second Amendment to this Agreement executed on May 5, 2026; and

5. **Amendment to Section 7.1.** The Parties hereby agree that Section 7.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

7.1 Pole Attachment Fee. The annual fee for calendar year 2026 shall be \$22.41 per pole ("**Annual Attachment Fee**"). The Annual Attachment Fee shall be adjusted effective January 1 of each year. The amount of adjustment will be calculated by utilizing the National Consumer Price Index as follows: (i) the most recent published index number for the current year will be used as the fee adjuster to the next year's Annual Attachment Fee, (ii) the percentage of change in the average index numbers will be applied to the current year's Annual Attachment Fee, which will be effective January 1 of the next year, and (iii) the Annual Attachment Fee billing for the next year will be forwarded to Licensee by December 15 of each year.

Notwithstanding the foregoing, the Annual Attachment Fee will be adjusted in its entirety upon the successful completion of a rate study conducted by the City, in which case the findings of the study shall supersede the National Consumer Price Index. City has unilateral authority to determine the success of the rate study and the results will apply upon City's sole determination.

6. **Pole Attachment Fee.** The Parties acknowledge and agree that the Annual Attachment Fee set forth in the Amended Section 7.1 above shall apply to each of the additional Joint Use Poles listed in Section 3 of this Amendment.

7. The Parties hereby agree that Exhibit "A" of the Agreement is hereby deleted in its entirety and replaced with **Amended Exhibit "A"** attached hereto this Amendment as **Exhibit "A."**

8. All other terms of the Agreement not expressly amended by this Amendment shall remain in full force and effect.

9. This Amendment shall be governed by the laws of the State of California. Any legal action arising from or related to this Amendment shall be brought in the state or federal courts of the State of California in and for the County of San Bernardino.

**IN WITNESS WHEREOF**, the Parties hereby have made and executed this Amendment to be effective as of the day and year first above written.

**CITY OF NEEDLES, CALIFORNIA**

**FORT MOJAVE TELECOMMUNICATIONS, INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
**City Clerk**

**Approved As To Form:**

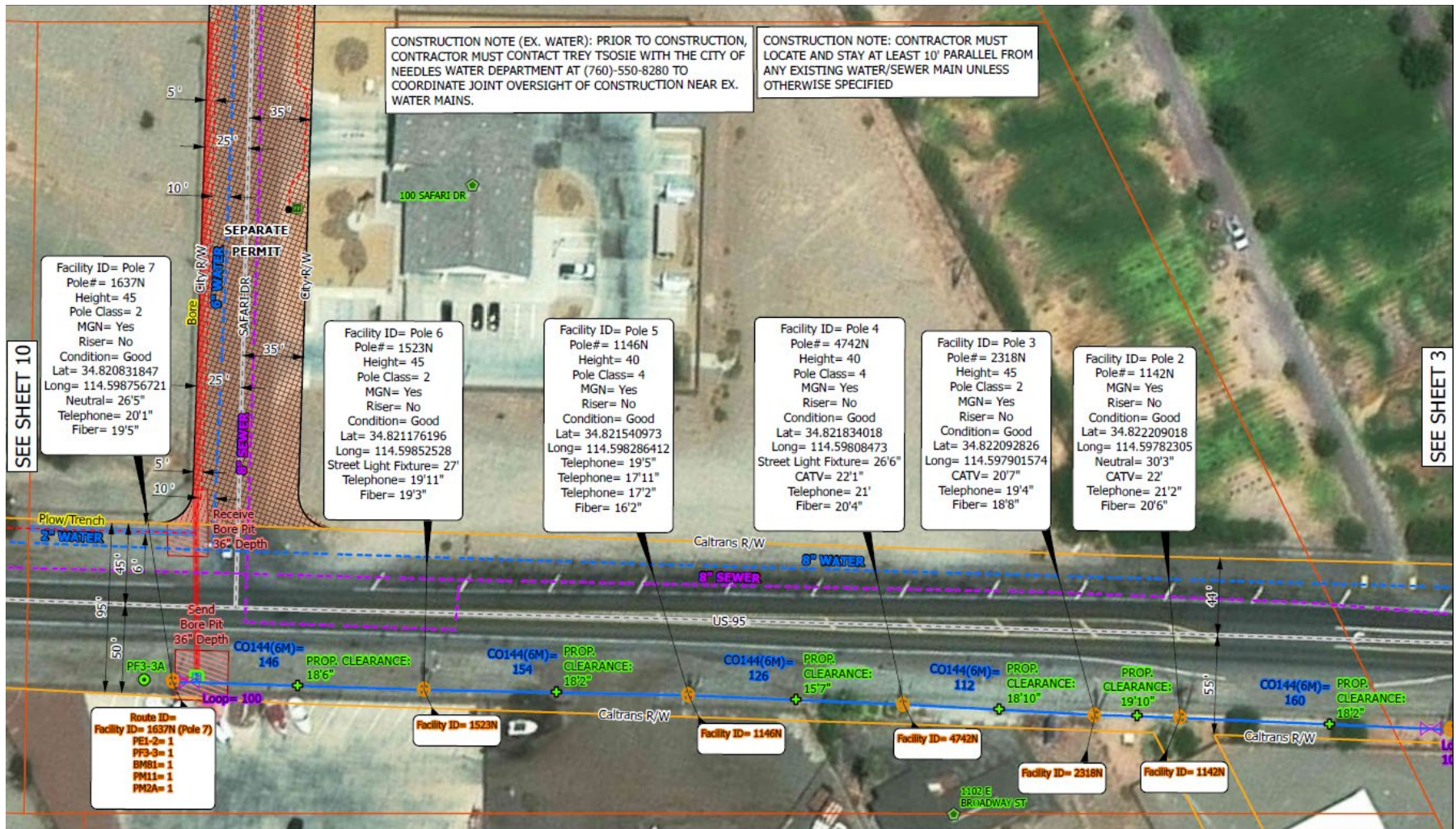
\_\_\_\_\_  
**City Attorney**

**EXHIBIT “A”  
AMENDED EXHIBIT “A”  
(JOINT USE POLES)**





**POLE #1: 2314N**





**POLE #2: 1142N**



**POLE #3: 2318N**



**POLE #4: 4742N**



**POLE #5: 1146N**



**POLE #6: 1523N**



**POLE #7: 1637N**

**NON-EXCLUSIVE LICENSE AGREEMENT  
FOR THE JOINT USE OF POLES**

This License Agreement for the Joint Use of Poles (“**Agreement**”) is made and effective as of the 10th day of December, 2024 (“**Effective Date**”), by and between Citizens Utilities Rural Company, a California corporation, doing business as Fort Mojave Telecommunications, Inc. hereinafter referred to as “**Licensee**”, and the City of Needles, a California charter city and the Needles Public Utility Authority, collectively hereinafter referred to as “**City.**” Licensee and City may be referred to individually as a “**Party**” and collectively as the “**Parties.**”

**RECITALS**

This Agreement is entered into on the basis of the following facts, understandings and intentions of the Parties to this Agreement:

A. The Licensee has requested approval to utilize Needles Public Utility Authority (“**NPUA**”) power poles to cross two areas to increase the Licensee’s service. The first location is Eagle Pass Road, where the NPUA has two power poles, and the second is on Needles Highway, which crosses a San Bernardino County flood control area, photos of which are attached hereto as **Exhibit “A”** (hereinafter “**Joint Use Pole**” or “**Joint Use Poles**”); and

B. The Parties agree that this nonexclusive license Agreement only pertains to the Joint Use Poles depicted in Exhibit “A”; and

C. The Parties agree that City reserves the right to deny the use of the Joint Use Poles if Licensee does not meet the conditions required by City, including but not limited to, safety standards, structure stability, power sustainability and energy demand.

**AGREEMENT**

NOW THEREFORE, in consideration of the foregoing Recitals and mutual covenants contained herein, City and Licensee agree as follows:

1. Incorporation of Recitals. The Parties accept the above recitals as true and correct and incorporate them herein as if they were fully restated in this Agreement.

2. Purpose and Scope. The purpose of this Agreement is to establish the terms and conditions under which the Licensee may utilize the Joint Use Poles. This Agreement shall apply

exclusively to the Joint Use Poles and shall be non-exclusive with the City retaining the right to allow other utilities and licensees to utilize its power poles.

3. Authorized Use. The Licensee is permitted to attach to the Joint Use Poles solely by means of an anchor. This Agreement does not authorize any drilling into the Joint Use Poles or any other action that may impact the integrity of the Joint Use Poles.

4. Reservation of City's Rights. City shall have sole and exclusive authority to approve, conditionally approve, or deny any request for Joint Use Pole attachments or to require any licensee to remove its equipment from City's poles. City reserves all rights and discretion related to future use of the poles, maintenance and/or replacement of the poles and any future uses or licensing of use of the poles.

4.1 Termination of License. City may terminate Licensee's use of any Joint Use Power Pole at any time upon providing thirty (30) days written notice, unless exigent circumstances require shorter notice. Upon receipt of such notice, Licensee shall remove its attachments from the specified Joint Use Pole within thirty (30) days. City may terminate this Agreement immediately and without 30 days notice upon discovery of just cause. Just cause includes, but is not limited to, safety concerns, failure to comply with local, state, and federal laws, any and all regulatory requirements, or City's need to use the pole(s) for its own services.

5. Licensee's Rights. No use of any Joint Use Poles under this Agreement, regardless of duration, shall create or vest in Licensee any ownership or property rights therein. The Licensee's right shall be and will remain a license only and is revocable in City's discretion.

6. Maintenance.

6.1 City's Maintenance. City shall provide Licensee with thirty (30) day notice of any plans to replace, decommission or remove a Joint Use Pole.

6.2 Licensee's Maintenance. Licensee shall, at its own expense, make and maintain its attachments in a safe condition, in compliance with all applicable laws, regulations and industry standards. All attachment shall be made and maintained in a manner acceptable to City and in conformance with the standards listed below in Section 6.3 of this Agreement.

6.3 Agency and National Standards. Construction installation, maintenance and repair of Joint Use Poles and all electric and communication circuits located thereon shall be in accordance with the National Electric Safety Code, as adopted by California Public Utilities Commission, the National Electric Code as adopted by the City of Needles, the California Occupational Safety and Health Act (Cal OSHA), the southern California Joint Pole Committee

Joint Pole Practices and Routine, the rules and regulations of any governing authority having jurisdiction over the subject matter of this Agreement, and the requirements City prescribes in this Agreement. Where a difference in standards may exist, the more stringent shall apply.

6.4 No Conflict of Use. Licensee shall ensure that its attachments do not conflict with City or any other third-party use of the Joint Use Poles. In the event of any interference caused by Licensee's attachments, Licensee shall, at its own expense and within fifteen (15) days of written notice from the City or affected third-party, remedy the interference to City's satisfaction.

7. Cost.

7.1 Pole Attachment Fee. The annual fee for calendar year 2024 shall be \$7.78 per pole ("**Annual Attachment Fee**"). The Annual Attachment Fee shall be adjusted effective January 1 of each year. The amount of adjustment will be calculated by utilizing the National Consumer Price Index as follows: (i) the most recent published index number for the current year will be used as the fee adjuster to the next year's Annual Attachment Fee, (ii) the percentage of change in the average index numbers will be applied to the current year's Annual Attachment Fee, which will be effective January 1 of the next year, and (iii) the Annual Attachment Fee billing for the next year will be forwarded to Licensee by December 15 of each year.

7.2 Failure to Pay. If Licensee fails to pay Pole Attachment Fees when due, City may, upon ten (10) days written notice, terminate Licensee's rights under this Agreement and remove Licensee's attachments from the Joint Use Poles.

7.3 Removal of Attachments. Licensee is responsible for the removal of all wires, cables, lamp fixtures, guy wires, conduits, and all other apparatus, fixtures or appurtenances of Licensee attached to the Joint Use Poles ("**Attachment**"). Licensee shall bear all costs and expenses associated with the removal of any Attachment or other equipment or materials installed or placed by Licensee on the Joint Use Poles. Licensee shall complete all removal work in compliance with applicable laws, regulations, and industry standards.

8. Assignment of Rights. Notwithstanding any other provision in this Agreement, the City shall have the unrestricted right to assign, transfer, or otherwise dispose of any part of this Agreement, including but not limited to any of its rights or interests hereunder, any Joint Use Pole, or any Attachment or right-of-way covered by this Agreement, to any firm, corporation, individual, or other entity without the prior written consent of Licensee.

The Licensee shall not assign, transfer, or otherwise dispose of any part of this Agreement, including but not limited to any of its rights or interest hereunder, any Joint Use Pole, or any

Attachment or right-of-way covered by this Agreement, to any firm, corporation, individual, or other entity, without the prior written consent of the City.

9. Taxes. Licensee shall pay any taxes and/or assessments lawfully levied on its equipment/property attached to any Joint Use Pole.

10. Notice. When it is necessary to provide notice to the Parties as provided within this Agreement, delivery of such notice shall be to:

City of Needles  
Customer Service Center  
817 Third Street,  
Needles, California 92363

Fort Mojave Telecommunications, Inc.  
8490 Highway 95 #104  
Mohave Valley, Arizona 86440

11. Indemnification.

11.1 Licensee's Indemnification. Fort Mojave Telecommunications, Inc. shall indemnify, defend, and hold harmless the City of Needles, its officers, employees, agents, and representatives from and against any and all claims, demands, actions, suits, damages, liabilities, losses, settlements, judgments, costs, and expenses (including but not limited to reasonable attorney's fees and costs), whether or not involving a third party claim, which arises out of or relate to: (i) any use of or activities related to the Joint Use Poles or any pole in which Fort Mojave Telecommunications, Inc. has attachments installed, (ii) the installation, maintenance, repair, or removal of any attachments to the aforementioned power poles, (iii) any breach or violation of this Agreement by Licensee, (iv) any failure by Licensee to comply with applicable laws, regulations, or safety standards, or (v) any negligent acts, errors, or omissions of Licensee, its employees, agents, or contractors. Licensee's indemnification obligations shall apply regardless of whether the claim, demand, action, suit, damage, liability, loss, settlement, judgment, cost, or expense is caused in part by a party indemnified hereunder, except to the extent caused by the sole negligence or willful misconduct of the City of Needles.

12. Insurance.

12.1 Licensee Insurance. Licensee shall, at its sole cost and expense, provide, procure and maintain, during the term of this Agreement the following insurance coverages:

12.1.1 Workers Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction of its employees engaged in the performance of the

work, and Employer's Liability insurance with a minimum limit of one million dollars (\$1,000,000).

12.1.2 Commercial General Liability insurance to cover with a minimum combined single limit of one million dollars (\$1,000,000) for each occurrence. The policy shall include coverage for bodily injury, broad form property damage liability (including completed operations), personal injury liability (including coverage for contractual and employee acts), blanket contractual, and products. The policy shall include a severability of interest provision. The product and completed operation coverage shall extend for two years past the termination of the Agreement.

12.1.3 Comprehensive Automobile Liability insurance with a combined single limit for Bodily injury and property damage of not less than one million dollars (\$1,000,000) for each occurrence with respect to Licensee's vehicles.

12.1.4 Licensee shall name the City as an additional insured on a primary and non-contributory basis.

13. Term. This Agreement shall remain in effect until terminated by either Party with or without cause, at any time upon one hundred eighty (180) days written notice to the other Party, or until otherwise terminated as provide in this Agreement.

14. Miscellaneous Provisions.

14.1 Dispute Resolution. Any controversy or claim, besides those related to bodily injury, death, or property damage, related to this Agreement shall be provided to the opposite Party through notice. Such controversy or claim shall be subject to a meeting between the appropriate officials of City and Licensee and both Parties shall attempt to settle disagreements amicably and efficiently before resorting to formal litigation. The initial meeting between the Parties officials shall take place within thirty (30) days after notice of the dispute has been received.

14.2 Entire Agreement and Modifications. This Agreement, which includes all attached exhibits, supersedes any and all pervious agreements, either oral or written, between the parties hereto with respect to the use of Joint Use Poles and contains all of the covenants and agreements between the parties with respect to the granting of the license to use the Joint Use Poles as described within this Agreement. Any modifications of this Agreement will be effective only if it is in writing, signed by both Parties.

14.3 Choice of Law. This Agreement is made, entered into and shall be performed in the County of San Bernardino, in the State of California and shall in all respects be interpreted, enforced and governed under the laws of the State of California.

14.4 Venue. The Parties agree that any action, proceeding, or claim arising out of or relating to this Agreement shall be brought exclusively in the state or federal courts located in the County of San Bernardino, State of California. Each Party irrevocably submits to the exclusive jurisdiction of such courts for the purpose of any such action, proceeding, or claim.

14.5 Severability. If any portion, section, sentence, provision or paragraph of this Agreement is declared invalid, illegal or otherwise unenforceable by a court of competent jurisdiction, the entire balance of this Agreement not so affected shall remain in full force and effect.

(SIGNATURE ON FOLLOWING PAGE)

IN WITNESS WHEREOF, the Parties hereby have made and executed this Agreement to be effective as of the day and year first above written.

**CITY OF NEEDLES, CALIFORNIA**

**FORT MOJAVE TELECOMMUNICATIONS, INC.**

By: *Andrew J. Martinez*

By: *Michael Scully*

Title: City Manager

Title: General Manager

Date: 12/20/2024

Date: 12-17-2024

ATTEST:

*Carolee Clark*

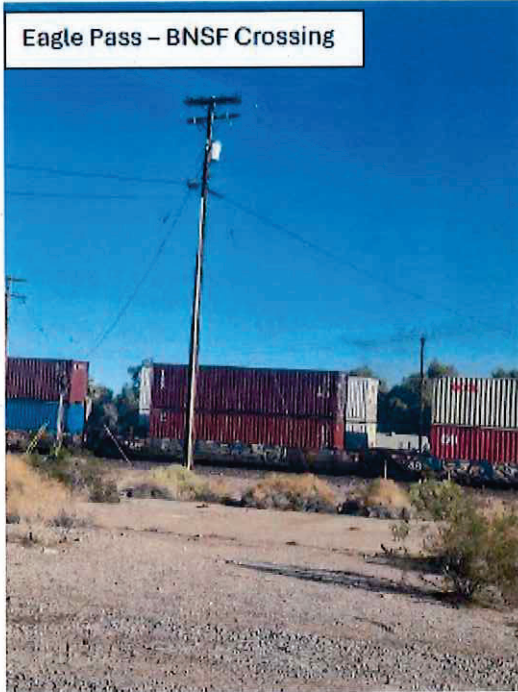
City Clerk

Approved As To Form:

*[Signature]*  
City Attorney

**EXHIBIT "A"**  
**(JOINT USE POLES)**

Fort Mojave Telecommunications, Inc.  
Proposed Joint Pole Locations



Needles Highway – Flood Control Crossing





# City of Needles, California Request for Commission Action

CITY COUNCIL    BOARD OF PUBLIC UTILITIES

Regular    Special

**Meeting Date:** May 5, 2026

**Title:** Information on the City of Needles and the Needles Public Utility Authority Due To/Due From: YTD January 2026 and the Purchase and Management Agreements between the Entities

**Background:** At the last meeting, Chairman Campbell requested an update on the “due to/due from” between the City and the Needles Public Utility Authority. In the mid-1990’s, the City experienced a financial crisis which resulted in the City’s creation of the Needles Public Utility Authority, a separate and legal entity separate from the City of Needles. Concurrent with the NPUA’s creation in 1997, long-term bonds were issued to finance the NPUA’s purchase of the utilities. A Management Agreement was developed which allows the City to be reimbursed by the NPUA for managing and operating the utilities on behalf of the NPUA. All employees are City employees and all operating expenditures are spent through the City and reimbursed monthly by the NPUA.

Enclosed is an up to date “due to, due from” through January 2026. The water entity owes a balance of \$456,677.37, Wastewater owes a balance of \$252,133.51, Electric owes a balance of \$5,270,424.01, and the All-American Canal has a credit of \$521,397.77. These figures are preliminary and unaudited.

The monthly transfers are presented and approved annually at a flat amount and at an amount that is estimated to be owed to the city each month. The “due to, due from” does fluctuate based on balances owed when term purchases are made or when unplanned expenditures happen in the utilities.

**Fiscal Impact:** Balanced owed to the City from the NPUA for operating expenses per the Management Agreement.

**Environmental Impact:** N/A

**Recommended Action:** No Action Needed - Information Only

**Submitted By:** Rainie Torrance, Utility Manager

**City Manager Approval:** Patrick J. Martinez

**Date:** 4/29/2026

**Other Department Approval (when required):** \_\_\_\_\_

**Date:** \_\_\_\_\_

Needles Public Utility Authority  
 Schedule of Budgeted Reimbursements Paid to City to Date and Expenses of City Utility Funds  
 Y-T-D January 2026

PRELIMINARY & NOTE: ARF & UNAUDITED NUMBERS done directly from

Item 3.

	Water	Wastewater	All Amer Canal	Electric	Total	
Reimbursements	1,208,759.00	687,393.00	622,299.40	6,576,723.44	9,095,174.84	Acct bal list - 381s
(Expenses)	(1,263,683.44)	(679,243.38)	(1,064,240.84)	(6,308,733.35)	(9,315,901.01)	Smt of exps & encs
~ Difference: (under-reimbursed or over-reimbursed)	(54,924.44)	8,149.62	(441,941.44)	267,990.09	(220,726.17)	
Preliminary	381.40	381.40	381.40	381.40		
FY 25 (due to) / from - unaudited balances	511,601.81	243,983.89	(79,457.33)	5,002,433.92	5,678,562.29	
(DUE TO) subtotal* plus current difference	456,677.37	252,133.51	(521,398.77)	5,270,424.01	5,457,836.12	

RESOLUTION NO. 2-10-97-1

RESOLUTION OF THE CITY COUNCIL OF THE CITY  
OF NEEDLES AUTHORIZING PROCEEDINGS AND  
AGREEMENTS RELATING TO THE SALE OF ITS  
ELECTRIC, WATER AND SEWER SYSTEMS AND  
APPROVING A PURCHASE AGREEMENT, A MANAGEMENT  
AGREEMENT AND RELATED DOCUMENTS

WHEREAS, the Needles Public Utility Authority (the "Authority") has been formed pursuant to a Joint Exercise of Powers Agreement (the "Agreement") dated January 6, 1997, by and between the City of Needles (the "City") and the Redevelopment Agency of the City of Needles and is authorized under said Agreement and under the laws of the State of California to finance the acquisition and construction of public capital improvements; and

WHEREAS, the City wishes to sell the City's public electric, water and sewer systems (the "Utilities") to the Authority, which sale has been approved by a majority of the qualified electors of the City at a special election held January 14, 1997; and

WHEREAS, the Authority will purchase the Utilities from the City pursuant to a purchase agreement (the "Purchase Agreement") between the Authority and the City, a copy of which has been presented to this meeting, and will pay a portion of the purchase price with the proceeds of bonds to be issued by the Authority (the "Authority Bonds") and will pay the remaining portion of the purchase price in installments pursuant to the terms of the Purchase Agreement; and

WHEREAS, the Authority has requested the City to manage the Utilities for the benefit of the Authority pursuant to a Management Agreement (the "Management Agreement") a copy of which has been presented to this meeting; and

WHEREAS, a portion of the proceeds of the Authority Bonds will be used to refund and defease Revenue Bonds issued by the Needles Public Financing Authority in 1993 and 1995 (the "Prior Bonds"), the proceeds of which were used by the City to finance and refinance the Utilities and improvements thereto; and

WHEREAS, there has been presented to this meeting a form of Bond Purchase Agreement (the "Bond Purchase Agreement") among the Authority, the City and O'Connor & Company Securities (the "Underwriter"), pursuant to which the Underwriter has offered to underwrite the sale of the Authority Bonds; and

WHEREAS, the City Council has reviewed the Purchase Agreement, the Management Agreement, the Bond Purchase Agreement, the Escrow Deposit and Trust Agreement providing for the defeasance of the Prior Bonds (the "Escrow Agreement") and the Depository Agreement (as defined in the Management Agreement), and matters related thereto and the City Council wishes to approve such documents and the transactions contemplated thereby;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Needles as follows:

Section 1. Sale of Utilities. The City Council hereby approves the sale of the Utilities as approved by a majority of the qualified electors of the City on January 14, 1997, all on the terms set forth in the Purchase Agreement.

Section 2. Approval of Documents. The City Council hereby approves each of the following documents in substantially the respective forms on file with the City Clerk, together with such additions thereto and changes therein as the City Attorney shall deem necessary, desirable or appropriate, the execution of which by the Mayor or the City Manager shall be conclusive evidence of the approval of any such additions and changes.

- (a) The Purchase Agreement relating to the sale of the Utilities from the City to the Authority;
- (b) The Management Agreement providing for the City to act as manager and operator of the Utilities;
- (c) The Escrow Agreement relating to the defeasance of the Prior Bonds;
- (d) The Depository Agreement; and
- (e) The Bond Purchase Agreement.

The Mayor, the Vice Mayor or the City Manager and the City Clerk are hereby authorized and directed to execute, and the City Clerk is hereby authorized and directed to attest and affix the seal of the City to, the final forms of each of the above-mentioned documents to which the City is a party for and in the name and on behalf of the City.

Section 3. Approval of Authority Bonds. The City Council hereby approves the issuance of the Authority Bonds by the Authority and the use of the proceeds of the Authority Bonds as set forth in the Indenture of Trust relating to the Authority Bonds.

Section 4. Official Actions. The Mayor, the Vice Mayor, the City Manager, the Finance Director, the City Clerk and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, deeds, bills of sale, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the transactions as described herein in connection with the sale of the Utilities to the Authority.

Section 5. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

RV PUB \KAB \17657

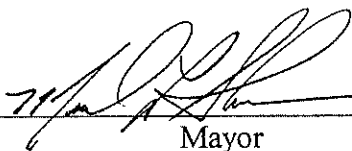
PASSED, APPROVED AND ADOPTED at an adjourned regular meeting of the City Council of the City of Needles, California held on the 10th day of February, 1997, by the following roll call vote:

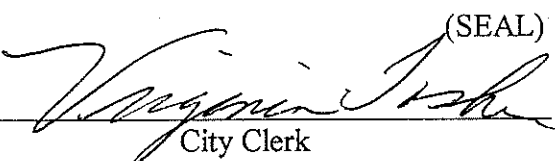
AYES: Councilmembers Frazier, Richards, Hill, Bradshaw, Starr and Gwinnup

NOES: None

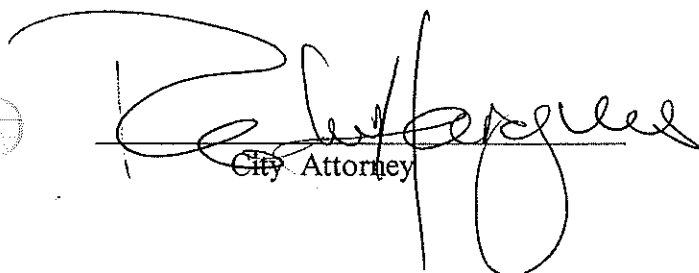
ABSENT: None

ABSTAIN: None

  
\_\_\_\_\_  
Mayor

ATTEST:  (SEAL)  
\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
City Attorney

---

**PURCHASE AGREEMENT**

Dated as of February 1, 1997

by and between

**NEEDLES PUBLIC UTILITY AUTHORITY,  
as Purchaser**

and the

**CITY OF NEEDLES, CALIFORNIA,  
as Seller**

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## PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT, dated as of February 1, 1997, is by and between the NEEDLES PUBLIC UTILITY AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), and the CITY OF NEEDLES, a charter City and municipal corporation duly organized and existing under the laws of the State of California (the "City"),

### WITNESSETH:

WHEREAS, the City owns, operates and controls the City'S Water, Sewer and Electrical Systems (the "Enterprises") and has further established certain funds and accounts which relate to the Enterprise; and

WHEREAS, the Authority wishes to purchase the Enterprises from the City, and the City wishes to sell the Enterprises to the Authority, and the Authority is authorized to issue bonds to finance a portion of the price of acquiring the Enterprises and to make Purchase Payments (as defined herein) to the City for the purpose of financing the remaining portion of the price of acquiring the Enterprises, and

WHEREAS, the Authority is authorized to own, operate and control the Enterprises; and

WHEREAS, in order to provide funds to pay a portion of the purchase price of the Enterprises (the "Initial Payment"), the Authority has authorized the issuance of its \$21,145,000 Needles Public Utility Authority Revenue Bonds, 1997 Series (the "Bonds"), pursuant to the Indenture of Trust (the "Indenture") of even date herewith, by and between the Authority and State Street Bonds and Trust Company of California, N.A., as trustee (the "Trustee"); and

WHEREAS, the Authority and the City desire to establish the terms and conditions of the sale of the Enterprises and to establish a schedule of Purchase Payments which represent the remaining purchase price for the Enterprises after payment of the Initial Payment; and

WHEREAS, the Authority and the City have duly authorized the execution and delivery of this Purchase Agreement;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

### ARTICLE I

#### DEFINITIONS

**Section 1.1. Definitions.** Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Purchase Agreement shall have the respective meanings

specified in the Indenture. In addition, the following terms defined in this Section 1.1 shall, for all purposes of this Purchase Agreement, have the respective meanings herein specified.

"Acquisition" means the acquisition of the Enterprises pursuant to this Agreement.

"Acquisition Costs" means, with respect to the Enterprises, all costs of the Acquisition thereof, including but not limited to all costs required to be paid to any person or entity under the terms of any agreement for or relating to the Acquisition of the Enterprises.

"Agreement" means this Purchase Agreement, together with any duly authorized and executed amendments hereto.

"Annual Debt Service" means, for any Bond Year, the sum of the interest payable on the Bonds in such Bond Year and the principal amount of such Bonds scheduled to be paid in such Bond Year (whether at maturity or through mandatory sinking fund payment redemption).

"Ballot Proposition" means Measure A placed before the qualified electors of the City of Needles at a special election held on January 14, 1997.

"Bonds" means the Needles Public Utility Authority Revenue Bonds, 1997 Series.

"Charter" means the Charter of the City of Needles and all Ordinances adopted by the City in connection therewith.

"Closing Date" means the date of delivery of the Bonds to the original purchaser thereof, which date is expected to be March 6, 1997.

"Enterprises" means the City's utility enterprises, consisting of the property and assets described in Exhibit A hereto, which Enterprises consist of an electric system (the "Electric System"), a water system (the "Water System") and a sewer system (the "Sewer System"). The Electric System component generally consists of the entire electric generation, transmission and distribution system owned or operated by the City, including, but not limited to all facilities, property and improvements currently owned by the City for the generation, transmission and distribution of electric power to residents served thereby, whether within or without the City, and any necessary land, rights, entitlement, power supply, contracts and other property owned by the City and useful in connection therewith. The Water System component consists of, collectively, the entire water treatment, production, storage and distribution system owned by the City, including, but not limited to all facilities, properties and improvements owned by the City for the collection, treatment and supply of water to residents served thereby, whether within or without the City, and any necessary lands, rights, entitlement, water rights and other property owned by the City and useful in connection therewith. The Sewer System component consists of, collectively, the entire sewer collection and treatment system owned by the City, including, but not limited to all facilities, properties and improvements owned by the City for the collection, treatment and disposal of sewage, whether within or without the City, and any necessary land, rights, entitlement and other property owned by the City and useful in connection therewith.

"Fiscal Consultant" means any consultant or firm of such consultants appointed by the Authority and who, or each of whom: (a) is judged by the Authority to have experience in matters relating to the financing of utility system enterprises; (b) is in fact independent and not under domination of the Authority or the City; (c) does not have any substantial interest, direct or indirect, with the Authority or the City other than as purchaser of the Bonds, and (d) is not connected with the Authority or the City as an officer or employee of the Authority or the City, but who may be regularly retained to make reports to the Authority or the City.

"Gross Revenues" means, for any Bond Year, the sum of all gross charges received for, and all other gross income and receipts derived by the Authority from the ownership and operation of the Enterprises or otherwise arising from the Enterprises, including, but not limited to, investment earnings thereon.

"Independent Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom, (a) is in fact independent and not under domination of the Authority; (b) does not have any substantial interest, direct or indirect, in the Authority, and (c) is not connected with the Authority as an officer or employee of the Authority but who may be regularly retained to make annual or other audits of the books of or reports to the Authority.

"Management Agreement" means the Management Agreement between the Authority and the City, dated as of February 1, 1997, pursuant to which the City agrees to manage and operate the Enterprises on behalf of the Authority.

"Material Contracts" means those electric supply and water rights contracts or agreements existing as of the date hereof relating to the Enterprises to which the City is a party, which are listed on exhibit C hereto.

"Operation and Maintenance Costs" means the reasonable and necessary costs and expenses paid for maintaining and operating the Enterprises, including but not limited to (a) costs of pumping, collection or other acquisition of water to be supplied by the Enterprises, (b) costs of electricity and other forms of energy supplied to the Enterprises, (c) the reasonable expenses of management (including amounts payable under the Management Agreement to the City) and repair and other costs and expenses necessary to maintain and preserve the Enterprises in good repair and working order and (d) the reasonable administrative costs of the Authority attributable to the operation and maintenance of the Enterprises, but in all cases excluding (i) debt service payable on obligations incurred by the Authority with respect to the Enterprises, (ii) depreciation replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

"Payment Date" means the first day of each month during the Term of this Purchase Agreement, commencing April 1, 1997.

"Purchase Payments" means the amounts payable by the Authority pursuant to Section 4.3, including any prepayments thereof pursuant to Article IX and which are set forth in Exhibit B hereto.

"Purchase Price" shall mean the amount described in Section 3.2 hereof.

"Surplus Revenues" means, for any Fiscal Year, an amount equal to all of the Gross Revenues received with respect to such Fiscal Year, plus the amount on deposit in the Rate Stabilization Fund with respect to such Fiscal Year minus the amount required to pay all Operation and Maintenance Costs becoming payable with respect to such Fiscal Year, and minus the amount required to pay Annual Debt Service on the Bonds for such Fiscal Year.

"Term of this Purchase Agreement" means the time during which this Purchase Agreement is in effect, as provided in Section 4.1.

"Termination Date" means the earlier of (i) February 1, 2065; or (ii) the date on which all amounts due from the Authority to the City under this Purchase Agreement have been paid in full.

"Utility Fund" means the Authority'S Utilities Enterprises Fund established pursuant to the Indenture.

## ARTICLE II

### COVENANTS AND REPRESENTATIONS

**Section 2.1. Covenants and Representations of the City.** The City makes the following covenants and representations to the Authority that as of the Closing Date:

(a) The City is a charter city and municipal corporation duly organized and validly existing under the laws of the State, has full legal right, power and authority to enter into this Purchase Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action, including an approval of the Ballot Proposition by the voters of the City, has duly authorized the execution and delivery of this Purchase Agreement.

(b) The representatives of the City executing this Purchase Agreement are fully authorized to execute the same.

(c) This Purchase Agreement has been duly authorized, executed and delivered by the City, and constitutes the legal, valid and binding agreement of the City, enforceable against the City in accordance with its terms.

(d) The execution and delivery of this Purchase Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or the Enterprises are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach,

default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Purchase Agreement, or the financial condition, assets, property or operations of the Enterprises.

(e) No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City (other than a favorable vote on the Ballot Proposition, which has occurred), and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Purchase Agreement or the consummation of any transaction herein and therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or affecting the City or the Enterprises which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Purchase Agreement or upon the financial condition or operation of the Enterprises, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Purchase Agreement, or the financial conditions or operations of the Enterprises.

(g) To the extent currently levied, the City will continue to levy water and sewer availability charges with respect to the Enterprises on an annual basis, and will transmit notice of the amount of such charge to the County of San Bernardino. The amount of such water and sewer availability charges shall be an amount requested by the Authority.

**Section 2.2. Covenants and Representations of the Authority.** The Authority makes the following covenants and representations as the basis for its undertakings herein contained:

(a) The Authority is a joint powers authority, duly organized and existing under the laws of the State. The Authority has the power to enter into the transactions contemplated by this Purchase Agreement and to carry out its obligations hereunder. By proper action of its governing body, the Authority has been duly authorized to execute, deliver and duly perform this Purchase Agreement.

(b) To finance the Acquisition Costs of the Enterprises, finance additional improvements to the Enterprises, fund a reserve fund and pay costs of issuance, the Authority will issue the Bonds, which will bear interest, mature and be subject to redemption as set forth in the Indenture, and will pay the Purchase Payments as provided herein.

(c) The Authority is not in default under any of the provisions of the laws of the State, which default would affect its existence or its powers referred to in subsection (a) of this Section 2.2.

## ARTICLE III

### ISSUANCE OF BONDS; ACQUISITION AND OPERATION OF ENTERPRISES

**Section 3.1. Approval of Bonds.** The Authority has authorized the issuance of and delivery of the Bonds pursuant to the Indenture in the aggregate principal amount of Twenty One Million One Hundred Forty-Five Dollars (\$21,145,000).

The Authority agrees that the proceeds of sale of the Bonds shall be paid to the Trustee on the Closing Date for deposit pursuant to the terms and conditions of the Indenture. The City hereby approves the Indenture, the assignment to the Trustee of the rights of the Authority assigned under and pursuant to the Indenture, and the issuance of the Bonds by the Authority under and pursuant to the Indenture and the use of the proceeds of the Bonds by the Authority as provided in the Indenture.

**Section 3.2. Acquisition of the Enterprises.** The Authority agrees to purchase the Enterprises from the City, and the City agrees to sell, and hereby does sell, such Enterprises to the Authority, for the Purchase Price of \$65,000,000.00. Such Purchase Price shall be paid by means of (a) the deposit by the Authority of a portion of the proceeds of the Bonds in the amount of \$17,941,091.87, as provided in the Indenture as a down payment to be paid on the date of issuance of the Bonds, and (b) the Authority's obligation to pay the balance of the Purchase Price by means of paying the Purchase Payments. The Purchase Payments are intended to amortize the balance of the Purchase Price over a term of 68 years at an amount of \$685,300.00 per annum on the unpaid balance of the Purchase Price. The parties hereto acknowledge that such Purchase Price represents the fair market value of the Enterprises as determined by Urban Logic, Inc., an independent consultant retained by the Authority and the City. The Purchase Price shall be (a) increased by an amount equal to any outstanding advances from the Enterprises to the City or any of its operating departments or enterprises (including, but not limited to, the Needles Hospital) (collectively, the "Advances"); and (b) decreased by an amount equal to the Advances, which Advances are hereby forgiven by the Authority, such forgiveness to extend to the City and to all departments and enterprises of the City (including the Needles Hospital) that benefited from the Advances.

**Section 3.3. Availability of Rights of Way; Franchise Fee.** The City hereby agrees to provide to the Authority all necessary rights of way and rights of access in and to all real property, electric, water and sewer rights or interests therein now or hereafter acquired and owned by the City, as may be necessary or convenient to enable the Authority to acquire, operate and control the Enterprises; provided that the City shall have the right to collect an annual franchise fee from the Authority with respect to the use of such rights of way and rights of access, in such amount as may be determined by the City. The City covenants that it will execute, deliver and record any and all additional documents as may be required to be executed, delivered and recorded to establish such rights of way and rights of access. The City agrees that any City franchise fee shall be payable on a subordinate basis to the Annual Debt Service on the Bonds and any Parity Obligations.

**Section 3.4. Appointment of City as Manager of Enterprises Under Management Agreement.** The Authority and the City are entering into a Management Agreement dated as of

February 1, 1997 (the "Management Agreement") under which the Authority will contract with the City to manage, operate and maintain the Enterprises. All contracts relating to the acquisition, operation and maintenance of the Enterprises shall be subject to all applicable provisions of law relating to like property owned and operated by joint powers authorities and by municipal corporations.

**Section 3.5. Material Contracts; Electric and Water Supply.** The City is a party to the Material Contracts listed in Exhibit C hereto, which provide for the supply of electric power and water and/or water rights, for use, distribution and sale by the Enterprises. The City hereby assigns to the Authority its rights under such Material Contracts. In connection with such assignment, the City further agrees to make such electric and water supply and sources available to the Authority for use, distribution and sale by the Enterprises at no cost or expense to the Authority other than the payment of any costs and expenses provided for in such Material Contracts to be paid by the City for such electric and water supply and sources.

## ARTICLE IV

### PURCHASE PAYMENTS

**Section 4.1. Term.** The Term of this Purchase Agreement shall commence on the Closing Date, and shall end on the date on which the Authority shall have paid all of the Purchase Payments and all other amounts due and payable hereunder. The provisions of this Section 4.1 are subject in all respects to any other provisions of this Purchase Agreement relating to the termination hereof.

**Section 4.2. Title.** Upon the sale of the Enterprises to the Authority pursuant to Section 3.2 hereof, title to the Enterprises shall be deemed conveyed to and vested in the Authority. The Authority and the City shall execute, deliver and cause to be recorded any and all documents, if any, necessary to convey such title to the Authority.

#### **Section 4.3. Purchase Payments.**

(a) **Obligation to Pay.** The Authority agrees to pay to the City, its successors and assigns, but solely from the Surplus Revenues and other funds pledged hereunder, the Purchase Price. The Purchase Payments shall be paid by the Authority to the City, on each Purchase Payment Date and shall be in the amounts set forth in Exhibit B hereto. Purchase Payments shall be applied first to accrued interest and second to principal.

(b) **Effect of Prepayment.** In the event that the Authority prepays all remaining Purchase Payments in full pursuant to Article IX, the Authority's obligations under this Purchase Agreement shall thereupon cease and terminate, including but not limited to the Authority's obligation to pay Purchase Payments therefor under this Section 4.3. In the event that the Authority prepays the Purchase Payments in part but not in whole pursuant to Section 9.2 or Section 9.3, the principal component of each succeeding Purchase Payment shall be reduced as provided in such Sections, and the interest component of each remaining Purchase Payment shall be reduced accordingly.

(c) Rate on Overdue Payments. The failure of the Authority to make any of the Purchase Payments required in this Section 4.3, shall not constitute an Event of Default under this Purchase Agreement; however, the payment in default shall continue as an obligation of the Authority until the amount in default shall have been fully paid, and the Authority agrees to pay the same with interest thereon, from the date of default to the date of payment, at the rate of ten percent (10%) per annum.

#### **Section 4.4. Pledge and Application of Surplus Revenues.**

(a) Pledge of Surplus Revenues. The Authority has covenanted in Section 4.6 hereof to maintain rates and charges with respect to the Enterprises sufficient to produce Surplus Revenues at least equal to the Purchase Payments due hereunder. Accordingly, all of the Surplus Revenues are hereby irrevocably pledged, charged and assigned to the punctual payment of the Purchase Payments, and except as otherwise provided in the Indenture or herein, the Surplus Revenues and such other funds shall not be used for any other purpose (except capital improvements to the Enterprises) so long as any then-due installment of the Purchase Payments remain unpaid. Such pledge, charge and assignment shall constitute a first lien on the Surplus Revenues and such other moneys for the payment of the Purchase Payments in accordance with the terms hereof.

(b) Deposits Into Utility Fund. All of the Gross Revenues shall be deposited by or for the account of the Authority immediately upon receipt in the applicable account or accounts of the Utility Fund, as provided in the Indenture. The Authority covenants and agrees that all Net Revenues produced by the Enterprises shall be transferred from such account or accounts to the Debt Payment Account of the Utility Fund, as required pursuant to the Indenture.

(c) Other Uses of Surplus Revenues Permitted. The Authority shall manage, conserve and apply the Net Revenues on deposit in the Debt Payment Account in such a manner that all deposits required to be made pursuant to the preceding subsection (b) will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default shall have occurred and be continuing hereunder, the Authority may use and apply moneys in the Utility Fund including moneys in the Debt Payment Account, as required pursuant to the Indenture.

(d) Budget and Appropriation of Purchase Payments. During the term of this Purchase Agreement, the Authority shall adopt and make all necessary budgets and appropriations of the Purchase Payments from the Surplus Revenues. In the event any Purchase Payment requires the adoption by the Authority of any supplemental budget or appropriation, the Authority shall promptly adopt the same. The covenants on the part of the Authority contained in this subsection (d) shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the Authority to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Authority to carry out and perform the covenants and agreements in this subsection (d).

**Section 4.5. Special Obligation of the Authority; Obligations Absolute.** The Authority's obligation to pay the Purchase Payments hereunder shall be a special obligation of the Authority limited solely to the Surplus Revenues. Under no circumstances shall the Authority be required to advance moneys derived from any source of income other than the Surplus Revenues and other sources specifically identified herein for the payment of the Purchase Payments, nor shall any

other funds or property of the Authority be liable for the payment of the Purchase Payments and any other amounts coming due and payable hereunder (except for the use of proceeds of the Bonds as provided herein and in the Indenture).

The obligations of the Authority to make the Purchase Payments from the Surplus Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City of any obligation to the Authority or otherwise with respect to the Enterprises, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the Authority by the City. Until such time as all of the Purchase Payments and all other amounts coming due and payable hereunder shall have been fully paid or prepaid, the Authority (a) will not suspend or discontinue payment of any Purchase Payments or such other amounts, and (b) will perform and observe all other agreements contained in this Purchase Agreement.

In the event the City shall fail to perform any of its agreements contained herein, the Authority may institute such action against the City as the Authority may deem necessary to compel performance so long as such action does not abrogate the obligations of the Authority contained in the preceding paragraph. The Authority may, however, at the Authority's own cost and expense and in the Authority's own name or in the name of the Authority prosecute or defend any action or proceeding or take any other action involving third persons which the Authority deems reasonably necessary in order to secure or protect the Authority's rights hereunder, and in such event the Authority hereby agrees to cooperate fully with the City and to take such action necessary to effect the substitution of the City for the Authority in such action or proceeding, if the Authority shall so request.

**Section 4.6. Rates and Charges.** The Authority makes the covenants set forth in the Indenture at Section 5.03 regarding rates and charges as if fully set forth herein, for the benefit of the City hereunder. The Authority hereby ratifies and approves the rates and charges currently imposed by the City with respect to the Enterprises. The Authority further covenants to fix, prescribe, revise and collect, or cause to be fixed, prescribed, revised and collected, rates, fees and charges for the services and improvements furnished by the Enterprises during each Fiscal Year during the Term of this Purchase Agreement which are sufficient to yield Surplus Revenues at least equal to the Purchase Payments due in such Fiscal Year pursuant to this Purchase Agreement.

Rates and charges for the Enterprises shall be reviewed annually as part of the Authority's budgetary process.

Each year, prior to June 1, the Executive Director shall submit to the Authority a proposed preliminary budget for the following fiscal year (commencing on the following July 1) with respect to the operating budget and for the following three years with respect to the capital budget. The proposed budgets shall take into account all expected expenditures (including both operating and capital expenses) and the expected revenue sources. The Authority shall comply with state law in adopting annually its budget for the next succeeding fiscal year, which preliminary budget shall be adopted prior to July 1 of each year.

Total expenditures from any fund in any fiscal year shall not exceed total appropriations for such fund for such fiscal year. The Authority may amend the budget for any fund for any fiscal year at such times and in such manner as may be lawfully determined by the Authority.

**Section 4.7. Superior and Subordinate Obligations.** Other than the Bonds and any refunding obligations relating to the Bonds, the Authority shall not issue or incur any additional bonds or other obligations during the term of this Purchase Agreement having any priority in payment of principal or interest out of the Surplus Revenues over the Purchase Payments. Nothing herein is intended or shall be construed to limit or affect the ability of the Authority to issue or incur obligations which are either unsecured or which are secured by an interest in the Surplus Revenues which is junior and subordinate to the pledge of and lien upon the Surplus Revenues established hereunder.

**Section 4.8. Limitation on Excess Payments to City General Fund.** The Authority and the City agree that in the event the Board of Public Utilities (the "Utilities Board") established pursuant to Section 4.12 of the Joint Exercise of Powers Agreement creating the Authority (the "JPA Agreement") disapproves any proposed payment from the revenues of the Enterprises to the City general fund in excess of the Purchase Payments due hereunder, no action shall be taken by either the Board of Commissioners of the Authority or the City Council of the City to affirm such payment pursuant to Section 6.04(c) of the JPA Agreement until a date at least seven (7) days after the date of such disapproval by the Utilities Board.

## ARTICLE V

### MAINTENANCE; TAXES, INSURANCE; AND OTHER MATTERS

**Section 5.1. Maintenance, Utilities, Taxes and Assessments.** Throughout the term of this Purchase Agreement, all improvement, repair and maintenance of the Enterprises shall be the responsibility of the Authority, and the Authority shall pay for or otherwise arrange for the payment of all utility services supplied to the Enterprises, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Enterprises resulting from ordinary wear and tear.

The Authority shall also pay or cause to be paid all taxes, in lieu taxes, assessments and franchise fees of any type or nature, if any, charged to the Authority affecting the Enterprises or its interest or estate therein as more fully set forth in Section 6.12 of the Indenture.

**Section 5.2. Operation of Enterprises.** The Authority covenants and agrees to be responsible for the operation of the Enterprises in an efficient and economical manner and to operate, maintain and preserve the Enterprises in good repair and working order. The Authority covenants that, in order to fully preserve and protect the priority and security of the Bonds and its Purchase Payments, the Authority shall pay from the Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Enterprises which, if unpaid, may become a lien or charge upon the Gross Revenues or the Surplus Revenues prior or superior to the

lien granted hereunder, or which may otherwise impair the ability of the Authority to pay the Purchase Payments in accordance herewith.

**Section 5.3. Insurance.** The Authority shall maintain or cause to be maintained, throughout the term of this Purchase Agreement, insurance of such types and in such amounts as set forth in Section 6.14 and 6.15 of the Indenture.

**Section 5.4. Insurance Proceeds; Eminent Domain.** Proceeds of insurance or of any eminent domain proceeding involving the Enterprises shall be applied as set forth in Sections 6.16 and 6.17 of the Indenture.

**Section 5.5. Records and Accounts.** The Authority shall keep proper books of record and accounts of the Enterprises, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprises. Said books shall, upon prior request, be subject to the reasonable inspection by the City or its representatives authorized in writing. The Authority shall cause the books and accounts of the Enterprises to be audited annually by an Independent Accountant, not more than one hundred eighty (180) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the City at the office of the Authority.

## ARTICLE VI

### DISCLAIMER OF WARRANTIES; ACCESS

**Section 6.1. Disclaimer of Warranties.** The City makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the Authority of the Enterprises, or any other representation or warranty with respect to the Enterprises. In no event shall the City be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Purchase Agreement for the existence, furnishing, functioning or Authority'S use of the Enterprises.

**Section 6.2. Release and Indemnification Covenants.** The Authority shall and hereby agrees to indemnify and save the City and its officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Enterprises by the Authority, (b) any breach or default on the part of the Authority in the performance of any of its obligations under this Purchase Agreement, (c) any negligence or willful misconduct of the Authority or of any of its agents, contractors, servants, employees or licensees with respect to the Enterprises (d) any act or negligence of any sublessee of the Authority with respect to the Enterprises, (e) the acquisition of the Project by the Authority, (f) the presence on, under or about, or release from, the Enterprises of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law, (g) the performance by the trustee of its duties and obligations under the Indenture; or (h) the offer, sale and issuance of the Bonds. No indemnification is made under this Section 6.3 or elsewhere in this Purchase Agreement for adjudicated willful misconduct or negligence by the Authority, or their respective officers, employees,

successors or assigns. The obligations of the Authority under this Section 6.2 shall survive the termination of this Purchase Agreement.

**Section 6.3. Non-Liability of City for Enterprises Obligations.** The City and its successor and assigns shall have no obligation and shall incur no liabilities or debts whatsoever for the obligations, liabilities and debts of the Authority incurred in connection with the Enterprises.

## ARTICLE VII

### ASSIGNMENT, SALE AND AMENDMENT

**Section 7.1. No Assignment.** This Purchase Agreement may not be assigned by the Authority or the City.

**Section 7.2. No Sale of Enterprises.** Except as provided herein and subject to the provisions of the Authority'S Joint Powers Agreement, the Authority covenants that the Enterprises shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole. Neither the Surplus Revenues nor any other funds pledged or otherwise made available to secure payment of the Purchase Payments shall be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed or used except as authorized by the terms of this Purchase Agreement. The Authority shall not enter into any agreement which impairs the operation of the Enterprises or any part of it necessary to secure adequate Surplus Revenues to pay the Purchase Payments, or which otherwise would impair the rights of the City with respect to the Surplus Revenues. If any substantial part of the Enterprises shall be sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements, extensions or replacements of Enterprises, or (b) to be applied to prepay the Purchase Payments.

**Section 7.3. Amendment of Purchase Agreement.** The City and the Authority shall have the right to modify or amend this Purchase Agreement without the consent of any of the Bond Owners, but only if such amendment or modification does not adversely affect the security for prepayment of the Bonds or cause interest represented by the Bonds to be includable in gross income for federal income tax purposes in the opinion of Bond Counsel.

## ARTICLE VIII

### EVENTS OF DEFAULT

**Section 8.1. Events of Default Defined.** The following events shall be Events of Default hereunder:

- (a) Failure by the Authority to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than failure to pay when due any Purchase Payment or other amount due under this Purchase Agreement, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the Authority by the City; provided, however, that if the Authority shall notify

the City that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an event of default hereunder if the Authority shall commence to cure such failure within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(b) The filing by the Authority of a voluntary petition in bankruptcy, or failure by the Authority promptly to lift any execution, garnishment or attachment, or adjudication of the Authority as a bankrupt, or assignment by the Authority for the benefit of creditors, or the entry by the Authority into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Authority in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

**Section 8.2. Remedies on Default.** Whenever any Event of Default shall have happened and be continuing the Authority, upon receipt of actual knowledge thereof, shall promptly give written notice thereof to the City, and the City shall have the right, at its option and without any further demand or notice, but subject in all respects to the provisions of Article VIII of the Indenture, to:

(a) take whatever action at law or in equity may appear necessary or desirable to collect the Purchase Payments then due or thereafter to become due during the term of this Purchase Agreement, or enforce performance and observance of any obligation, agreement or covenant of the Authority under this Purchase Agreement; and

(b) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings, to enforce the rights of the City hereunder, cause the appointment of a receiver or receivers of the Surplus Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer;

Provided, however, that the City shall not have the right to declare all principal components of the unpaid Purchase Payments, together with accrued interest thereon, to be immediately due and payable.

**Section 8.3. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the City or the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Purchase Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the City to exercise any remedy reserved to it in this Article VIII it shall not be necessary to give any notice, other than such notice as may be required in this Article VIII or by law.

**Section 8.4. Agreement to Pay Attorneys' Fees and Expenses.** In the event either party to this Purchase Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the

defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred.

**Section 8.5. No Additional Waiver Implied by One Waiver.** In the event any agreement contained in this Purchase Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

## ARTICLE IX

### PREPAYMENT OF PURCHASE PAYMENTS

**Section 9.1. Security Deposit.** Notwithstanding any other provision of this Purchase Agreement, the Authority may on any date secure the payment of Purchase Payments in whole or in part by irrevocably depositing with a fiduciary an amount of cash which is either (a) sufficient to pay all such Purchase Payments, including the principal and interest components thereof, in accordance with the Purchase Payment schedule set forth in Exhibit B hereto, or (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the written opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Purchase Payments when due pursuant to Section 4.3(a) or when due on any optional prepayment date pursuant to Section 9.2, as the Authority shall instruct at the time of said deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Purchase Payments, all obligations of the Authority under this Purchase Agreement, and all security provided by this Purchase Agreement for said obligations, shall cease and terminate, excepting only the obligation of the Authority to make, or cause to be made, all of such Purchase Payments from such security deposit. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Purchase Payments in accordance with the provisions of this Purchase Agreement.

**Section 9.2. Optional Prepayment.** The Authority may exercise its option to prepay the principal components of the Purchase Payments in whole or in part among Payment Dates, on any date, by paying a partial or full prepayment price equal to all or a portion of the aggregate principal components of the Purchase Payments to be prepaid, together with the interest component of the Purchase Payment required to be paid on or accrued to such date.

**Section 9.3. Mandatory Prepayment From Proceeds of Insurance, Sale or Eminent Domain.** Subject to the provisions of the Indenture, the Authority shall be obligated to prepay the Purchase Payments, in whole or in part among Payment Dates, on such basis as the Authority may determine, on any date from and to the extent of any proceeds of insurance award, sale of a substantial portion of the Enterprises or condemnation award with respect to the Enterprises theretofore paid to the Authority or its assigns for such purpose. The City and the Authority hereby agree that such proceeds, to the extent remaining after payment of any delinquent Purchase Payments, shall be credited towards the Authority'S obligations under this Section 9.3.

## ARTICLE X

### MISCELLANEOUS

**Section 10.1. Further Assurances.** The City agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or by the Trustee to carry out the intention or to facilitate the performance of this Purchase Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created. The City further covenants that it will not encumber title in any manner whatsoever to any property, if any, held in the name of the City constituting a portion of the Enterprises, including, without limitation, easements, but will preserve and protect all such interest on behalf of the Authority.

**Section 10.2. Amendment of Indenture.** The Authority covenants that it shall take no action to amend or supplement the Indenture in any manner without obtaining the prior written consent of the City to such amendment or supplement.

**Section 10.3. Notices.** Any notice, request, complaint, demand or other communication under this Purchase Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon confirmed transmission by telecopy, telex or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority or the City may, by written notice to the other party, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority:   Needles Public Utility Authority  
                                  817 Third Street  
                                  Needles, CA 92363  
                                  Attention: Executive Director

If to the City:           City of Needles, California  
                                  817 Third Street  
                                  Needles, CA 92363  
                                  Attention: City Manager

**Section 10.4. Governing Law.** This Purchase Agreement shall be construed in accordance with and governed by the laws of the State of California.

**Section 10.5. Binding Effect.** This Purchase Agreement shall inure to the benefit of and shall be binding upon the Authority and the City, and their respective successors and assigns, subject, however, to the limitations contained herein.

**Section 10.6. Severability of Invalid Provisions.** If any one or more of the provisions contained in this Purchase Agreement shall for any reason be held to be invalid, illegal or

unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Purchase Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Purchase Agreement, and this Purchase Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the City each hereby declares that it would have entered into this Purchase Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Purchase Agreement may be held illegal, invalid or unenforceable.

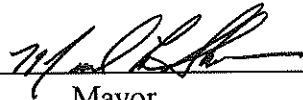
**Section 10.7. Article and Section Headings and References.** The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Purchase Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Purchase Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Purchase Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

**Section 10.8. Execution of Counterparts.** This Purchase Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

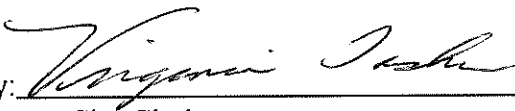
**Section 10.9. Waiver of Personal Liability.** No member of the Authority, nor any member of the governing board of the Authority or its members, nor any officer, agent or employee of the Authority or its members shall be individually or personally liable for the payment of Purchase Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Purchase Agreement; but nothing herein contained shall relieve any such member or person from the performance of any official duty provided by law or by this Purchase Agreement.

IN WITNESS WHEREOF, the Authority and the City have caused this Purchase Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

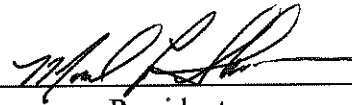
CITY OF NEEDLES, as Seller

By:   
Mayor

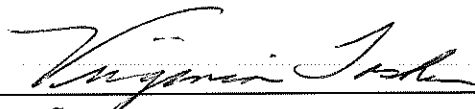
Attest:

By:   
City Clerk

NEEDLES PUBLIC UTILITY AUTHORITY, as Purchaser

By:   
President

Attest:

By:   
Secretary

## EXHIBIT A

### DESCRIPTION OF THE ENTERPRISES

<u>ITEM</u>	<u>QTY.</u>	<u>UNITS</u>
<u>Wastewater Utility</u>		
Pipe (15" Main) V.C.P. (1.5 Miles)	7920	Lin.Ft.
Pipe (12" Main) V.C.P. (4 Miles)	21120	Lin.Ft.
Pipe (8" Main) 50% V.C.P., 50% C.I.	82839	Lin.Ft.
Pipe, 4" Laterals w/ Saddles	2200	Each
Manholes	230	Each
Lift Station (150 gpm)	2	Each
Lift Station (250 gpm)	2	Each
Lift Station (750 gpm)	1	Each
Force Main (10" Ductile Iron)	2800	Lin.Ft.
Force Main (6" PVC)	1000	Lin. Ft.
Force Mains (4" Ductile Iron)	1600	Lin. Ft.
WWTP (1.8 MGD, Tricking Filter)	1	L.S.
Land on WWTP & Surrounding	7.4	Acres
Land for New WWTP (complete 99)	51	Acres
Inventory & Supplies in Stock	1	L.S.
<u>Water Utility</u>		
Pipe (16" Main)	14081	Lin.Ft.
Pipe (12" Main)	7296	Lin.Ft.
Pipe (10" Main)	32620	Lin.Ft.
Pipe (8" Main)	50219	Lin.Ft.
Pipe (6" Main)	106973	Lin.Ft.
Pipe (4" Main)	500	Lin.Ft.
Pipe (2" Main)	300	Lin.Ft.
Valves	1050	Each
Fire Hydrants	163	Each
Booster Pump Stations	3	Each
Storage Tanks	4	Each
Well (2,500 GPM) @ Filter Plant	1	Each
Well (750 GPM) w/ appurtenances	1	Each
Well (1,000 GPM) w/ appurtenances	1	Each
Filtration Plant (3,500 GPM)	1	Each
Water Meters/Connections	1780	Each
Telemetry (Tanks-to-Filter-Wells)	1	L.S.
Inventory	1	L.S.
Topock Wells/ w/ appurtenances	2	Each

Topock Distribution System	1	L.S.
Topock Store Tank/Flow Cont.	1	L.S.
Topock Land	1	Acre
Perfected Water Rights from the Depart. of Interior (1967)	950	Acre-Ft/Yr.
Perfected Water Rights purchased from A.T. & S.F. (1995)	273	Acre-Ft/Yr.
Perfected Water Rights granted to City by property owners located within the City limits	100	Acre-Ft/Yr.
Water Allocation from Depart. of Interior for City's participation in All American Canal Project	4400	Acre-Ft./Yr.
Surplus Water Contract with the Bureau of Reclamation	Varies	Acre-Ft/Yr.

#### Real Estate

Clary Dr. Water Tanks (500x500)	5.74	Acres
Lillyhill Booster Station (120x70)	0.24	Acres
Parkway Water Tanks	10.00	Acres
Filtration Plant & Well #11	1.67	Acres
Well # 6&7 (inactive), #8 (active)	0.83	Acres
Well # 10	0.14	Acres

#### Electric Utility

Underground Electrical	14081	Lin.Ft.
Poles & Wire (Circuits)	206000	Lin.Ft.
Power Feeds (to meters)	3350	Each
Old Hoover Line (69Kv)	15	Miles
Other Main Feed (69Kv)	14	Miles
Transformers (Pad Mount)	101	Each
Transformers (Pole Mount)	534	Each
Lighting Circuits	31680	Lin.Ft.
Antique Street Lights	55	Each
Regular Street Lights	817	Each
Main Swith Gear & Disc.	22	Each
Misc. Regulators, Brakes, etc.	1	LS
Eagle Pass Sub Station	1	Each
Bush Sub Station	1	Each
Electric Meters	3350	Each
Inventory	1	LS

**EXHIBIT B**

**SCHEDULE OF PURCHASE PAYMENTS**

<u>Purchase Payment Date</u>	<u>Purchase Payment</u>
March 6, 1997	\$17,941,091.87
February 1, 1998	685,300.00
February 1, 1999	685,300.00
February 1, 2000	685,300.00
February 1, 2001	685,300.00
February 1, 2002	685,300.00
February 1, 2003	685,300.00
February 1, 2004	685,300.00
February 1, 2005	685,300.00
February 1, 2006	685,300.00
February 1, 2007	685,300.00
February 1, 2008	685,300.00
February 1, 2009	685,300.00
February 1, 2010	685,300.00
February 1, 2011	685,300.00
February 1, 2012	685,300.00
February 1, 2013	685,300.00
February 1, 2014	685,300.00
February 1, 2015	685,300.00
February 1, 2016	685,300.00
February 1, 2017	685,300.00
February 1, 2018	685,300.00
February 1, 2019	685,300.00
February 1, 2020	685,300.00
February 1, 2021	685,300.00
February 1, 2022	685,300.00
February 1, 2023	685,300.00
February 1, 2024	685,300.00
February 1, 2025	685,300.00
February 1, 2026	685,300.00
February 1, 2027	685,300.00
February 1, 2028	685,300.00
February 1, 2029	685,300.00
February 1, 2030	685,300.00
February 1, 2031	685,300.00
February 1, 2032	685,300.00
February 1, 2033	685,300.00
February 1, 2034	685,300.00

February 1, 2035	685,300.00
February 1, 2036	685,300.00
February 1, 2037	685,300.00
February 1, 2038	685,300.00
February 1, 2039	685,300.00
February 1, 2040	685,300.00
February 1, 2041	685,300.00
February 1, 2042	685,300.00
February 1, 2043	685,300.00
February 1, 2044	685,300.00
February 1, 2045	685,300.00
February 1, 2046	685,300.00
February 1, 2047	685,300.00
February 1, 2048	685,300.00
February 1, 2049	685,300.00
February 1, 2050	685,300.00
February 1, 2051	685,300.00
February 1, 2052	685,300.00
February 1, 2053	685,300.00
February 1, 2054	685,300.00
February 1, 2055	685,300.00
February 1, 2056	685,300.00
February 1, 2057	685,300.00
February 1, 2058	685,300.00
February 1, 2059	685,300.00
February 1, 2060	685,300.00
February 1, 2061	685,300.00
February 1, 2062	685,300.00
February 1, 2063	685,300.00
February 1, 2064	685,300.00
February 1, 2065	685,300.00

## EXHIBIT C

### EXISTING MATERIAL CONTRACTS

#### Water System

1. Rever Agreement by and between the City and the United States of America (Contract 2-07-30-W0280).

#### Wastewater System

1. Ceast and Desist Order No. 90-071
2. Ceast and Desist Order No. 94-025

#### Electrical System

1. Interchange Agreement with Salt River Project dated September 29, 1995.
2. Coordination Tariff of Tucson Electric Power Company, dated October 6, 1995.
3. Agreement with Ulinova Power Marketing, Inc. dated November 22, 1995.
4. Power Purchase Sale Agreement with Enron Power Marketing, Inc., dated October 24, 1995.
5. Service Agreement with Louis Dreyfus Electric Power, Inc., dated January 25, 1996.
6. Interchange Agreement with Department of Water Resources of the State of California, dated February 29, 1996.
7. San Diego Gas and Electric Company Interchange Agreement, dated September 29, 1995.
8. Service Agreement with Washington Water Power Company, dated August 21, 1995.
9. Interchange Agreement with Glendale, California, dated August 16, 1995.
10. Arizona Public Service Company Service Agreement, dated September 26, 1995.
11. Interchange Agreement with the City of Colton, California, dated September 19, 1995.

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**MANAGEMENT AGREEMENT**

By and Between the

**NEEDLES PUBLIC UTILITY AUTHORITY**

and

**CITY OF NEEDLES**

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## MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT, dated as of February 1, 1997, is by and between the NEEDLES PUBLIC UTILITY AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), and the CITY OF NEEDLES, a charter city and municipal corporation duly organized and existing under its Charter and the laws of the State of California (the "City"),

### WITNESSETH:

WHEREAS, the City has sold its municipal water, sewer and electrical systems (the "Enterprises") to the Authority, pursuant to a Purchase Agreement dated of even date herewith (the "Purchase Agreement"); and

WHEREAS, in order to provide funds for the down payment of the purchase price of the Enterprises, the Authority has authorized the issuance of its \$21,145,000 Needles Public Utility Authority Revenue Bonds 1997 Series (the "Bonds") pursuant to an Indenture of Trust (the "Indenture") of even date herewith by and between the Authority and State Street Bank and Trust Company of California, N.A., as trustee (the "Trustee"); and

WHEREAS, under the Purchase Agreement, the Authority indicated its intention to contract with the City to operate and manage the Enterprises; and

WHEREAS, the parties wish to set forth the terms of the management and operation of the Enterprises by the City on behalf of the Authority and the terms of payment by the Authority to the City for such management and operation;

NOW THEREFORE, for and in good consideration of the premises and material covenants hereinafter contained, the parties hereto formally covenant, agree and bind themselves as follows:

### ARTICLE I

#### DEFINITIONS

**Section 1.1. Definitions.** Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Agreement shall have the respective meanings specified in the Indenture. In addition, the following terms defined in this Section 1.1 shall, for all purposes of this Agreement, have the respective meanings herein specified.

"Acquisition" means the acquisition of the Enterprises pursuant to the Purchase Agreement.

"Agreement" means this Management Agreement, together with any duly authorized and executed amendments hereto.

"Annual Budget" means the annual budget for the Enterprises, covering the revenues and expenditures for the applicable Fiscal Year, prepared by the City and approved by the Authority in accordance with the purposes of Section 4.5 hereof.

"Annual Depository Statement" means the annual statement to be prepared and delivered to the Depository as set forth in Section 4.5 hereof.

"Ballot Proposition" means the ballot proposition placed before the qualified electors of the City of Needles at a special election held on January 14, 1997.

"Bonds" means the \$21,145,000 aggregate principal amount Needles Public Utility Authority Revenue Bonds, 1997 Series, issued pursuant to the Indenture.

"Charter" means the Charter of the City of Needles and all Ordinances adopted by the City in connection therewith.

"City Equipment" shall have the meaning set forth in Section 4.4 hereof.

"Enterprises" means the Authority's utility enterprises, which consist of an electric system (the "Electric System"), a water system (the "Water System") and a sewer system (the "Sewer System"). The Electric System component consists of, collectively, the entire electric generation, transmission and distribution system owned or operated by the Authority, including, but not limited to all facilities, property and improvements at any time owned or operated by the Authority for the generation, transmission and distribution of electric power to residents served thereby, whether within or without the City, and any necessary land, rights, entitlement and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the Authority. The Water System component consists of, collectively, the entire water treatment, production, storage and distribution system owned or operated by the Authority, including, but not limited to all facilities, properties and improvements at any time owned or operated by the Authority for the collection, treatment and supply of water to residents served thereby, whether within or without the City, and any necessary lands, rights, entitlement and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the Authority. The Sewer System component consists of, collectively, the entire sewer collection and treatment system owned or operated by the Authority, including, but not limited to all facilities, properties and improvements at any time owned or operated by the Authority for the collection, treatment and disposal of sewage, whether within or without the City, and any necessary land, rights, entitlement and other property useful in connection therewith, together with all extensions thereof and improvements hereafter acquired, constructed or installed by the Authority. The Enterprises are more fully described in Exhibit A hereto.

"Event of Default" shall mean the occurrence of any of the events described in Article II of this Agreement, together with the expiration of any cure period applicable to such event.

"Legal Requirements" shall mean any and all laws, statutes, ordinances, codes, orders, rules, regulations, permits, licenses, authorizations, entitlements, official orders and requirements of, and

conditions imposed by, all federal, state and local governmental regulatory agencies and authorities which are as of the date hereof or hereafter become applicable to the Enterprises or the operation thereof.

"Material Contracts" shall mean all contracts now or hereafter entered into for the management, maintenance and operation of the Enterprises, including, without limitation, all such contracts for improvements to be provided for the Enterprises, electric power supply contracts and water supply contracts. As of the date of this Agreement, the Material Contracts, and the parties thereto, are listed in Exhibit C to the Purchase Agreement.

"Term" means the term of this Agreement as set forth in Section 3.2 hereof.

"Termination Date" means the date on which the City shall no longer act as Agent of the Authority with respect to the management and operation of the Enterprises hereunder.

## ARTICLE II

### COVENANTS AND REPRESENTATIONS

**Section 2.1 Covenants and Representations of the City.** The City makes the following covenants and representations to the Authority that as of the date of this Agreement:

(a) The City is a charter city and municipal corporation duly organized and validly existing under the laws of the State, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action has duly authorized the execution and delivery of this Agreement.

(b) The representatives of the City executing this Agreement are fully authorized to execute the same.

(c) This Agreement has been duly authorized, executed and delivered by the City, and constitutes the legal, valid and binding agreement of the City, enforceable against the City in accordance with its terms.

(d) The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it is otherwise subject or bound, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions on the part of the City contemplated by this Agreement.

(e) No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license

of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the consummation of any transaction herein and therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or affecting the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions on the part of the City contemplated by or the validity of this Agreement and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions on the part of the City contemplated by this Agreement.

**Section 2.2 Covenants and Representations of the Authority.** The Authority makes the following covenants and representations as the basis for its undertakings herein contained:

(a) The Authority is a joint powers authority, duly organized and existing under the laws of the State. The Authority has the power to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder. By proper action of its governing body, the Authority has been duly authorized to execute, deliver and duly perform this Agreement.

(b) The Authority is not in default under any of the provisions of the laws of the State, which default would affect its existence or its powers referred to in subsection (a) of this Section 2.2.

### ARTICLE III

#### APPOINTMENT OF MANAGER

**Section 3.1 Agreement to Manage and Operate Enterprises.** The Authority hereby appoints and retains the City, and the City hereby accepts such appointment and retention as the manager and operator of the Enterprises during the Term with full power and authority to carry out all responsibilities of manager and operator upon the terms and subject to the conditions hereinafter set forth.

**Section 3.2 Term.** The initial term of the appointment of the City as manager and operator hereunder (the "Initial Term") shall be for the period beginning on the 6th day of March, 1997 and ending on the 30th day of June, 1998. On July 1, 1998 and on each anniversary of July 1, 1998, this Agreement will be extended for an additional term (each such term, a "Subsequent Term") consisting of the next 12 consecutive months, unless (a) an Event of Default exists under this Agreement or (b) the City or the Authority gives written notice to each other party hereto that it does not intend to extend the term of this Agreement.

**Section 3.3 Standards of Performance; Relationship Between Authority and City.** The City accepts the relationship of trust and confidence established between the City and Authority by the terms of this Agreement. The City shall manage, operate and maintain the Enterprises on behalf of the Authority as public utilities. The City shall perform its duties and obligations under this Agreement in an efficient, expeditious, prudent and economical manner, consistent with the best interests of the Authority, in accordance with standard industry practices with respect to the management and operation of similarly situated public utilities.

## ARTICLE IV

### OPERATION OF ENTERPRISES; ANNUAL BUDGET

**Section 4.1 Employees of City.** The City shall employ, on its behalf and not as employees of the Authority, at all times a sufficient number of capable employees (which may be current employees of the City) to enable it to fulfill the City's obligations hereunder, properly, adequately, safely and economically and in accordance with the standards set forth in this Agreement. All matters pertaining to the employment training, supervision, compensation, promotion and discharge of such employees shall be the sole responsibility of the City, provided, however, that if the Authority determines that the continued employment of any employee of the City at the Enterprises is not in the best interest of the Authority or the Enterprises, the Authority shall so notify the City in writing. Upon receipt of such notice, the City shall take appropriate steps, consistent with applicable law, to cause such employee to cease his affiliation with the Enterprises.

**Section 4.2 Ownership of Enterprises.** The City is entering into this Agreement as an independent contractor to provide the services set forth in this Agreement. By entering into this Agreement, the City acknowledges that it is acquiring no rights whatsoever in the Enterprises, or any portion thereof, except the rights under the Purchase Agreement and a nonexclusive and revocable license to enter upon the Enterprises to the extent reasonably necessary to carry out its obligations pursuant to this Agreement. The City further agrees that it will not assert, in any legal action or otherwise, any additional right or interest in the Enterprises, or any portion thereof (except any rights of the City under the Purchase Agreement) and will not record any notice of lien against the Enterprises, or any portion thereof. In no event shall the City alter or improve any portion of the Enterprises, except as otherwise expressly permitted under this Agreement (including, without limitation, Article V hereof).

**Section 4.3 Material Contracts.** As of the date of this Agreement, the City is a party to existing Material Contract relating to the supply of electric power and water for use and distribution by the Enterprises, which existing Material Contracts are described in Exhibit C to the Purchase Agreement. Pursuant to the terms of the Purchase Agreement, the City has agreed to assign its rights under such Material Contracts to the Authority and to make the electric power or water provided to the City by such Material Contracts available to the Authority for the term of such Material Contracts at no separate charge or cost to the Authority, other than the payment of the costs and expenses for such electric or water supply provided for in such Material Contracts. The City shall, to the extent directed by the Authority, execute all Material Contracts necessary or appropriate for the maintenance, management and operation of the Enterprises in accordance with this Agreement. All such Material Contracts shall be executed in the name of the City on behalf of the Authority. The

City promptly shall notify the Authority in writing of the City's execution of any Material Contract on behalf of the Authority, and, promptly shall deliver to the Authority, a true, correct and complete copy thereof. The City's execution of any Material Contract shall be subject to any and all restrictions set forth in Article IV hereof. All Material Contracts shall be subject to the Authority's prior written approval as to form and content and shall provide that the party thereto shall, at the Authority's request, continue its performance thereunder, subject to the terms and conditions of such Material Contract, notwithstanding any termination of this Agreement by the Authority and subsequent management of the Enterprises by the Authority or a third party.

**Section 4.4 Maintenance of Enterprises; City to Provide Vehicles and Equipment; Acquisition of Additional Equipment and Supplies; Capital Improvements.** The City agrees that it shall provide such vehicles, including trucks, heavy equipment and cars, and such tools and equipment, as shall be required in connection with its services as manager and operator of the Enterprises pursuant to this Agreement. The City and the Authority agree that as of the date of this Agreement it has on hand sufficient vehicles and equipment (the "City Equipment") for such purpose. Throughout the term of this Agreement, all improvement, repair and maintenance of the Enterprises shall be the responsibility of the City at the expense of the Authority, and the Authority shall pay for or otherwise arrange for the payment of all utility services supplied to the Enterprises, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Enterprises resulting from ordinary wear and tear. The City shall, at the Authority's expense and in accordance with the Authority's annual budget for the Enterprises, purchase and keep the Enterprises adequately furnished with all necessary vehicles, equipment and supplies that may be required in addition to the City Equipment. The cost of such vehicles, equipment and supplies shall be charged to the Authority and the upkeep and maintenance of the City Equipment shall also be charged to the Authority. The City shall also undertake such capital improvements to the Enterprises as directed by the Authority, such improvements to be made at the expense of the Authority.

**Section 4.5 Annual Budget for Enterprises.** The City agrees to prepare and submit to the Authority for its review and approval, an annual budget (the "Annual Budget") for the Enterprises for each Fiscal Year during the term of this Agreement. The City shall submit a draft of the Annual Budget to the Authority at least 60 days before the commencement of each Fiscal Year and the Authority agrees to review, revise if necessary, and adopt the final Annual Budget no later than the first day of each Fiscal Year. The Annual Budget shall include a detailed statement of expected revenues and a detailed statement of expected expenses, including Utility Operation and Maintenance Costs (which shall be paid to the City as manager of the Enterprises hereunder), Annual Debt Service on the Bonds and any Parity Obligations, Purchase Payments due to the City under the Purchase Agreement, annual debt service on any other debt of the Enterprises, capital projects of the Enterprise if any, and any other expenses of the Enterprises, including, but not limited to any required deposits to the Utility Rate Stabilization Fund and any franchise fee payable to the City. The Annual Budget shall also include a statement setting forth on a monthly basis, the following items and amounts to be paid by the Depository to the following parties (the "Annual Depository Statement"):

- (a) Utility Operation and Maintenance Costs, to be paid to the City;

- (b) Annual Debt Service on the Bonds, and any Parity Obligations, to be paid to the Trustee and the trustee for any such Parity Obligations;
- (c) Purchase Payments, to be paid to the City;
- (d) Any required deposits to the Utility Rate Stabilization Fund, to be held by the Depository;
- (e) Any City franchise fee, to be paid to the City;
- (f) Debt service on any other debt of the Authority; and
- (g) Any other expenditures of the Authority, to be paid to such party as directed in such Annual Depository Statement.

The disbursements set forth in items (a) through (g) above, to the extent they are held by the Depository or in an account of the Depository established by the City, the Authority or the Trustee, shall be held in an account separate from the account for the Utility fund established under the Depository Agreement.

The Annual Budget, including the Annual Depository Statement, may be amended from time to time with the consent of the Authority. A copy of each Annual Budget (including the Annual Depository Statement) and any amendments thereto, as adopted by the Authority, shall be promptly sent by the City, on behalf of the Authority, to the Trustee and the Depository. No amendments may be made to the Annual Budget unless the Authority shall be in compliance with the rate covenant established under the Indenture.

## ARTICLE V

### TAXES, INSURANCE AND OTHER MATTERS

**Section 5.1 Taxes, Assessments and Insurance.** The Authority shall pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority affecting the Enterprises or its interest or estate therein; and shall maintain insurance of such types and in such amounts as set forth in Sections 6.12, 6.14 and 6.15 of the Indenture.

## ARTICLE VI

### RESTRICTED ACTIVITIES OF CITY

**Section 6.1 Restricted Activities.** Without the prior written consent of the Authority, which consent may be granted or withheld in the Authority's sole discretion, the City shall not do, or cause or permit to be done, any of the following throughout the Term of this Agreement.

- (a) Borrow or lend money, or enter into any other agreement, in the name of the Authority.

(b) Except for the Material Contracts (which shall be governed by paragraph 4.3), enter into any agreement relating, directly or indirectly, to the Enterprises without the prior consent of the Authority.

(c) Arbitrate or consent to the arbitration or settlement of any claim of or against the Authority or any other dispute or controversy involving the Authority.

(d) Make, execute or deliver in the name of the Authority, or with respect to any of the assets of the Authority, any assignment for the benefit of creditors or any bond, confession of judgement, chattel mortgage, security instrument, deed, guarantee, indemnity bond or surety bond.

(e) Lease, sell, transfer, assign, convey, pledge, encumber, mortgage, hypothecate or otherwise dispose of the Enterprises.

(f) In the name of or on behalf of the Authority, endorse any note, or become a surety, guarantor, or accommodation party to any obligation.

(g) Violate any Legal Requirement.

(h) Make any deletion, addition, modification, improvement or other alteration to the improvements other than as expressly authorized hereunder or otherwise authorized by the Authority.

(i) Hire, employ or retain an entity to manage the day to day operation of the Enterprises.

## ARTICLE VII

### COMPENSATION TO CITY

**Section 7.1 Reimbursement of Actual Costs and Overhead.** The City shall be paid, a management fee equal to the actual costs and direct overhead of the City incurred in connection with the management and operation of the Enterprises hereunder, including, but not limited to, salaries, insurance and retirement benefits of employees of the City providing services to the Enterprises hereunder. Such management fee shall be paid on behalf of the Authority from Gross Utility Revenues as a portion of Utility Operation and Management Costs by the Depository under the Depository Agreement in the amounts and at the times set forth in the then-current Annual Depository Statement pursuant to the provisions of Section 4.5 hereof.

## ARTICLE VIII

### FINANCIAL AND REPORTING MATTERS

**Section 8.1 Compliance with Annual Budget.** During each Fiscal Year, City, in the performance of its duties under this Agreement, shall comply with the approved Annual Budget of

the Authority relating to the Enterprises for such Fiscal Year and shall not incur any material additional expense or change materially the manner of operation of the Enterprises, without the written approval of Authority.

**Section 8.2 Depository Agreement.** The City agrees to collect Gross Utility Revenues and deposit them under the terms of the Depository Agreement. The Authority and the City acknowledge and agree that the Gross Utility Revenues may only be expended as provided in this Agreement, the Depository Agreement and the Indenture.

**Section 8.3 Books and Reports.**

(a) Books and Records. Throughout the Term, City shall maintain in accordance with generally accepted accounting principles, consistently applied, full and separate books and records for the Enterprises with entries supported by documentation sufficient to allow Authority to ascertain the accuracy of such books and records. City shall maintain and safeguard such books and records at City's offices. City shall ensure such control over accounting and financial transactions as is necessary to protect Authority's assets from theft, error or fraudulent activity by City's employees.

(b) Reports.

(i) City shall prepare and submit to Authority, on or before the twentieth (20th) of each calendar month during the Term and the twentieth (20th) day of the calendar month immediately following any month in which this Agreement is terminated, a monthly operating report (the "Monthly Financial Statements"), which monthly operating report shall be in such form and contain such information as Authority may require and shall include a report of all transactions occurring during the preceding month, all aging accounts receivable; a statement of income and expenses for the Enterprises for the preceding month and a balance sheet for the Enterprises; and, if requested by Authority, an analysis of variances from the approved annual budget.

(ii) City shall prepare and submit to Authority no later than ninety (90) days after the end of each Fiscal Year (or any portion of any such Fiscal Year in the case of a partial Fiscal Year at the beginning or end of the Term) an annual operating report for the immediately preceding Fiscal Year, which annual operating report shall be in such form and contain such information as Authority may require, including, without limitation, the information described in paragraph (i) above (collectively, the "Year End Financials").

(c) Supporting Documentation. As additional supporting documentation for the Monthly Financial Statements and Year End Financials required under paragraph (b)(ii) above, unless otherwise directed by Authority, City shall make available, the following:

- (i) all bank statements and bank deposit slips;
- (ii) detailed cash receipts and disbursements records;

- (iii) detailed trial balances for receivables and payables and billed and unbilled revenue items;
- (iv) paid invoices;
- (v) supporting documentation for payroll, payroll taxes and employee benefits;
- (vi) appropriate details of accrued expenses and property records;
- (vii) daily or weekly reports maintained by City in connection with its ongoing operation and management of the Enterprises; and
- (viii) information necessary for preparation of Authority's audited financial statements, including a description of and a statement of accounts expended in connection with repairs, capital improvements, taxes and professional fees.

**Section 8.4 Authority's Right to Audit.** All books, records and supporting documentation maintained by City pursuant to this Article VIII shall be the sole and exclusive property of Authority, and shall be made available to Authority at Authority's request at reasonable times during normal business hours, and, in addition, in connection with independent financial audits of Authority. Authority, or persons appointed by Authority, may, during ordinary business hours, examine all books, records and files maintained for Authority by City. Authority may perform any audit or investigation relating to City's activities at any office of City if such audit or investigation relates to City's activities for Authority. Should Authority or Authority's employees or representatives discover any errors in record keeping, City shall correct such discrepancies promptly upon discovery and make necessary adjustments. City shall inform Authority in writing of the action taken to correct any audit discrepancies.

## ARTICLE IX

### INDEMNITY

**Section 9.1 Indemnification by Authority.** Authority shall indemnify, defend, protect and hold City and City's officers, directors, employees, agents, and legal representatives harmless from all liability, loss, damage, cost, or expense (including, without limitation reasonable attorneys' fees and expenses, whether incurred at the trial, pretrial, or appellate level) arising from or relating to the ownership, improvement, management, operation or maintenance of the Enterprises from and after the Term of this Agreement (collectively "liabilities"), except those liabilities arising from City's or City's employees' willful or criminal misconduct, negligence or fraud. City will notify Authority of such action, suit, or proceeding, and Authority may, and upon City's request shall, at Authority's expense, defend such action, suit, or proceeding, or cause the same to be defended by counsel designated by City.

**Section 9.2 Indemnification by City.** City shall indemnify, defend, protect and hold Authority and Authority's employees, agents and legal representatives harmless from all liability, loss, damage, cost, or expense (including, without limitation, reasonable attorneys' fees, whether incurred

at the trial, pretrial, or appellate level) arising from or related to City's or City's employees' willful or criminal misconduct, negligence or fraud. Authority will notify City of such action, suit, or proceeding, and City may, and upon Authority's request shall, at City's expense, defend such action, suit or proceeding, or cause the same to be defended by counsel designated by Authority.

**Section 9.3 Accident Reporting.** City shall promptly investigate, and make a full, timely written report to Authority regarding all accidents, claims or damage relating to the ownership, operation, management and maintenance of the Enterprises; any damage or destruction to the Enterprises and the estimated cost of repair thereof, and shall prepare any and all reports required by Authority and any insurance companies in connection therewith. All such reports shall be filed timely with Authority's insurance companies as required under the terms of the applicable insurance policy which provides coverage for such accident, damage or claim. City shall not settle, compromise, or otherwise dispose of any claims, demands or liabilities whether or not covered by insurance proceeds, without the prior written consent of the Authority.

## ARTICLE X

### DEFAULTS AND TERMINATION

**Section 10.1 Default by City.** If there is any failure by City to perform any of the terms, conditions or covenants of this Agreement to be observed or performed by City within thirty (30) days after written notice from Authority (or such additional time as is reasonably required to correct any such default), or if City shall become insolvent or file any debtor proceedings, or file a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of City's property, and if any of the foregoing proceedings are not discharged within sixty (60) days thereafter, or if City makes an assignment for the benefit of creditors, or petitions for or enters into an arrangement of its debts, or if City shall permit or suffer this Agreement to be taken under any writ of attachment or execution, and the same is not discharged within thirty (30) days thereafter, or, if City assigns this Agreement, then an Event of Default with respect to City shall be deemed to have occurred under this Agreement.

**Section 10.2 Default by Authority.** If Authority fails to keep, observe or perform any covenant, agreement, term or provision of this Agreement to be kept, observed or performed by Authority, and such default shall continue for a period of thirty (30) days after written notice thereof by City to Authority (or such additional time as is reasonably required to correct any such default), then an Event of Default with respect to Authority shall be deemed to have occurred under this Agreement.

**Section 10.3 Remedies; Termination Upon Default.** Upon the occurrence of an Event of Default, the nondefaulting party may, at its option, and in addition to any and all other rights to which it may be entitled under this Agreement or applicable law, elect to terminate this Agreement. Any such termination shall be effective as of the date therefor specified in such election; provided, however, that in no event shall such date be later than thirty (30) days following the date such election is made.

## **Section 10.4 Actions Following Termination.**

(a) Immediately following any termination of this Agreement for any reason whatsoever, City shall assign, convey, transfer and set over unto Authority, pursuant to an assignment in form and content satisfactory to Authority, all of City's right, title and interest in and to all Material Contracts then in effect and in City's name with respect to the Enterprises which are designated by Authority to City, and City shall transfer to Authority possession of all equipment, supplies and records relating to the Enterprises.

(b) Upon any termination of this Agreement for any reason whatsoever, City shall assist and cooperate with Authority to the extent necessary to ensure an orderly and efficient transfer of the operations of the Enterprises by City to Authority or Authority's designee. The covenant of City contained herein shall survive and remain in full force and effect following any such termination of this Agreement.

In addition to the foregoing, upon the occurrence of an Event of Default by the City, the Authority may take whatever action at law or in equity as may appear necessary or desirable in its judgment to enforce performance of any obligation of the City under this Agreement.

No remedy herein conferred upon or reserved is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under existing at law or in equity. No delay or failure to exercise any right or power accruing under this Agreement upon the occurrence of any Event of Default or otherwise shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

## **ARTICLE XI**

### **NO TRANSFER AND ASSIGNMENTS**

**Section 11.1 Restrictions on City.** City shall not sell, convey, assign, transfer, hypothecate, pledge, or otherwise dispose of (or agree to do any of the foregoing) all or any part of its interest, if any, in this Agreement, or any contractual rights or obligations related hereto (including any rights to receive payments) ("Transfer"), without the prior written consent of Authority, which consent may be granted or withheld in Authority's sole judgment. Any assignment by City without Authority's consent shall be considered an event of default and the assignment shall be of no force of effect.

## **ARTICLE XII**

### **LEGAL REQUIREMENTS**

**Section 12.1 Legal Requirements.** Throughout the Term, City shall comply with and observe, without exception, all Legal Requirements applicable to the Enterprises or any of the rights, duties, or obligations of City under this Agreement. All sums required to be paid to ensure compliance with this paragraph 12.1 under Legal Requirements shall be the responsibility of Authority.

## ARTICLE XIII

### MISCELLANEOUS

**Section 13.1 Further Assurances.** The City agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or by any bond trustee, if any, to carry out the intention or to facilitate the performance of this Agreement. The City further covenants that it will not encumber title in any manner whatsoever to any property held in the name of the City constituting a portion of the Enterprises, including, without limitation, easements, but will preserve and protect all such interest on behalf of the Authority.

**Section 13.2 Amendments.** The Authority and the City may amend this Agreement upon the written consent of each party hereto.

**Section 13.3 Notices.** Any notice, request, complaint, demand or other communication under this Purchase Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon confirmed transmission by telecopy, telex or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority or the City may, by written notice to the other party, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority:   Needles Public Utility Authority  
817 Third Street  
Needles, CA 92363  
Attention: Executive Director

If to the City:        City of Needles, California  
817 Third Street  
Needles, CA 92363  
Attention: City Manager

**Section 13.4 Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of California.

**Section 13.5 Binding Effect.** This Agreement shall inure to the benefit of and shall be binding upon the Authority and the City, and their respective successors and assigns, subject, however, to the limitations contained herein.

**Section 13.6 Severability of Invalid Provisions.** If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the City each hereby declares that it would have entered into this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

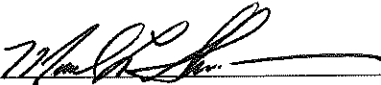
**Section 13.7 Article and Section Headings and References.** The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

**Section 13.8 Execution of Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

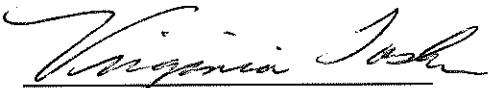
**Section 13.9 Waiver of Personal Liability.** No member of the Authority, nor any member of the governing board of the Authority or its members, nor any officer, agent or employee of the Authority or its members shall be individually or personally liable for the payment of amounts due hereunder or be subject to any personal liability or accountability by reason of this Agreement; but nothing herein contained shall relieve any such member or person from the performance of any official duty provided by law or by this Agreement.

IN WITNESS WHEREOF, the Authority and the City have caused this Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.


CITY OF NEEDLES, as Manager

By:   
Mayor

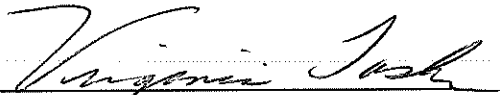
Attest:

By:   
City Clerk

NEEDLES PUBLIC UTILITY AUTHORITY, as  
Owner

By:   
President

Attest:

By:   
Secretary

**EXHIBIT A**

**DESCRIPTION OF THE ENTERPRISES**

<u>ITEM</u>	<u>QTY.</u>	<u>UNITS</u>
<u>Wastewater Utility</u>		
Pipe (15" Main) V.C.P. (1.5 Miles)	7920	Lin.Ft.
Pipe (12" Main) V.C.P. (4 Miles)	21120	Lin.Ft.
Pipe (8" Main) 50% V.C.P., 50% C.I.	82839	Lin.Ft.
Pipe, 4" Laterals w/ Saddles	2200	Each
Manholes	230	Each
Lift Station (150 gpm)	2	Each
Lift Station (250 gpm)	2	Each
Lift Station (750 gpm)	1	Each
Force Main (10" Ductile Iron)	2800	Lin.Ft.
Force Main (6" PVC)	1000	Lin. Ft.
Force Mains (4" Ductile Iron)	1600	Lin. Ft.
WWTP (1.8 MGD, Trickling Filter)	1	L.S.
Land on WWTP & Surrounding	7.4	Acres
Land for New WWTP (complete 99)	51	Acres
Inventory & Supplies in Stock	1	L.S.
<u>Water Utility</u>		
Pipe (16" Main)	14081	Lin.Ft.
Pipe (12" Main)	7296	Lin.Ft.
Pipe (10" Main)	32620	Lin.Ft.
Pipe (8" Main)	50219	Lin.Ft.
Pipe (6" Main)	106973	Lin.Ft.
Pipe (4" Main)	500	Lin.Ft.
Pipe (2" Main)	300	Lin.Ft.
Valves	1050	Each
Fire Hydrants	163	Each
Booster Pump Stations	3	Each
Storage Tanks	4	Each
Well (2,500 GPM) @ Filter Plant	1	Each
Well (750 GPM) w/ appurtenances	1	Each
Well (1,000 GPM) w/ appurtenances	1	Each
Filtration Plant (3,500 GPM)	1	Each
Water Meters/Connections	1780	Each
Telemetry (Tanks-to-Filter-Wells)	1	L.S.
Inventory	1	L.S.
Topock Wells/ w/ appurtenances	2	Each

Topock Distribution System	1	L.S.
Topock Store Tank/Flow Cont.	1	L.S.
Topock Land	1	Acre
Perfected Water Rights from the Depart. of Interior (1967)	950	Acre-Ft/Yr.
Perfected Water Rights purchased from A.T. & S.F. (1995)	273	Acre-Ft/Yr.
Perfected Water Rights granted to City by property owners located within the City limits	100	Acre-Ft/Yr.
Water Allocation from Depart. of Interior for City's participation in All American Canal Project	4400	Acre-Ft./Yr.
Surplus Water Contract with the Bureau of Reclamation	Varies	Acre-Ft/Yr.
<b>Real Estate</b>		
Clary Dr. Water Tanks (500x500)	5.74	Acres
Lillyhill Booster Station (120x70)	0.24	Acres
Parkway Water Tanks	10.00	Acres
Filtration Plant & Well #11	1.67	Acres
Well # 6&7 (inactive), #8 (active)	0.83	Acres
Well # 10	0.14	Acres

### Electric Utility

Underground Electrical	14081	Lin.Ft.
Poles & Wire (Circuits)	206000	Lin.Ft.
Power Feeds (to meters)	3350	Each
Old Hoover Line (69Kv)	15	Miles
Other Main Feed (69Kv)	14	Miles
Transformers (Pad Mount)	101	Each
Transformers (Pole Mount)	534	Each
Lighting Circuits	31680	Lin.Ft.
Antique Street Lights	55	Each
Regular Street Lights	817	Each
Main Swith Gear & Disc.	22	Each
Misc. Regulators, Brakes, etc.	1	LS
Eagle Pass Sub Station	1	Each
Bush Sub Station	1	Each
Electric Meters	3350	Each
Inventory	1	LS



# City of Needles, California

## Request for Commission Action

CITY COUNCIL  BOARD OF PUBLIC UTILITIES

Regular  Special

**Meeting Date:** May 5, 2026

**Title:** Accept and File the Letter of Support to the California Air Resources Board (15-day) Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market- Based Compliance Mechanisms Regulation

**Background:** The California Air Resources Board regulation for Greenhouse Gas Emissions requires annual compliance obligations.

The annual compliance obligation for a covered entity equals a percentage of emissions, with the obligation reported based on the previous data year that received a positive or qualified positive emissions data verification statement.

The City of Needles/NPUA receives “free” allowances annually, which decrease annually. The proposed regulations would **increase the “free” allowances by 322%** for 2027-3030. The City spent **\$1,758,868.14** for the last tri-annual compliance period of 2021-2024.

Below is a basic overview from California Municipal Utilities Association (CMUA) on the CARB Cap and Invest 15 Day Language;

### 1. 2027-2030 EDU Allocation

- CMUA’s ask:
  - Preserve the previously adopted 2021-2030 EDU allocation (table 9-4) to avoid mid-stream cuts that strip \$752 million in allowance value from POUs (2027-2030).
    - If CARB insists on recalculating, apply the effective RPS (45%) to avoid under-calculating against emission-exposed load, and allow case-by-case load-growth adjustments.
- 15-Day changes:
  - CARB did not restore the original 9-4 table.
  - They did apply effective RPS with the 2024 IEPR.
  - Allocations are generally improved for members compared to the 45-day language—some receiving increases from their original allocations.

### 2. Post-2030 Methodology

- CMUA’s ask:
  - Use the effective RPS for 2031-2035 allocations and maintain a fixed five-year schedule to support planning certainty.
  - A fixed allocation for 2031-2035 will provide POUs with clear, stable expectations of allowance allocations.
- 15-Day changes:
  - Post-2030 EDU allocations are not being finalized in this rulemaking.

### 3. Compliance Period

- CMUA's ask:
  - Do not shorten the compliance period of three years if CARB must shift to a two-year period; then clarity is needed on calculating the limited exemption.
- 15-Day changes:
  - The definition of "compliance period" in section 95802 is revised from "three-year" to "multi-year" to accommodate changes proposed in section 95840.

#### **4. Transition of Allowances from Gas Corporations to EDUs**

- CMUA's ask:
  - The pace of the transition should be accelerated to be completed by 2031.
    - CMUA appreciates the three-year runway to return allocation value to ratepayers.
  - POUs should retain discretion in how to distribute the allowance credits among ratepayers.
  - Participation should not be limited to EDUs that serve residential customers.
- 15-Day changes:
  - The transition is set to begin in 2028 and end in 2031
    - Per table 9-6A, 70% of allowances must be transitioned by 2031 (compared to 40% by 2031 in the 45-day language).
  - Maintains the residential limitation in the name of protecting ratepayers (CARB states that EDUs with higher proportions of non-residential sales would have received more allowances)
    - CMUA to potentially request clarification on change to 95893(b)(1)(A)(1) transitioning investor-owned natural gas supplier to publicly owned gas corporation; we believe CARB meant "public utility gas corporation" or "publicly owned natural gas utility."

#### **5. CASIO Market Accounting/EDAM Outstanding Emissions (NEEDLES IS NOT PART OF CASIO MARKET)**

- CMUA comments and ask:
  - CMUA supports CARB's updates to the outstanding emissions calculation for the EIM.
  - Proceed carefully when incorporating EDAM.
- 15-Day changes:
  - CARB revised definitions of EIM and EDAM for clarity.

#### **6. Carbon Capture and Sequestration:**

- CMUA's ask:
  - Amend the Mandatory Reporting Regs (MRR) to clarify that electric generation facilities equipped with CCS will be attributed only emissions to the atmosphere from the facility and not any gases that are captured, sequestered, or utilized.
    - The entities that receive and sequester captured emissions should be responsible for associated emissions.
  - CMUA supports proposed amendments but recommends against deferring this effect until after a subsequent C&I rulemaking.
- 15-Day changes:
  - Maintains basic CCS structure.

## 7. RPS Adjustment

- CMUA's ask:
  - Incorporate effective RPS into 2027-2030 updates in conjunction with the phaseout of PCC 2 RPS adjustment to 2027.
    - If CARB does not incorporate effective RPS, the RPS adjustment for PCC2 must be maintained to avoid imposing C&I compliance costs on RPS-compliant firmed and shaped emissions.
  - Remove "... and must comply with the excess procurement requirements pursuant to CPUC Section 399.13(a)(5)(B) ..."
    - This language introduces confusion—only PCC1 and PCC0 RECs may be banked as excess procurement.
- 15-Day changes:
  - Section 95852(b)(4)(B) is revised to replace "for the entity subject to the California RPS" with a cross reference to the PUC provisions governing RPS, and CARB removes the language limiting eligibility based on "excess procurement" requirements—adopting some of CMUA's proposed redline language.
  - The RPS adjustment eligibility is narrowed to PCC0 RECs after December 31, 2026 (moved up from 2030) (Section 95852(b)(4)(F)).

**The City of Needles submitted the enclosed comment letter in support of the new language changes under the Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information.**

**Fiscal Impact:** The spreadsheet enclosed calculates the new allowances that Needles is proposing to get under the new language changes, which is a 322% increase in free allowances, reducing the required number of offsets/allowances that must be purchased in the open market.

**Environmental Impact:** Reduction is required for offsets/allowances for GHG Emissions generated.

**Recommended Action:** Accept and File the Letter of Support to the California Air Resources Board (15-day) Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market- Based Compliance Mechanisms Regulation

**Submitted By:** Rainie Torrance, Utility Manager  
GHG Ad Hoc Committee; Commissioner Jones, Commissioner Cairns

**City Manager Approval:** Patrick J. Martinez

Date: 4/29/2026

**Other Department Approval (when required):** \_\_\_\_\_

Date: \_\_\_\_\_



# City of Needles

817 Third Street, Needles, California 92363  
(760) 326-2113 • FAX (760) 326-6765  
[www.cityofneedles.com](http://www.cityofneedles.com)

Mayor Janet Jernigan  
Vice Mayor Ellen Campbell  
Councilmember Tona Belt  
Councilmember Jamie McCorkle  
Councilmember JoAnne Pogue  
Councilmember Henry Longbrake  
Councilmember Larry Ford  
City Manager Patrick Martinez

April 28, 2026

## VIA WEB PUBLIC COMMENT FORM

California Air Resources Board (CARB)

Re: (15-day) Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market- Based Compliance Mechanisms Regulation

To Whom It May Concern:

The City of Needles owns and operates the Needles Public Utility Authority, providing electric services to approximately **3,200 customers**. The City of Needles faces significant economic challenges and critical challenges regarding extreme heat.

- Needles has a **poverty rate of 29.3%**, significantly higher than the statewide average of 12.2%.
- The **median family income in Needles is \$38,368**, far below the California average of \$91,551.
- The **employed population in Needles is 36.7%**, compared to 60% statewide.
- Over **35% of Needles' population have a disability**, compared to 11.7% in the rest of California.
- The City of Needles faces extreme heat waves with **temperatures exceeding 120 degrees** during peak summer months, where access to air conditioning is essential during heat waves.

Given the City of Needles disadvantages, the Board of Public Utilities and City Council are committed to keeping energy rates affordable for our low-income community.

The California Air Resources Board regulation for Greenhouse Gas Emissions requires annual compliance obligations that **negatively** impact Needles.

While the City of Needles receives "free" allowances annually, these allowances have decreased significantly over the years, causing Needles to obtain offsets/allowances in the open market. The City spent **\$1,758,868.14** for the last tri-annual compliance period of 2021-2024.

The fiscal impact caused by purchasing the required offsets/allowances must be factored into Needles' rate structure, which impacts the residents/customers and the statistics stated above.

The City of Needles formally requests to preserve the previously adopted 2021-2030 EDU allocation (table 9-4) to avoid mid-stream cuts that strip \$752 million in allowance value from POU's (2027-2030).

If CARB insists on recalculating, apply the effective RPS (45%) to avoid under-calculating against emission-exposed load, and allow case-by-case load-growth adjustments.

Needles will **not** be able to financially meet the proposed amendments to the regulation for the California Cap on GHG and Market-Based Compliance Mechanisms. **Post 2030**, the City of Needles is requesting;

- 1) Use the effective RPS for 2031-2035 allocations and maintain a fixed five-year schedule to support planning certainty.
- 2) A fixed allocation for 2031-2035 will provide POUs with clear, stable expectations of allowance allocations.

In regard to the **compliance period**, the City of Needles formally requests do **not** shorten the compliance period of three years if CARB must shift to two years; then clarity is needed on calculating the limited exemption. As mentioned, Needles spent over \$1.7M to meet a three-year compliance period (2021-2024), and if this is shortened, there would be significant hardship to the residents of Needles.

Finally for the RPS adjustment, the City is requesting;

- Incorporate effective RPS into 2027-2030 updates in conjunction with the phaseout of PCC 2 RPS adjustment to 2027.
- If CARB does not incorporate effective RPS, the RPS adjustment for PCC2 must be maintained to avoid imposing C&I compliance costs on RPS-compliant firm and shaped emissions.
- Remove "... and must comply with the excess procurement requirements pursuant to CPUC Section 399.13(a)(5)(B) ..."
- This language introduces confusion—only PCC1 and PCC0 RECs may be banked as excess procurement.

It is also important to note that the City of Needles is **not part** of the CASIO market, and all power purchases are through Western Area Power Administration (WAPA) on the Southwest Power Pole (SWPP) on the Arizona market. No power is being generated in California and Needles must still comply with CARBs regulations on GHG and RPS.

**The City of Needles is in support of the new language changes under the Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information.**

If you have any questions regarding this comment letter, please contact Rainie Torrance at [rtorrance@cityofneedles.com](mailto:rtorrance@cityofneedles.com) or by calling (760)326-5700 X140

Thank you for your consideration,



Janet Jernigan, City of Needles Mayor

	A	B	C	D	E	F
1	<b>Annual Allocation to CMUA Members 2027-2030</b> Sources: <b>2026 Regs</b> <a href="https://ww2.arb.ca.gov/sites/default/files/cap-and-trade/regulation/nc-Appendix%20D-2%20-%20EDU%20Allocation%20Calculations%20Spreadsheet.xlsx">https://ww2.arb.ca.gov/sites/default/files/cap-and-trade/regulation/nc-Appendix%20D-2%20-%20EDU%20Allocation%20Calculations%20Spreadsheet.xlsx</a> <b>2016 Regs</b> <a href="https://www.arb.ca.gov/regact/2016/capandtrade16/attach10.xlsx?_ga=2.65480046.1768687163.1768950613-268681515.1713672583">https://www.arb.ca.gov/regact/2016/capandtrade16/attach10.xlsx?_ga=2.65480046.1768687163.1768950613-268681515.1713672583</a>					
2		<b>Utility</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
146						<b>Totals</b>
147		<b>City of Needles</b>				
148		2016 C&T Regs	5,411	5,049	4,934	4,561
149		45-Day 2026 C&I Regs	11,326	10,906	23,714	23,191
150		15-Day 2026 C&I Regs	14,523	14,623	27,557	27,606
151		Difference (2016 to April 2026 Regs)	9,112	9,574	22,623	23,045
152		Percent Change	<b>168.37%</b>	<b>189.60%</b>	<b>458.46%</b>	<b>505.27%</b>
153		45-Day Cumulative change 2027 - 2030	<b>246%</b>			
154		15-Day Cumulative change 2027-2030	<b>322%</b>			
155						
156		<b>City of Oakland Acting By and Through Its Board of Port Commissioners</b>				

# Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information

## Proposed Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms

Public Hearing Date: May 28, 2026  
Public Availability Date: April 14, 2026  
Deadline for Public Comment: April 29, 2026

The California Air Resources Board (CARB or Board) has determined that additional modifications are appropriate for the proposed amendments and has developed the proposed modifications (15-Day Amendments) as stated below in the “Summary of Proposed Modifications” section of this notice. The Attachments showing the specific proposed modifications to the text of the proposed regulation being made with these 15-Day Amendments are shown in multiple ways in order to meet the requirements of the Administrative Procedure Act (APA) while also posting alternate/complementary versions that provide increased accessibility to view the modifications.

The Attachments are as follows:

**Attachment A - Amendments to Sections 95802, 95803, 95811, 95812, 95830, 95831, 95833, 95841, 95852, 95852.1, 95852.2, 95856, 95871, 95890, 95891, 95892, 95893, 95911, 95920, 95921, 95923, 95975, 95975.1, 95976, 95977, 95977.1, 95980.1, 95983, 95985, 95987, 95989, Appendix B, and Appendix D, Title 17, California Code of Regulations**

- Attachment A-1: Proposed 15-Day Modifications to Proposed Regulation Order (compared to version released for 45-day comments)
- Attachment A-2: ~Alternative format to Attachment A-1~
- Attachment A-3: Proposed 15-Day Modifications to Proposed Regulation Order (15-Day Modifications and 45-Day Modifications combined and compared to existing regulatory text) in Alternative format

**Attachment B – April 2026 2027-2030 EDU Allocation Calculations Spreadsheet**

The Attachments showing the specific proposed modifications to the text of the proposed regulation orders available for comment with this Notice are provided in the two formats denoted with the suffixes “-1” and “-2.”

In the version denoted Attachment A-1, the 45-Day Amendments (proposed regulatory language as posted on January 20, 2026) are shown in “normal type.” The deletions and additions to the 45-Day Amendments that comprise the 15-day Amendments that are being made public and available for comment with this Notice are shown in ~~strikeout~~ to indicate deletions and underline to indication additions.

In the version denoted Attachment A-2, the 15-Day Amendments are provided in a tracked-changes format to meet the requirement for accessible electronic documents. The 45-Day Amendments are incorporated into this version as plain, clean text because they are not being made available for public comment by this Notice. The Proposed 15-Day Amendments are shown in tracked changes and are made public with this Notice and available for comment. To review this document in a clean format, without underline or strikeout to show changes, that shows all the proposed regulations being considered for adoption, please select “Simple Markup” or “No Markup,” or accept all changes in Microsoft Word’s Review menu. You can also change the view to the initially proposed 45-Day Amendments (originally proposed regulatory text prior to these proposed modifications) by selecting “Original” or rejecting all tracked changes. Additionally, “Advanced Track Changes Options” will allow for further options regarding color and other markings.

In the version denoted Attachment A-3, the existing, original regulatory language currently adopted into the California Code of Regulations (pre-45-Day Amendments) is shown as plain, clean text, while the 45-Day Amendments and the proposed 15-Day Amendments are combined and shown in tracked changes. To review the net proposal in this document in a clean format (no underline or strikeout to show changes), please select “Simple Markup” or “No Markup” in Microsoft Word’s Review menu or accept all changes. You can also change the view to the original (originally proposed regulatory text prior to any proposed modifications, or 45-Day Amendments) by selecting “Original” or rejecting all tracked changes. By progressing through the changes and comparing them with the 15-Day Amendments, the public can see the net and stepwise changes being proposed in relation to existing law. Please refer to the version denoted A-1 to review the 15-Day Amendments available for comment and its companion/alternate version A-2 to view an accessible version showing the 15-Day Amendments.

In the Final Statement of Reasons, staff will respond to all comments received on the record during the comment periods. The APA requires that staff respond to comments received regarding all noticed changes. Therefore, staff will only address comments received during this 15-day comment period that are responsive to this notice, documents added to the record, or the 15-day Amendments detailed in Attachment A-1.

## Summary of Proposed Modifications

The following summary does not include all modifications to correct typographical or grammatical errors, changes in numbering or formatting, nor does it include all of the non-substantive revisions made to improve clarity. Applicable to and incorporated into all revisions identified below, the rationale for all of the modifications identified below is to adhere to the intent of the recent legislation – Assembly Bill 1207 (Irwin, Stats. 2025, ch. 117) for the regulation to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions (GHG) to achieve statewide GHG emissions reduction targets, minimize costs and maximize benefits to California and its economy, consider affordability and equitable distribution of allowances, ensure market stability, diversify energy sources, encourage early GHG emissions reductions and decarbonization across sectors, reduce administrative burden, protect the environment and public health, minimize emissions leakage, maintain and complement California’s air quality mechanisms, ensure that low-income communities are not disproportionately impacted, and minimize adverse ratepayer impacts. Additional rationales unique to each provision are further identified below.

### (A) Modifications to Section 95802

1. In section 95802, the definition of "Adjusted Clinker and Mineral Additives Produced" definition was modified to change "baghouse dust" to "cement kiln dust" to clarify the proposed definition and align with the existing Mandatory Reporting Regulation (MRR) definition of "cement kiln dust."
2. In section 95802(a), the definition of "Butter" was revised to replace the word "including" with the phrase "such as" for clarity.
3. In section 95802(a), the definition of "CAISO Markets Outstanding Emissions" was revised to clarify that the outstanding emissions are what is calculated pursuant to the referenced MRR section.
4. In section 95802(a), the definition of "cement" was revised to replace the word "Portland" with "portland" as it is normally used in the industry and material standards.
5. In section 95802(a), the definition of "Compliance Period" was revised to replace the word "three" with "multi" for clarity and to accommodate changes to the length of some compliance periods that were proposed in the 45-day Amendments for section 95840. Additionally, the text "...except for the first compliance period. The compliance obligation for the first compliance period only considers emissions from data years of 2013 and 2014" was deleted for clarity since that first compliance period is long over.
6. In section 95802(a), the definition of "Conservative" was changed to better align and delineate the definition in the context of unintentional reversals and project termination determinations with the portion of the definition in the context of offset crediting. These changes more clearly reflect the definition of "Conservative" in these different contexts.
7. In section 95802(a), the definition of "Correctable Error" was revised to add the phrase "except as allowed for in section 95977.1(b)(3)(M)" to reduce confusion and to eliminate possible conflict between sections 95802(a) and 95977.1(b)(3)(M). The revision also replaces the word "including" with "and" for clarity.
8. In section 95802(a), the definition of "Extended Day-Ahead Market" or "EDAM" was revised to add the word "defined" for clarity.
9. In section 95802(a), the definition of "Fuel supplier" was revised to revert the deletion of "liquified petroleum gas" proposed in the 45-day Amendments to align with proposed MRR changes related to the point of regulation for liquified petroleum gas.

10. In section 95802, a definition of "grind aid" was added. Grind aid is part of the proposed change to the definition of "adjusted clinker and mineral additives produced," which is part of the defined product "finished cement," the production of which is eligible for industrial allowance allocation. The definition of "grind aid" is added for clarity and to support appropriate allowance allocation for the production of finished cement.
11. In section 95802(a), the definition of "Importer of Fuel" was revised to align with the definition in MRR for consistency and clarity.
12. In section 95802(a), the definition of "Incident Action Plan" was revised to delete the second of the two sentences in the definition to improve clarity and because the sentence is not needed in the definition. The revised definition thus clarifies that maps are not necessarily part of an Incident Action Plan, though Incident Action Plans often include maps and other information documenting the daily changes to fire response tactics and priorities.
13. In section 95802(a), the definition of "Incident Management Team" was clarified by removing the text "emergency incidents, including" so that the definition refers to only wildland fire incidents, and not any other type of emergency incident, as the type of incident that an incident management team is dispatched to. Also, "Incident Management Team" was capitalized for consistency with other defined terms across the Regulation.
14. In section 95802(a), a definition was added for "Independent Merchant Refinery." An Independent Merchant Refinery is more sensitive to the margins between crude oil prices and gasoline prices than refineries that are vertically integrated with crude production and retail marketing due to more limited opportunities to adjust overall operations in response to changes in the global prices of crude and gasoline. An Independent Merchant Refinery produces over one million barrels of gasoline annually, such that it can produce substantial volumes of gasoline for meeting the overall demand of California consumers. This definition is necessary to identify the subset of covered facilities that are eligible to opt in to a one-time delayed full compliance period compliance obligation to provide additional flexibility in managing compliance costs.
15. In section 95802(a), a definition for "Light-Duty Vehicle Assembly" was added to support product-based industrial allowance allocation to covered industrial facilities that undertake this activity.
16. In section 95802(a), a definition for "Light-Duty Vehicle" was added to clarify the new activity "Light-Duty Vehicle Assembly" in Table 9-1 and to clarify the units of the proposed "Light-Duty Vehicle" benchmark used for product-based industrial allowance allocation.
17. In section 95802(a) a new definition for "Manufacturing Decarbonization Incentive Allocation Allowance" is added to establish the parameters of allowances created to populate the Build Up California Reserve Account in section 95871(k) and distributed for Manufacturing Decarbonization Incentive Allocation in section 95891(g). Manufacturing Decarbonization Incentive Allocation Allowances are treated consistently with other California greenhouse gas (GHG) allowances and represent an authorization to emit up to one metric ton of carbon dioxide equivalent.
18. In section 95802(a), a definition for "Passenger Vehicle" was added to clarify the use of that term within the definition of "Light-Duty Vehicle." The definition of "Passenger Vehicle" supports product-based industrial allowance allocation benchmark for the activity "Light-Duty Vehicle Assembly."
19. In section 95802(a), the definition of "Supplier" was revised to remove "LPG receiving facilities" to conform with proposed changes to MRR related to the point of regulation for liquified petroleum gas.

20. In section 95802(a), a new definition for “Transfer of Title” was added based on public comment feedback to clarify this term, which was newly used in the 45-day Amendments in new section 95975.1.
21. In section 95802(a), the definition of “Transferred ARB Project” was revised to align the definition with the actual project statuses that are present in the Regulation. The project statuses “Proposed Renewal,” “Active ARB Renewal,” and “Active Registry Renewal” were deleted from the definition to align with changes in the 45-day Amendments that removed these statuses from the Regulation, and the project status “Monitored” was added to the definition to align with the use of that status in section 95987(b)(6).
22. In section 95802(a), the definition of “Unintentional Reversal” was changed to replace the term “applicable regulatory agency” with “fire authority having jurisdiction” because not all states have regulatory agencies that approve prescribed fires.
23. In section 95802(a), the definition of “Western Energy Imbalance Market” or “WEIM” was revised to add the word “defined” for clarity.

### **(B) Modifications to Section 95803**

1. In section 95803(c), text was changed to clarify that information and requests must be electronically submitted to the Executive Officer, which is necessary to for ease of submissions from the regulated community and to reduce paper use and scanning time. Text was added to specify an email address for making an electronic submittal that corresponds to the section of the Regulation under which the information or request is being made, and text was added that if not otherwise specified, information must be submitted electronically to the Help Desk.

### **(C) Modifications to Section 95811**

1. Section 95811(e)(3) was revised to revert to the current regulatory text to align with proposed changes to MRR related to the point of regulation for liquified petroleum gas.

### **(D) Modifications to Section 95812**

1. In section 95812(c)(2)(A)(1), the text was changed to clarify that a State of Emergency declared by the Governor must be made under the provisions of Government Code section 8558(b). In addition, text was changed to clarify that the exemption is limited to emergencies declared to address a sudden and severe energy shortage. These changes were made in response to comments from interested parties, to align with the statutory language, and to clarify the scope of the proposed limited exemption.

### **(E) Modifications to Section 95830**

1. In section 95830(b)(3)(B), the phrase “indicia of control” was replaced with “indicia” for clarity and alignment with changes to section 95833(a)(1) in the 45-day Amendments. The indicia in sections 95833(a)(1)(A)-(F) are both indicia of control and indicia of ownership.
2. In section 95830(c)(1)(N), the phrase “opt-in covered entity” was added to clarify the types of entities that would need to submit supplemental registration documentation upon request from the Executive Officer. Additionally, an explanation of situations where CARB may request this documentation was added. If, based on review of required registration information, there is reason to believe that a covered entity or opt-in covered

entity's planned market activity could be non-compliant with regulatory requirements, then the Executive Officer would request the supplemental registration documentation be submitted. This is necessary for the enforceability of the regulation.

2. Section 95830(c)(1)(N) was reformatted to more clearly list the supplemental information items that were previously identified together in section 95830(c)(1)(N). Voluntarily associated entity applicants must submit the information in sections 95830(c)(1)(N)(1)-(9) to register. This formatting change was made for easier identification of the supplemental information that entities must provide to register.
3. In section 95830(c)(1)(N)(9), a sentence was added to give a deadline of 30 days for the submission of any other documents requested by the Executive Officer that are necessary to determine if an entity's registration conforms with all regulatory requirements. This change was added for clarity. The 30-day timeframe provides a reasonable time to comply while also meeting CARB's need to receive information timely to ensure compliance. This submission timeframe is also consistent with other CARB regulations.

### **(F) Modifications to Section 95831**

1. New section 95831(b)(10) was added to establish the Build Up California Reserve Account, which is necessary to hold current vintage allowances created pursuant to section 95871(k) for the purposes of providing Manufacturing Decarbonization Incentive Allocation in section 95891(g).

### **(G) Modifications to Section 95833**

1. In six total instances in sections 95833(a) and (d), the phrase "indicia of control" was replaced with "indicia" for clarity and alignment with changes to section 95833(a)(1) in the 45-day Amendments. The indicia in sections 95833(a)(1)(A)-(F) are both indicia of control and indicia of ownership.
2. In section 95833(a)(6), the reference to the Shared Role Exemption was changed from section 95833(c)(3) to section 95833(c)(4) to align with the addition of new section 95833(c)(3) and related renumbering of the previous section 95833(c)(3) to section 95833(c)(4).
3. In section 95833(c)(3), the text was changed such that a covered entity or opt-in covered entity subject to a direct corporate association due to contracting with an individual Cap-and-Invest Consultant or Advisor who has shared roles is exempt from disclosing the direct corporate association and does not need to apply for any Shared Role Exemption provided that the individual Cap-and-Invest Consultant or Advisor with shared roles (1) provides Cap-and-Invest consulting services to only covered entities, only opt-in covered entities, or both, and (2) does not have a user account in the tracking system. The change is responsive to public comment feedback and is necessary to enable continued compliance support for covered entities. The change streamlines the process for administering this exemption from direct corporate association information disclosure requirements for covered entities.
4. Section 95833(c)(4) was added to include the text that was proposed for section 95833(c)(3) in the 45-day Amendments. This change accommodates the new text in new section 95833(c)(3) in the 15-day Amendments.
5. In section 95833(c)(4)(A), the reference to multiple exemption criteria for the Shared Role Exemption was removed to align with the new disclosure exemption in section 95833(c)(3). A timeline was added whereby the Executive Officer will approve or deny

the application for the Shared Role Exemption within 30 business days of receiving completed applications from all entities subject to the direct corporate association. This timeline was added for procedural clarity. The 30-day timeframe provides entities with certainty of a reasonable time while also meeting CARB's needs related to monitoring the market. This timeframe is also consistent with other CARB regulations.

6. In section 95833(c)(4)(A)1, the requirement to submit an attestation was changed from a requirement for the director or officer of the entity to a requirement for an account representative. Additionally, the qualification that the Cap-and-Invest Consultant or Advisor subject to shared roles provides Cap-and-Invest consulting services to covered entities or opt-in covered entities only was removed from the attestation text. Finally, the attestation text was narrowed such that the account representative must attest that the Cap-and-Invest Consultant or Advisor does not have legally binding authority over only their entity (instead of not have legally binding authority over any of the entities that they serve) nor decision making authority over only their entity's market position (instead of not having decision making authority over any of the entities that they serve). These changes are responsive to public comment feedback and necessary to reduce administrative burden on entities, to streamline the process, and for alignment with the new exemption in 95833(c)(3).
7. Section 95833(c)(3)(B) in the 45-day Amendments is renumbered to section 95833(c)(4)(B). Sections 95833(c)(3)(B)1 and 2 in the 45-day Amendments are deleted. These changes are necessary to support the streamlining of the CARB staff process to administer exemptions from certain corporate association disclosure requirements described in section 95833(c)(4). The Shared Role Exemption eligibility criterion in section 95833(c)(3)(B)2 of the 45-day Amendments for Cap-and-Invest Consultants who provide services to only covered entities has been removed because that exemption for covered entities is now included in section 95833(c)(3). The requirement to apply for the exemption in section 95833(c)(3) is removed for covered entities that meet that criterion to streamline the administrative process. Text on the Shared Role Exemption eligibility criterion in section 95833(c)(3)(B)1 of the 45-day Amendments is moved to section 95833(c)(4)(B), where the requirement to apply for approval by CARB for such an exemption is preserved for covered entities that meet that criterion.
8. In section 95833(f)(1), the delayed deadline for identifying corporate association group (CAG) purchase limit shares and holding limit shares is shortened from December 31, 2029, to December 31, 2027. Additionally, a change is made to clarify that for new or updated CAGs involving a new applicant pursuant to section 95833(a)(6) and (a)(7), all members of the group must disclose the required information including purchase limit and holding limit shares pursuant to section 95833(d). The timing of this disclosure is described in section 95833(e), and the entities are ineligible for the delayed deadline for the disclosure of purchase and holding limit shares. The shortened deadline balances concerns related to short-term price volatility upon immediate implementation of CAG holding limit shares and purchase limit shares and concerns related to unintended market incentives related to a longer deadline. Staff analysis based on the most recent information suggests that the number of allowances released to the market from entity holding accounts due to implementation of the proposed CAG rules may be toward the low end of the previously expected range, making a shorter deadline more feasible. The December 31, 2027, deadline also aligns with the November 1, 2027, compliance event for the fifth compliance period (2024-2026), where entities must meet their full compliance period compliance obligation. The December 31, 2027, deadline provides affected entities over one year to either restructure corporate affiliations or adjust allowance holdings before any newly required purchase limit shares and holding limit

shares take effect, thus mitigating the potential for short-term volatility and supporting market stability compared to immediate implementation. The new text regarding new registry applicants is needed to clarify that entities in a CAG formed or updated due to a new applicant are not eligible for the delayed disclosure of corporate association information. The previously proposed language did not clearly identify how new applicants are treated. Since a new applicant will not have any holdings to redistribute or adjust, a delayed deadline for the disclosure of purchase limit shares and holding limits would be inappropriate. These changes are necessary for market stability and integrity, to mitigate short-term market volatility, and to provide notice and further clarity to registered entities subject to these CAG triggers.

9. In section 95833(f)(2), the January 1, 2030, effective date was changed to January 1, 2028, to harmonize with the changes to the delayed deadline in section 95833(f)(1).

#### **(H) Modifications to Section 95841**

1. New section 95841(b) is added to specify that Manufacturing Decarbonization Incentive Allocation Allowances are created with a current vintage year assigned pursuant to section 95871(k), in addition to the annual Allowance Budgets set in 95841(a). This addition is needed to establish that Manufacturing Decarbonization Incentive Allocation Allowances, as defined in section 95802(a), are treated equivalently to other GHG allowances issued by CARB under Subarticle 6 for the purposes of compliance and trading in the Cap-and-Invest Program. The Manufacturing Decarbonization Incentive Allocation Allowances will be distinguishable from other allowances and transparently tracked for volume in the market and remaining volume in the Build Up California Reserve Account.

#### **(I) Modifications to Section 95852**

1. In section 95852(b)(4)(B), the phrase “for the entity subject to the California RPS” was replaced with the California Public Utilities Code sections pertaining to the California RPS Program to clarify requirements for imported electricity claimed for the RPS Adjustment. Additionally, language that limited eligibility for the RPS adjustment to Portfolio Content Category 2 Renewable Energy Credits (RECs) related to excess procurement was removed from this section for clarity and to reflect changes to section 95852(b)(4)(F), which limit the RPS adjustment to Portfolio Content Category 0 RECs after December 31, 2026, and which makes this text unnecessary. These changes address comments by interested parties, provide parameters for eligibility, and improve the clarity of this section.
2. In section 95852(b)(4)(F), the timeframe of REC eligibility for the RPS adjustment was changed to reflect a revised restriction and limit the eligibility to claim the RPS adjustment to Portfolio Content Category 0 RECs after December 31, 2026, instead of after December 31, 2030. These changes were made in response to recommendations from interested parties. These changes accelerate the proposed narrowing of eligibility for the RPS adjustment to only Portfolio Content Category 0 RECs to the same time frame that the electrical distribution utility allocation calculations are adjusted to better account for RPS-eligible procurement that may incur a Cap-and-Invest Program compliance obligation.
3. Section 95852(e)(2) was changed to revert changes proposed in the 45-day Amendments to align with MRR proposed changes to the point of regulation for liquified petroleum gas.

## **(J) Modifications to Section 95852.1**

1. Section 95852.1 is updated to remove text added in the 45-day Amendments that limited a compliance obligation exemption for the use of biomass-derived fuels to only the covered entity claiming the exemption in the Cap-and-Invest Program, such that no other entity could otherwise claim emissions reductions for that same fuel use, except for the generation of RECs or Low Carbon Fuel Standard credits. The updated text removes this prohibition and instead clarifies that no other entity may claim a covered emissions exemption for that same fuel use in the Cap-and-Invest Program or in a linked external GHG emissions trading system. This change is necessary to protect the environmental integrity of the Cap-and-Invest Program and any linked emissions trading systems by prohibiting the double-claiming of covered emissions exemptions that lower a covered entity's compliance obligation. Concurrently, this change allows entities claiming an exemption from a Cap-and-Invest Program compliance obligation for use of biomass-derived fuels to also participate in unlinked external incentive programs, such as an industrial manufacturing facility that procures biomethane to lower its Cap-and-Invest compliance obligation while simultaneously participating in a "buy clean" procurement program for their low-carbon product. This change also allows entities to claim environmental benefits in a program outside of Cap-and-Invest for avoided methane emissions associated with a volume of biomethane combusted by a covered entity. These examples of incentive stacking work in tandem with the carbon price signal imparted by Cap-and-Invest to incentivize increased deployment of biomass-derived fuel use in support of deep decarbonization strategies needed to achieve California's climate goals.

## **(K) Modifications to Section 95852.2**

1. Section 95852.2(a)(5) was changed to replace the word "including" with the phrase "such as" for clarity. Section 95852.2(a)(7) was changed to remove the word "including" for clarity.

## **(L) Modifications to Section 95856**

1. Section 95856(f)(3)(A) was added to provide an optional one-time delay, from November 1, 2027 to November 1, 2029, in the deadline to meet the full compliance period compliance obligation for covered emissions associated with a facility that is an Independent Merchant Refinery. Responsive to public comments, the new text enables such a facility to allocate investments that support the near-term production of gasoline in substantial volumes that meet the overall near-term demand of California consumers. This provision ensures that all covered emissions from an Independent Merchant Refinery have a compliance obligation under the Program while providing additional near-term flexibility to help manage compliance costs. The new text specifies that to opt into this provision, the entity must notify the Executive Officer by January 4, 2027. This text supports clarity on how to opt into the delayed full compliance period compliance obligation and on the administrative process to support compliance with this provision.
2. Section 95856(h)(1)(A) was changed to fix a spelling mistake.
3. Section 95856(h)(1)(D) was modified to remove references added in the 45-day Amendments to section 95891(g). This change was necessary to remove reference to section 95891(g), as it was updated to clarify that Manufacturing Decarbonization

Incentive Allocation does not apply to or provide allowance allocation with true-up value. This change was necessary to avoid conflicting regulatory provisions.

4. Section 95856(h)(2)(D) was modified to remove references added in the 45-day Amendments to section 95891(g), as section 95891(g) was updated to clarify that Manufacturing Decarbonization Incentive Allocation does not apply to or provide allowance allocation with true-up value.

### **(M) Modifications to Section 95871**

1. In Table 8-1 of section 95871, the activities for NAICS code 212 “Mining (except oil and gas) for Supplementary Cementitious Materials” and for NAICS code 327 “Nonmetallic Mineral Product Manufacturing for Supplementary Cementitious Materials,” both under the NAICS Sector Definition “Cement Manufacturing,” were changed in response to comments to clarify that only in-state mining and only manufacturing of materials using minerals mined in-state are eligible for industrial allowance allocation pursuant to this section, as only in-state manufacturing activities are eligible for industrial allowance allocation to minimize emissions leakage risk. Further, the heading in the rightmost column of Table 8-1 is updated to replace “2035” with “2030” as the final year in which assistance factors are established. This change is needed to align with the updated cap adjustment factors in Table 9-2, which establishes industrial allocation cap adjustment factors only through 2030. This change is responsive to comments and necessary to provide more time for CARB to analyze emissions leakage risk for covered facilities, including any updated data and information available, before setting post-2030 assistance factors in a future rulemaking.
2. In Section 95871(h), a reference to section 95871(j) is updated to 95871(k) to specify that allowances provided for Manufacturing Decarbonization Incentive Allocation, which are distributed to eligible facilities through the industrial allowance allocation process and may be used directly for compliance or trading with other entities pursuant to section 95891(g), are not included in the allowances designated for sale at auction. This change is necessary to accurately determine the remaining allowances that are designated for sale at auction after allowance allocations are complete, consistent with the treatment of all other allocated allowances.
3. In section 95871(j), the annual transfer date of allowance removals for offset use was revised from December 8 to December 31 to provide sufficient time for implementation. All references to “December 8” within this section were revised to “December 31.”
4. Section 95871(k) is added to populate the Build Up California Reserve Account with 118.3 million allowances, equal to the total number removed from vintage 2027 through vintage 2030 allowance budgets in order to set the updated annual budgets in section 95841. The allowances in the Build Up California Reserve Account are made available for Manufacturing Decarbonization Incentive Allocation pursuant to section 95891(g). This provision maintains the removal of allowances available to the general market during 2027 through 2030 to reflect updates to the GHG Inventory and to support achieving emissions reduction targets as described in the Initial Statement of Reasons. Manufacturing Decarbonization Incentive Allocation Allowances are only introduced to the market over the time period specified in section 95891(g) if eligible facilities demonstrate investments in low-carbon technologies and fuels. This change is necessary to increase leakage protection for industrial facilities that invest in California, to accelerate GHG emissions reductions for industrial sectors that face technical barriers to decarbonization, and to uphold the increased environmental stringency for cumulative allowance budgets needed to drive all sectors toward the statutory 40%

statewide GHG emissions reduction by 2030 and an 85% GHG emissions reduction by 2045.

### **(N) Modifications to Section 95890**

1. In section 95890(c), a reference to Table 9-4 is deleted. This change is necessary to align with the deletion of Table 9-4 in section 95892.

### **(O) Modifications to Section 95891**

1. In Table 9-1 of section 95891, the activities for NAICS code 212 “Mining (except oil and gas) for Supplementary Cementitious Materials” and for NAICS code 327 “Nonmetallic Mineral Product Manufacturing for Supplementary Cementitious Materials,” both under the NAICS Sector Definition “Cement Manufacturing,” were changed to clarify that only in-state mining and only manufacturing of materials using minerals mined in-state are eligible for industrial allowance allocation pursuant to this section, as only in-state manufacturing activities are eligible for industrial allowance allocation to minimize emissions leakage risk.
2. In Table 9-1 of section 95891, the final vintage year of allowance allocation for “Thermal EOR Crude Oil Extraction” and “Non-Thermal Crude Oil Extraction” activities under NAICS code 211111 was changed from vintage 2030 to vintage 2032. The first vintage year of allowance allocation for the activity “Crude Oil Extraction” under NAICS code 211111 was changed from vintage 2031 to vintage 2033. These changes are necessary to support the intent for the timing of allowance allocation for activities under NAICS code 211111 in the 45-day amendments. Allocation through production year 2030 is expected to be based upon both thermal EOR crude oil extraction and non-thermal crude oil extraction (e.g., the allocation for production during 2030 will be made final by the vintage 2032 true-up allocation that is based on thermal EOR crude oil extraction and non-thermal crude oil extraction during 2030). Similarly, allocation for production year 2031 and beyond is expected to be based upon consolidated crude oil extraction (e.g., the allocation for production during 2031 will be made final by the vintage 2033 true-up allocation that is based on consolidated crude oil extraction during 2031).
3. In Table 9-1 of section 95891, the final vintage year of allowance allocation under the complexity weighted barrel (CWB) benchmark for “Petroleum Refining” under NAICS code 32411 was changed from vintage 2030 to vintage 2032. This change matches the intent for the timing of allowance allocation for activities under NAICS code 324110. Allocation through production year 2030 may be based upon the CWB benchmark (e.g., the allocation for production during 2030 can be made final by vintage 2032 true-up allocation that is based on CWB production during 2030). This change aligns with changes to product data reporting for refineries in MRR, where beginning with data year 2031, liquid hydrocarbon fuel production data must be reported in lieu of CWB production data.
4. In Table 9-1 of section 95891 a benchmark is added for light-duty vehicle manufacturing. This benchmark is necessary to enable product-based industrial allowance allocation for facilities that report under NAICS code 336110. The benchmark was calculated using data from reporting years 2022-2024 which were the first three years of stable production post pandemic. As only one facility produced this product, the addition establishes the benchmark at the best-in-class level, which is 0.0852

allowances per light-duty vehicle and an electricity benchmark of 0.582 MWh per light-duty vehicle.

5. In section 95891(b), the description of “ $O_{a,t-2}$ ” for all eligible activities except for Finished Cement was changed to clarify that only in-state mining and/or manufacturing of materials mined in-state are eligible for industrial allowance allocation pursuant to this section, as only in-state manufacturing activities are eligible for industrial allowance allocation to minimize emissions leakage risk.
6. In section 95891(b), the description of “ $O_{a,t-2}$ ” for Finished Cement for NAICS code 212 “Mining (except oil and gas) for Supplementary Cementitious Materials” and for NAICS code 327 “Nonmetallic Mineral Product Manufacturing for Supplementary Cementitious Materials” was changed to clarify that only in-state mining and only manufacturing of materials using minerals mined in-state are eligible for industrial allowance allocation pursuant to this section, as only in-state manufacturing activities are eligible for industrial allowance allocation to minimize emissions leakage risk.
7. In section 95891(b), the description of “ $C_{a,t-2}$ ” as applied in the “ $TrueUp_t$ ” variable for the Product Output-Based Allocation methodology was updated to remove a reference added in the 45-day Amendments for the cap adjustment factor modifier defined in section 95891(g). This update is necessary to align with changes in section 95891(g) specifying that the cap adjustment factor modifier for providing Manufacturing Decarbonization Incentive Allocation does not provide allowances with true-up value and does not apply when calculating the true-up portion of an eligible industrial facility’s allowance allocation under sections 95891(b) or (c).
8. Section 95891(b)(1) was changed to enable a facility that previously received energy-based allocation to be eligible for the one-time new product true-up allocation. The one-time new product true-up allocation equation is updated to subtract the energy-based allocation for the relevant years and make it clear that new product allocation would replace, and would not be in addition to, the historic energy-based allocation to such a facility. The proposed change is necessary to support leakage protection for covered facilities based on production data that is reported and verified pursuant to MRR, CARB’s preferred method of providing allowance allocation for leakage mitigation.
9. Section 95891(b)(1)(A) was changed to clarify that a facility can request one-time new product true-up allocation for budget year 2028 or 2029 allowance allocations by reporting and verifying under MRR the annual production quantities of newly covered products by the annual reporting deadline in 2027, which will be April 12, 2027, or 2028, which will be April 10, 2028, respectively. Text was added to clarify the years for which one-time new product true-up allocation from budget year 2028 and 2029 may be provided. Section 95891(b)(1)(A) was also changed to reference section 95891(b)(1)(B), which specifies that the reported data must be verified under MRR. Text was added so the term “one-time new product true-up allocation” is consistently applied in this section. These changes are needed to provide clarity to covered entities about the reporting requirements, timing, and administrative process for one-time new product true-up allocation from budget years 2028 and 2029.
10. Section 95891(b)(1)(B) was changed to reference the correct MRR subsection for reporting and verifying newly covered product data, which is necessary for accuracy.
11. Section 95891(b)(1)(C) was changed to clarify that a facility that received allocation under the CWB benchmark while operating as a petroleum refinery is not eligible for one-time new product true-up allocation under liquid hydrogen fuel (LHF) or asphalt benchmarks if it continues to operate as a petroleum refinery when the one-time new product true-up allocation could otherwise occur. This change is needed to ensure an

appropriate level of allowance allocation to each facility to minimize leakage and to avoid allocating to a facility twice for the same production.

12. Section 95891(b)(4) was added to clarify the process for a facility to irreversibly switch from allocation under the CWB benchmark to allocation under the LHF and asphalt benchmarks. The deadline to switch is December 1 of the calendar year immediately preceding the first year that the entity elects to be covered by the new benchmarks. The December 1 deadline is necessary to support administration of the switch in benchmarks and clarifies the data year that the facility will start reporting and verifying LHF and asphalt production data instead of CWB production data. For example, a facility that wants to irreversibly switch to allowance allocation under the LHF and asphalt benchmarks for the 2029 production year would need to notify the Executive Officer by December 1, 2028. Such a facility would then report and verify its 2029 LHF and asphalt production data during 2030, and the allocation for production during 2029 would be made final by vintage 2031 true-up allocation, would be based on verified 2029 LHF and asphalt production data.
13. In section 95891(c), the description of “ $C_{a,t-2}$ ” as applied in the “TrueUp<sub>t</sub>” variable for the Energy-Based Allocation methodology was updated to remove a reference added in the 45-day Amendments for the cap adjustment factor modifier defined in section 95891(g). This update is necessary to align with changes in section 95891(g) specifying that the cap adjustment factor modifier for providing Manufacturing Decarbonization Incentive Allocation does not provide allowances with true-up value or apply when calculating the true-up portion of an eligible industrial facility’s allowance allocation under sections 95891(b) or (c).
14. In section 95891(c)(2), a reference to “Cap-and-Trade” was corrected to “Cap-and-Invest” for clarity and consistency with Assembly Bill 1207 (Irwin, Stats. 2025, ch. 117).
15. In section 95891(d)(3)(C)1., the word “including” was replaced with “such as” for clarity, and the word “allowances” was replaced with “compliance instruments” to clarify that the prohibition for using allocated allowance value to pay for the costs of compliance applies to all compliance instruments in the Cap-and-Invest Program, not only allowances.
16. In section 95891(d)(4)(D), the word “including” was replaced by “The description shall specify” to remove ambiguity on the scope of the description included in the report submitted by universities and public service facilities.
17. Section 95891(g) is changed to clarify and further refine the Manufacturing Decarbonization Incentive (MDI) allocation proposal included in the 45-day Amendments text. The updated proposal offers MDI allocation for budget year 2028 through 2035. This timeline provides additional time from the effective date of this Regulation to the first MDI application deadline, which allows adequate time for facilities to compile GHG reduction project proposals and submit requests, while setting a maximum timeframe for this allocation to provide a long-term investment signal that incentivizes early investments to reduce industrial GHG emissions in support of the State’s 2030 and 2045 targets. Total MDI allocation is now proposed to be limited to a fixed number of allowances, as specified in section 95891(g)(9), and the number of MDI allowances provided will depend on when and how many facilities submit an MDI application that is approved by CARB pursuant to sections 95891(g)(5)-(6). The number of MDI allowances provided to each eligible facility is determined using a flat CAF Modifier of 0.8, which replaces Table 9-2a in the 45-day Amendments which differentiated CAF Modifiers by sector and budget year. This revised approach is necessary to provide consistent treatment across all eligible industrial sectors, recognizing the wide variety of technical challenges and investment opportunities for

decarbonizing industrial manufacturing in California. In contrast to the front-loaded CAF Modifier schedule in the 45-day Amendments that prioritized higher MDI allocations in the earliest years, the consistent flat CAF Modifier across all years allows facilities to design and time MDI applications and investments in a manner that minimizes risk and maximizes chances of successful GHG emissions reduction projects. Additionally, the CAF Modifier no longer applies to the true-up portion of industrial allocation. This change was made due to administrative complexity and the two-year delay between when a facility receives an initial industrial allocation for a given production year and when it receives its true-up allocation for that year. Applying the CAF Modifier to calculate the true-up allocation opens the possibility that a facility would have a negative true-up for its MDI allocation, which would bring uncertainty to the amount of MDI value that must be spent by the deadline in section 95891(g)(8). Section 95891(g) was also updated to reference new provisions in section 95891(g)(9) for the availability of MDI allowances by sector and the process for prorating remaining MDI allowances for any budget year where the number of allowances available by sector would be exhausted. CARB plans to publish the number of MDI allowances provided annually as part of its annual allocation summary report, typically published each December, to provide transparency on the number of MDI allowances distributed. Finally, section 95891(g) was restructured to reference the new Build Up California Reserve Account, which is populated with 118.3 million current vintage allowances to be used to provide MDI allocation to eligible facilities until the account is exhausted. This approach replaces the proposal in the 45-day Amendments, which drew MDI allowances from future vintage years (2034 through 2045) and would have provided those future vintage allowances to eligible facilities as allowances with true-up value. The 45-day Amendment approach would have introduced administrative complexities related to the duration of true-up value for allowance transfers and retirements. The updated approach is necessary to provide a prescribed pool of incentive value and to avoid relying on future vintage allowances that would restrict allowance supply for future allocation.

18. In section 95891(g)(1), the phrase “is eligible for” was replaced with “will be provided” to clarify the MDI allocation process; if the facility meets the objective eligibility criteria of this section, then MDI allocation will be provided. “From” is replaced with “for” to align the text with the new reserve account structure for providing MDI allowances. “If it meets” is replaced with “provided” to align grammatically with the list of criteria in subsections (A)-(D).
19. In section 95891(g)(1)(B), text is added to clarify that facilities in sectors listed in Table 9-1a are only eligible for MDI allowance allocation if they invest in eligible activities for the sequestering or utilization of captured carbon dioxide under 95891(g)(2)(H). This addition is responsive to comments to recognize investments made in carbon capture, utilization, and storage technologies by oil and gas production sectors, contingent on a Board-approved quantification methodology that is incorporated into the Regulation per section 95852.3. Apart from this project category, sectors listed in Table 9-1a remain ineligible for MDI allowance allocation pursuant to Table 9-1a.
20. In section 95891(g)(1)(C), some eligibility criteria text from the 45-day Amendments was deleted. This change clarifies that eligibility is established if a facility submits an application that meets the requirements of section 95891(g)(5)-(6). This change removes ambiguity, as much of the eligibility text in section 95891(g)(1)(C) of the 45-day Amendments was duplicative of requirements in other subsections of section 95891(g).
21. Section 95891(g)(1)(D) is added to clarify that MDI allocation will only be provided if allowances are available in the Build Up California Reserve Account for the facility’s sector as specified in section 95891(g)(9). In any year where there are no allowances

available in the account for the facility's sector, MDI allocation will not be provided. This is necessary to provide notice to eligible entities that MDI allocation is only available up to the number of allowances provided in the Build Up California Reserve Account.

22. In section 95891(g)(2), text is added to specify that MDI value may be used for eligible GHG emissions reduction expenditures on or after September 1, 2026, the expected effective date of the Regulation if approved by the Board, and that expenditures must achieve facility GHG emissions reductions. This text is responsive to public comments that sought clarity on the time bounds of project eligibility and whether GHG emissions reductions had to be achieved by the spending deadline in section 95891(g)(8). While the first application deadline for MDI allocation is not until September 1, 2027, staff find it reasonable to extend eligibility to expenditures on facility GHG emission reduction projects that occur after the MDI allocation requirements are in effect. Because MDI allocation is intended to accelerate deployment of low-carbon technologies and fuels for industrial facilities that face leakage risk and barriers to decarbonization, the changes clarify that facilities must use MDI value to achieve GHG emissions reductions. If MDI value is spent on projects that do not achieve GHG emissions reductions, then equivalent allowances must be returned to CARB pursuant to section 95891(g)(8). This provision is necessary to ensure that the value of MDI allowances is used to achieve GHG emissions reductions and to integrate into the existing design structure for allocation by increasing the CAFs.
23. Section 95891(g)(2)(A) updates the criteria for exempt biomass-derived fuel use as an eligible category for expenditure of MDI value and adds eligibility for facility methane emissions reduction projects. Changes add capital costs for biomass-derived fuels use and methane emissions reduction projects, add a spending limit of 50% for the costs of purchasing biomass-derived fuel, exclude fuels that are partially exempt from a compliance obligation due the fuel being only partially biogenic, and delete the three-year additionality criterion for historic biomass-derived fuel use, instead specifying that the biomass-derived fuel must be used to reduce the facility's covered emissions. Taken together, these changes incentivize reductions in facility covered emissions, including both CO<sub>2</sub> and methane, and align the incentive for biomass-derived fuel uses with the practical economics and deployment patterns of both solid biomass-derived fuels, such as agricultural waste, and gaseous fuels, such as biomethane, which is accessible to facilities connected to the natural gas transmission and distribution network provided that the biomethane is either directly delivered or injected into a common carrier pipeline in North America. These changes are responsive to public comments. The 50% spending limit for biomass-derived fuel costs, whether solid fuel, liquid fuel, or gaseous fuels, recognizes the cost premium for low-carbon fuels over fossil alternatives while not subsidizing baseline energy costs that the facility was already incurring regardless of its chosen mix of fossil and biomass-derived fuels. Biomass-derived fuels that only have a partial exemption from a Cap-and-Invest Program compliance obligation are not eligible as these fuels are not compatible with the deep decarbonization strategies envisioned for industrial sectors in CARB's 2022 Scoping Plan Update. This change is necessary to ensure that MDI value properly incentivizes biomass-derived fuel use and methane emissions reductions that reduce facility covered emissions and support the State's progress toward achieving its 2030 and 2045 climate targets.
24. Text is added to section 95891(g)(2)(B) to specify that costs of design, engineering, and permitting necessary to support capital investments for a facility electrification project are an eligible use of MDI value. These costs are directly necessary and relevant to deploying technically complex capital improvements at an industrial facility and thus are within the scope of expenditures intended to be incentivized by MDI allocation.

However, as with the direct capital costs for electrified equipment, the associated costs for design, engineering, and permitting are only allowable uses of MDI value if they result in demonstrable GHG emissions reductions via reduced or avoided fossil fuel combustion at the eligible facility. Finally, the word “new” is added to clarify that only electricity costs of the new electrified equipment are eligible, and the word “changed” is replaced with “newly installed” to clarify that not all eligible capital installations directly replace existing equipment. These changes are necessary to incentivize facility electrification while ensuring that MDI value is used to achieve GHG emissions reductions.

25. The phrase “or meets the eligibility criteria for” is added to section 95891(g)(2)(C)1. The 45-day Amendment text limits this eligibility category for low-carbon hydrogen to projects that have received a federal tax credit under 26 U.S.C. § 45V(b)(2)(A)-(D) (adopted by the federal Inflation Reduction Act). However, this federal tax credit has been limited to projects that begin construction before January 1, 2028, which means that new low-carbon hydrogen projects constructed after this date would not be eligible for the use of MDI value. Thus, the changes provide a path for a facility to use MDI value to purchase low-carbon hydrogen if it can demonstrate that the low-carbon hydrogen meets the eligibility criteria in 26 U.S.C. § 45V(b)(2)(A)-(D), regardless of the end date for federal tax credit availability. This change is necessary to incentivize the use of low-carbon hydrogen to reduce GHG emissions.
26. The word “fully” is added to section 95891(g)(2)(C)2. to limit this eligibility category for low-carbon hydrogen procurement to only hydrogen produced from biomass-derived fuels that are fully exempt from a Cap-and-Invest Program compliance obligation. This change aligns with the new limitation for biomass-derived fuels use in section 95891(g)(2)(A), where the use of a fuel that is only partially exempt based on a biogenic fraction cannot be claimed as an eligible use of MDI value. This change is necessary to ensure that the use of MDI value achieves GHG emissions reductions and is aligned with CARB’s 2022 Scoping Plan Update.
27. Text is added to section 95891(g)(2)(C)3. to clarify that low-carbon electrolytic hydrogen produced using 100% renewable electricity is only an eligible use of MDI value if that electricity was generated by an Eligible Renewable Energy Resource, as defined in section 95802(a). This text is necessary to clarify the electricity sources that qualify for producing low-carbon hydrogen that is eligible to be purchased using MDI value, with further criteria delineated in subsections a. and b.
28. Section 95891(g)(2)(C)3.a. is added to specify that, in order to produce low-carbon electrolytic hydrogen that is MDI-eligible, the electricity that is used must be supplied to the grid or directly to the facility producing the hydrogen from within the local balancing authority where the electricity is consumed or delivered to that local balancing authority without substitution. This requirement is necessary to align the MDI eligibility criteria for low-carbon hydrogen with similar requirements in the Low Carbon Fuel Standard Program.
29. Section 95891(g)(2)(C)3.b. is added to specify that, in order to produce low-carbon electrolytic hydrogen that is MDI-eligible, the electricity that is used must be generated in the same month as the electricity used by the hydrogen production facility. This new requirement is necessary to align with time-matching standards for electrolytic hydrogen in the Low Carbon Fuel Standard Program and is responsive to public comments that requested clarity on these requirements.
30. In section 95891(g)(2)(D), the word “install” is replaced with “cover capital costs of” for consistent phrasing among all MDI-eligible capital cost categories. Also, text is added to specify that costs of design, engineering, and permitting that support capital

investments for a facility electrification project are an eligible use of MDI value. These costs are directly necessary and relevant to deploying technically complex capital improvements at an industrial facility and thus are within the scope of expenditures intended to be incentivized by the MDI allocation. However, as with the direct capital costs for electrified equipment, the associated costs for design, engineering, and permitting are only allowable uses of MDI value if they result in demonstrable GHG emissions reductions via reduced or avoided fossil fuel combustion at the eligible facility. Finally, “and” is replaced with “which” to further clarify that MDI-eligible expenditures in this category must result in reduced or avoided onsite combustion of fossil fuels.

31. In section 95891(g)(2)(E), the word “install” is replaced with “cover capital costs of” for consistent phrasing between all MDI-eligible capital cost categories. Also, text is added to specify that costs of design, engineering, and permitting that support capital investments for a facility solar thermal or geothermal project are an eligible use of MDI value. These costs are directly necessary and relevant to deploying technically complex capital improvements at industrial facilities and thus are within the scope of expenditures intended to be incentivized by the MDI allocation. However, as with the direct capital costs for a solar thermal or geothermal project, the associated costs for design, engineering, and permitting are only allowable uses of MDI value if they result in demonstrable GHG reductions via reduced or avoided combustion of fossil fuels at the eligible facility. Finally, “and” is replaced with “which” to further clarify that MDI-eligible expenditures in this category must result in reduced or avoided onsite combustion of fossil fuels.
32. In section 95891(g)(2)(F), the word “and” is replaced with “which” to further clarify that MDI-eligible expenditures in this category must result in reduced or avoided onsite combustion of fossil fuels. This change is necessary to ensure that the use of MDI value achieves GHG emissions reductions.
33. Section 95891(g)(2)(G) adds a new eligible project category for the use of MDI value, which is capital costs and associated design, engineering, and permitting costs to facilitate the use of alternative materials to reduce process emissions at an eligible facility. Some covered manufacturing activities result in process emissions through chemical or physical transformation of input materials as defined in section 95802(a), which can be reduced by replacing input materials. For example, clay can be used to substitute certain portions of limestone to make cement. However, existing facilities may need equipment upgrades to facilitate the use of alternative materials. This section allows the use of MDI value for capital costs necessary to use alternative materials, provided the facility is using the alternative materials to produce the same covered product identified in Table 9-1, and provided that the use of alternative materials to reduce process emissions can be evaluated relative to the input materials included when the product’s benchmark in Table 9-1 was established. This change is necessary to further incentivize voluntary reductions of GHG emissions in difficult to decarbonize industrial processes.
34. Section 95891(g)(2)(H) adds a new potentially eligible project category for the use of MDI value, which is capital costs, electricity costs, and associated design, engineering, and permitting costs for equipment that captures CO<sub>2</sub> emissions, which is verified to be sequestered or utilized through use of a Board-approved quantification methodology pursuant to potential future requirements of the Regulation. Project eligibility in this category is extended to facilities otherwise ineligible for MDI allowance allocation under Table 9-1a, for investments by these sectors in carbon capture, utilization, and storage technologies. This category is contingent on Board approval of a quantification

methodology that accounts for the sequestration or utilization of captured CO<sub>2</sub> emissions projects and adoption in a subsequent rulemaking that incorporates the methodology into the Cap-and-Invest Regulation. Any potential future approval of that methodology would include any required analysis of such changes. At such time, CARB may consider recognition of early action projects at facilities that capture and store CO<sub>2</sub> that occur after the effective date of the proposed Amendments and that do not receive MDI allocation or are not otherwise accounted for in other allocation, prior to the potential Board approval of a quantification methodology. This change is necessary to incentivize early and voluntary reductions in GHG emissions.

35. In section 95891(g)(5), minor changes clarify that an application for MDI allocation must be submitted on or before a specific deadline for each compliance period to be eligible to receive the CAF modifier during that compliance period. This change is necessary for administrative function of the program and for ensuring both entities have enough time to apply and CARB has enough time to review applications.
36. Section 95891(g)(5)(A) is edited to change the first application deadline for MDI allocation to June 1, 2027. The 45-day Amendment text set the initial deadline at September 1, 2026, which would have required CARB staff to accept and review applications before the updated Regulation is in effect. Additionally, since MDI allocation is offered on compliance period cycles, any facility that missed the initial deadline would not have another opportunity to apply until 2028 (for budget years 2029 and 2030). The deadline extension to June 1, 2027, gives CARB staff and interested facilities time to plan and prepare for the application and implementation timelines, which helps facilitate rigorous and ambitious project proposals that meet all the requirements in section 95891(g) and unlock facility GHG reductions in support of achieving California's GHG reduction targets. For subsequent compliance periods in sections 95891(g)(5)(B)-(D), the application deadline is set to June 1 in the year preceding the first year of the compliance period, rather than April 10 of that year in the 45-day Amendments. This change provides facilities additional time for submitting their application to CARB, while providing CARB staff three months to review and approve or reject applications before the September 1 deadline added in section 95891(g)(6).
37. Section 95891(g)(5)(E) is deleted. This change is necessary to align the application deadlines for MDI allocation with the years in which MDI is offered, as specified in section 95891(g). Since section 95891(g) limits MDI allocation eligibility to budget years 2028 through 2035, no application deadline is needed for budget years 2036 through 2038. Depending on the number of MDI applications approved by CARB and the total number of MDI allowances distributed to eligible facilities in the initial compliance periods where MDI allocation is offered, CARB may assess in a future rulemaking whether to extend the MDI program for future compliance periods after 2035.
38. In section 95891(g)(6), text is added to clarify that CARB will approve a facility's application for MDI allocation by September 1 of the year the application is submitted if it meets the subsequent listed criteria. This change clarifies the regulatory criteria that will be used when evaluating applications and establishes a clear timeline for application approval. The September 1 approval deadline provides three months for CARB staff to review applications after the June 1 submittal deadline in section 95891(g)(5), while allowing sufficient time for CARB to calculate and transfer MDI allocation to eligible facilities ahead of the October 24 annual deadline for providing industrial allowance allocation.
39. In section 95891(g)(6)(A), minor clarifications are added to reference "allowable" activities in section 95891(g)(2), to replace "including" with "this shall include a description of," and to delete text specifying the "expected annual GHG reductions once

- the project is implemented.” The first two changes clarify the scope of information that is required to be included in the submitted application. The latter change removes a phrase that would otherwise be duplicative with text added in section 95891(g)(6)(B).
40. In section 95891(g)(6)(B), new text is added to include expected annual GHG emissions reductions in the application for the proposed project. This text was previously in section 95891(g)(6)(A) and is moved here to provide a clearer structure for the application requirements. Additionally, text is added to reference “alternative materials” and “Expected annual reductions of combustion GHG emissions and process GHG emissions once the project is implemented” to differentiate these emission types and align the application requirements with the list of eligible project categories in section 95891(g)(2), which includes projects that reduce both combustion and process emissions. Finally, text is deleted that referenced the three-year additionality test for exempt biomass-derived fuels in the 45-day Amendments to align with a corresponding change to eligibility for biomass-derived fuel use in section 95891(g)(2)(A).
  41. The phrase “resulting changes in facility energy use and reductions in GHG emissions” is added in section 95891(g)(7). This change is necessary to ensure that the report submitted following a compliance period for which a facility received MDI value contains the necessary information for CARB staff to determine whether the use of MDI value reduced or avoided fossil fuel use and achieved GHG emissions reductions at the eligible facility, per the eligible project categories in section 95891(g)(2). A regulatory reference in this section was updated from section 95891(g)(7) to section 95891(g)(8), as this reference was incorrect in the 45-day Amendments.
  42. In section 95891(g)(7)(A), the phrase “including updates to” is changed to “the assessment shall describe changes to” to clarify the scope of information required by this subsection. The word “current” is added to specify that cost estimates submitted with the report must be up-to-date relative to cost estimates submitted in the application under section 95891(g)(6). These changes are necessary to ensure clear direction on administration of the program.
  43. Section 95891(g)(7)(D)1. is added to specify that the report must include contract or procurement documentation that demonstrates the eligible expenditures of MDI value during the compliance period and the monetary value of MDI value spent on those uses. This addition is necessary so that CARB staff can ensure that MDI value is used only for eligible expenditures under section 95891(g)(2), and that any unused MDI value can be quantified and required to be returned to CARB under section 95891(g)(8).
  44. In section 95891(g)(7)(E), “this includes” is replaced with “as demonstrated by the following” to remove ambiguity regarding the scope of information and documentation that must be submitted to fulfill this reporting requirement. This change is necessary to ensure clear direction on administration of the program and for enforceability of the program.
  45. In section 95891(g)(7)(E)1., the phrase “including” is replaced with “the description shall specify” to remove ambiguity on what the description is required to include. Further, the words “each” and “each use” are added for consistency and to clarify that multiple eligible uses of MDI value may be included in the report submitted to CARB.
  46. In section 95891(g)(7)(E)2., the phrase “through the previous” is replaced with “during the” for consistency throughout section 95891(g) when referencing which compliance period is covered by the application, spending, and reporting requirements for the use of MDI value. This change is necessary for clear program administration.
  47. Section 95891(g)(7)(E)2.a. is added so that the report submitted to CARB includes documentation needed to substantiate that any low-carbon hydrogen purchased using MDI value aligns with the applicable eligibility criteria in section 95891(g)(2)(C). This

change is necessary for clear program administration and to ensure that MDI allocation is used to achieve GHG emissions reductions.

48. The word “including” is deleted from section 95891(g)(7)(E)3.a. This change is necessary for better clarity on the scope of information covered by this requirement and for clear program administration.
49. Section 95891(g)(7)(E)3.c. is added so that the GHG emissions reduction calculation required in section 95891(g)(7)(E)3. includes eligible projects that use alternative materials to reduce process emissions pursuant to the new eligible project category added in section 95891(g)(2)(G). This change is necessary to ensure GHG emissions reductions from eligible expenditures covered by MDI value are calculated and reported accurately.
50. Section 95891(g)(8) is updated to clarify the GHG reduction purpose of MDI value and to align the spending deadline with the reporting cycle specified in section 95891(g)(7). The word “unused” is deleted and the phrase “and achieve GHG emissions reductions” is added to clarify that uses of MDI value are only considered “spent” for the purposes of this section if GHG emissions reductions are achieved by the spending deadline. The five-year deadline specified in the 45-day Amendments is replaced with a new deadline aligned with compliance periods, where facilities receiving MDI allowances must spend that MDI value by the end of two compliance periods following the compliance period of the MDI allowance budget year. This change aligns the spending deadline with the post-compliance period reporting in section 95891(g)(7), which ensures that CARB staff will have the proper information about project spending and outcomes to determine whether the GHG reduction purpose of the MDI value has been achieved. This change also extends the spending deadline to six or seven years, rather than the five-year deadline in the 45-day Amendments, depending on whether an entity applies for MDI allowances for a two or three year compliance period, which is responsive to public comments expressing concern that five years was not enough time to ensure that major capital projects at eligible facilities will be deployed, given the complexities and potential permitting barriers for such projects. This change is necessary to ensure that MDI allocation properly incentivizes deep decarbonization aligned with CARB’s 2022 Scoping Plan Update for eligible industrial sectors.
51. In section 95891(g)(8)(A), text is added to specify that allowances returned pursuant to this section will be transferred to the Retirement Account. This addition ensures that allowances transferred back to CARB will be retired. This change is necessary to ensure that MDI allocation is used to achieve GHG emissions reductions in eligible industrial sectors.
52. Section 95891(g)(8)(B) is added to clarify that the determination of whether MDI value has been used on eligible projects that reduce GHG emissions will be based on the reporting information and documentation submitted pursuant to section 95891(g)(7). This section also clarifies that the full amount of the MDI value for a facility that fails to meet these reporting requirements in section 95891(g)(7) for a compliance period will be considered unspent for that compliance period, and in such cases a facility must return allowances to the Executive Officer pursuant to section 95891(g)(8). This change is necessary for program administration and to ensure that MDI value is used to achieve GHG emissions reductions.
53. Section 95891(g)(9) is added to specify the availability of MDI allowances in the Build Up California Reserve Account by sector. Subsections (A) and (B) split the 118.3 million allowances created for MDI allocation pursuant to section 95871(k) into two equal portions, where one portion is available to provide MDI allocation to refineries, hydrogen producers, and associated sectors (specified in section 95891(g)(9)(A) as NACIS codes

324110 (petroleum refineries), 324121 (asphalt manufacturing), 324199 (all other petroleum and coal products manufacturing), 325120 (industrial gas manufacturing, i.e. hydrogen production), and 325199 (all other basic organic chemical manufacturing, i.e. biorefineries)). The other portion is available for all other eligible industrial sectors. This bifurcation is necessary to ensure that all eligible sectors will have an equal opportunity to apply for MDI allocation over multiple compliance periods, despite the uncertainty in the number of applications that CARB will receive and in the number of allowances that may be provided to large industrial facilities, such as petroleum refineries, through the flat CAF modifier of 0.8. Ensuring a dedicated pool of allowances for petroleum refineries, hydrogen production, and associated sectors is necessary to support ongoing investment in these facilities to meet consumer fuel demand as the state transitions towards low carbon fuels. Petroleum refineries and hydrogen production also have access to the Refinery Investment Credit under the Low Carbon Fuel Standard Program, which can be leveraged in conjunction with MDI allocation for a higher total incentive for facility decarbonization investments across CARB programs. Subsection (C) establishes the process for providing MDI allocation in the event that insufficient allowances are available in the Build Up California Reserve Account for a sector group specified in subsections (A) or (B) to fulfill all eligible and approved MDI allocation applications for facilities in that group. This subsection establishes that any remaining allowances for that sector group in the account will be prorated across all eligible facilities in that sector group in proportion to the number of allowances that each facility would receive if sufficient allowances were available. This approach is necessary to ensure that all eligible facilities are treated fairly and equally in the distribution of remaining MDI allowances upon exhaustion of allowances in the Build Up California Reserve Account. If one portion of the MDI allowances is unused, a future rulemaking could evaluate making those allowances available to all eligible sectors.

54. Table 9-1a is updated to extend MDI allocation eligibility to transportation fuel refineries and associated sectors, such as hydrogen production, ethyl alcohol manufacturing, and organic chemical manufacturing. MDI allocation support for decarbonization investments in these sectors, in conjunction with policy support and investment credits offered by the Low Carbon Fuel Standard program, is necessary to incentivize cleaner production methods for California refining that reduces GHG emissions while helping to meet consumer fuel demand and support in-state jobs through incentives to support ongoing investment in California refining. The heading of Table 9-1a is also updated to extend MDI eligibility to all sectors that invest in eligible carbon capture, utilization, and storage projects under 95891(g)(2)(H), contingent on Board approval of a quantification methodology that is adopted into the Regulation. This change is responsive to comments and is necessary to recognize investments in carbon capture, utilization, and storage technologies by oil and gas production facilities, while maintaining the long-term ineligibility for these sectors for MDI allocation in other project categories under sections 95891(g)(2)(A)-(G), as aligned with CARB's 2022 Scoping Plan Update.
55. Table 9-2 is updated to increase cap adjustment factors for most industrial sectors relative to the 45-day Amendments and to set cap adjustment factors through 2030. In recognition of the emissions leakage risk faced by California manufacturing sectors during the current economic uncertainty with federal policies, the barriers to maintaining efficient production in the State while achieving the deep decarbonization needed to meet California's climate targets, and slower pace of adoption for carbon pricing by other jurisdictions than anticipated when the first regulation was adopted in 2011, staff propose increasing the Cap Adjustment Factor (CAF) for Standard Activities in 2027 to 0.807, which matches the CAF for sectors with a high proportion of process emissions

(alternate CAF) for that year. From 2028-2030, the standard and alternate CAFs decline at approximately one percent less, relative to the annual allowance budget declines in the current Regulation, than in the 45-day Amendments.<sup>1</sup> These changes are necessary to increase emissions leakage protection relative to the 45-day Amendments during the near-term unprecedented economic uncertainty, to take a conservative approach, to support California businesses and jobs, and to align with the statutory direction to consider effects on the state's economy. For most industrial sectors, the changes increase CAFs relative to the 45-day Amendments from 2027 through 2030. Finally, CAFs for universities and public service facilities, legacy contracts, natural gas suppliers, and oil and gas producers are maintained at the level proposed in the 45-day Amendments to align with the continued decline of fossil fuel consumption in California and the broad transition to clean electricity and low-carbon fuels needed to meet California's climate targets, and to reflect that allocation provided as transition assistance for universities, public service facilities, and legacy contracts is intended to decline with overall Program allowance budgets. As directed in AB 398 and AB 1207, CARB staff is continuing to evaluate cap adjustment factors and additional and complementary mechanisms after 2030 to address the risk of emissions leakage related to both covered industrial emissions and products that are not currently covered by the Program. Post-2030 allocation will also be informed by updated data on leakages available. As such, CARB is removing the CAFs for 2032-2035 that were proposed in the 45-day Amendments as well as the CAFs for 2031. This change is responsive to public comments and necessary to provide more time for CARB to analyze emissions leakage risk for covered facilities before setting post-2030 cap adjustment factors in a future rulemaking.

56. Table 9-2a is deleted, as a flat CAF modifier of 0.8 is adopted in section 95891(g) in place of the CAF modifier schedule in Table 9-2a that varied by budget year and sector. CARB staff project that, if future industrial production is maintained at 2024 levels, the flat CAF modifier of 0.8 provides all eligible facilities with the opportunity to receive MDI allocation over multiple compliance periods, beginning with the partial compliance period represented by budget year 2028. Because the CAF modifier is added to the CAF a facility receives for industrial allocation, facilities eligible for MDI allocation that receive the CAF for standard activities in Table 9-2 (such as a petroleum refinery) would receive a combined CAF + CAF modifier of 1.582 for budget year 2028, approximately doubling the number of allowances they would receive without the MDI.<sup>2</sup> Thus, the updated MDI allocation proposal represents a significant increase in leakage protection

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<sup>1</sup> The 45-day Amendments proposed maintaining the standard and alternate CAFs in the current Regulation through 2030, which are derived from allowance budgets that decline 4% per year on average from 2021 to 2030 (to support the 2030 GHG emissions reduction target, which is 40% below the 2020 target). The alternate CAFs were set to decline at half that rate (2%). To increase leakage protection relative to the 45-day Amendments, the 15-day Amendments set the standard CAF at the same level as the alternate CAF in 2027 (0.807), and then drop the annualized cap decline rate from 4% to 3% for the standard CAF, and from 2% to 1% for the alternate CAF.

<sup>2</sup> For example, a petroleum refinery that produces 300,000 complexity weighted barrels per year, with an industrial allocation benchmark of 3.89 allowances per complexity weighted barrel per Table 9-1, an Assistance Factor of 100% per Table 8-1, and the 0.8 MDI CAF modifier specified in 95891(g), would receive 933,600 MDI allowances for each budget year of eligibility, where MDI allowances are available, in exchange for monetarily equivalent investments in low-carbon technologies and fuels listed in 95891(g)(2)(A)-(H) that reduce facility GHG emissions. This same facility would also continue to receive standard industrial allocation using the annually declining CAF in Table 9-2 (in this example, with a standard CAF of 0.782 in 2028, this facility would also receive 912,594 allowances for standard industrial allocation).

for eligible facilities while requiring demonstrable investments in low-carbon fuels and technologies that reduce GHG emissions. Taken together, the 15-day Amendments to the MDI allocation proposal are necessary to maximize the ability for eligible facilities to leverage the incentive value of MDI allowances to unlock the transformative decarbonization investments needed to keep clean production in California while supporting California’s climate targets and reducing long-term compliance costs.

## **(P) Modifications to Section 95892**

1. Section 95892(a)(2) is deleted. This change is necessary to reflect the deletion of Table 9-4, as CARB is no longer proposing to set post-2030 EDU allocation in this rulemaking. This change was made in response to public comments that requested additional time to further develop the methodology for the post-2030 EDU allocation. Post-2030 allocation will be addressed in a future rulemaking in order to provide sufficient time for this work.
2. The word “residential” is added in section 95892(a)(3), which is renumbered from section 95892(a)(4) in the 45-day Amendments. This change aligns the methodology for determining how to apportion allowances transferred from natural gas investor-owned utilities to electrical distribution utilities (EDUs) in section 95893(b)(1)(A)1. with the requirement that the value of these allowances be returned to residential EDU ratepayers in section 95892(d)(9). Without specifying that these allowances will be apportioned in accordance with residential retail sales, EDUs with a higher proportion of non-residential retail sales would receive a disproportionate number of allowances and disproportionate benefit for their residential ratepayers. This change is necessary to appropriately distribute these allowances to EDUs for providing ratepayer protection.
3. In section 95892(d)(3), the phrase “Allowance value, including any allocated allowance auction proceeds” was replaced with “Allocated allowance value” for clarity and consistency with the definition of “Allocated allowance value” in section 95802(a).
4. In section 95892(d)(3)(D), the text requiring publicly owned electric utilities and electrical cooperatives to return allocated allowance value in only a non-volumetric manner was removed to align with proposed 45-day Amendments, which removed the prohibition on the volumetric return of allocated allowance value for investor-owned utilities.
5. Section 95892(d)(7)(B) was revised to align with the definition of “Compliance Instrument” in section 95802(a) and to clarify that the prohibition on the use of allocated allowance value applies to the purchase of compliance instruments and is not limited to the purchase of only allowances. The word “including” was also replaced with “such as” for clarity.
6. Section 95892(d)(7)(D) was deleted to remove the prohibition on the volumetric return of allocated allowance value for publicly owned electric utilities and electrical cooperatives, and is necessary to align with the corresponding change proposed in section 95892(d)(3)(D) and to ensure consistency.
7. In section 95892(e)(1) the word “including” was replaced with “and” for clarity, and the phrase “on those proceeds” was added to specify the interest that is to be reported on an EDU’s annual Use of Allocated Allowance Value report.
8. In section 95892(e)(5)(A), the terms “including” and “this includes” were replaced with “and” for clarity.
9. In section 95892, Table 9-3, the annual allocation to each EDU during 2027-2030 , was changed to reflect the following additional information and recommendations in public comments (calculations available in Attachment B):

- a. The adjustment of the “RPS Factor Applied to Sales” to reflect the California Energy Commission (CEC) Interim Renewable Portfolio Standard Targets per California Code of Regulations Section 3204(a)(5)-(6), minus 25% to represent allowable non-Portfolio Category Content 1 (PCC 1) electricity;
- b. Lathrop Irrigation District and Trinity Public Utilities District identified themselves as EDUs, and they were added as new EDUs to Table 9-3;
- c. Updates to the large hydroelectric supply for Pacific Gas and Electric Company, Southern California Edison, and San Diego Gas & Electric Company were made using the CEC Power Content Label data to address double counting of hydroelectric supply with Community Choice Aggregators;
- d. Updates to the nuclear supply for Southern California Edison and San Diego Gas & Electric were made using the CEC Power Content Label data to address double counting of nuclear supply with Community Choice Aggregators;
- e. Per California Public Utilities Commission (CPUC) Decision [D.23-12-036](#), updates were made to apportion the supply from Diablo Canyon Nuclear Power Plant to Pacific Gas & Electric Company, Southern California Edison, and San Diego Gas & Electric Company based on supply from Pacific Gas & Electric Company’s Form S-2;
- f. Updates were made to the calculation for Power and Water Resources Pooling Agency and PacifiCorp to reflect newly provided data; and
- g. Corrections to the values entered for Truckee Donner Public Utilities District’s energy to serve load.

These changes are necessary to reflect updated information.

10. In Section 95892, Table 9-4 was deleted. This change was made in response to public comments that requested additional time to further develop the methodology for the post-2030 EDU allocation. Post-2030 allocation will be addressed in a future rulemaking in order to provide sufficient time for this work.

### **(Q) Modifications to Section 95893**

1. In section 95893(b)(1)(A)(1), “investor-owned natural gas supplier” was changed to “public utility gas corporation” to align with the Regulation’s definition of “natural gas supplier” which defines investor-owned utilities pursuant to the definition in the California Public Utilities Code. This change is necessary for clarity and consistency in the usage of terms in the Regulation.
2. In sections 95893(d)(1) and (2), the references to sections 95893(d)(3) through 95893(d)(8) were updated to sections 95893(d)(3) through 95893(d)(9). These changes were needed to reflect the addition of a new section 95893(d)(8) and to ensure that it is clear that all the applicable limitations in section 95893(d) apply to publicly owned natural gas utilities and public utility gas corporations.
3. In section 95893(d)(3), “Allowance value, including any allocated allowance auction proceeds” was replaced with “Allocated allowance value” for clarity and consistency with the definition of “Allocated allowance value” in section 95802(a). “Other than as specified in section 95893(d)(7)-(8)” was added to accommodate the new low-income ratepayer requirement, which minimizes impacts to natural gas supplier low-income ratepayers during the transition of natural gas supplier allowance allocations to electric distribution utilities.
4. New section 95893(d)(3)(B) was added to clarify that newly proposed limitations on the use of allowance value by natural gas suppliers does not limit the use of previously received allocated allowance value on uses that were previously allowable under the

Regulation and approved either by the CPUC or by the board of a Publicly Owned Utility prior to September 1, 2026, which is the expected effective date of the Regulation if approved by the Board. The changes in section 95893(d)(3) reduce the scope of allowable GHG emissions reduction projects to exclude projects such as new natural gas appliances that are inconsistent with the statewide building electrification transition envisioned in CARB's 2022 Scoping Plan and that are incentivized by other CARB regulations. However, a natural gas supplier may have already approved spending plans for previously received allocated allowance value and may have taken tangible steps to implement these uses prior to the effective date of the Regulation. This change clarifies how these new limitations apply and ensures fair treatment for natural gas suppliers that authorized a previously compliant use of allowance value prior to CARB adopting updated use of allocated allowance value requirements.

5. In section 95893(d)(7)(A), "allocated allowance auction proceeds" was replaced with "allocated allowance value" for clarity and consistency with definitions in section 95802(a). In addition to the modifications described above, "allowances" was replaced with "compliance instruments" to clarify that the prohibition under "Prohibited Use of Allocated Allowance Value" applies to the purchase of compliance instruments and is not limited to the purchase of only allowances. And "including" was replaced with "such as" for clarity. These changes were necessary for enforcement and integrity of the regulation.
6. New section 95893(d)(8) adds a new requirement for a natural gas supplier that is a public utility gas corporation to annually use 30 percent of the total value of allowances calculated in section 95893(a) to provide a non-volumetric return to residential ratepayers, either on- or off-bill, that primarily benefits low-income ratepayers, as directed by the CPUC in recognition of its authority to establish just and reasonable rates and maintain safe and reliable service for public utility gas corporation ratepayers. As directed by AB 1207, the 45-day Amendments added a provision in section 95893(b)(1)(A)1. to transition allowances that would otherwise be allocated to natural gas suppliers (NGS) to EDUs pursuant to the annual transition percentages in Table 9-6A. Multiple public commentors expressed concerns that this transition may increase the burden on low-income natural gas ratepayers because low-income ratepayers are less able to invest in electrification and because the larger number of EDU ratepayers compared to NGS ratepayers would dilute the corresponding increased benefit that NGS ratepayers would see on their electric bill. In response, CARB staff propose reserving 30 percent of natural gas supplier allowances, calculated prior to transferring any allowances to EDUs, to specifically benefit low-income residential ratepayers. The 30 percent requirement is aligned with the NGS allocation transition percentage by 2031 proposed in Table 9-6A and the estimated proportion of natural gas investor-owned utility residential ratepayers that are enrolled in the California Alternate Rates for Energy (CARE) program,<sup>3</sup> which provides bill relief for verified low-income customers. This approach is necessary to ensure that protection from the Program costs is retained for low-income natural gas residential ratepayers for the duration of the transition of NGS allowances to EDUs, while providing flexibility for the CPUC to oversee the distribution and administration of the remaining natural gas investor-owned utility allowance value for this purpose.

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<sup>3</sup> See [Low Income Annual Reporting](#) submitted to CPUC by the Investor-Owned Utilities.

7. Section 95893(d)(8) in the 45-day Amendments is renumbered to section 95893(d)(9) due to the addition of a new section 95893(d)(8) in the 15-Day Amendments.
8. In section 95893(e), the text that was added in the 45-Day Amendments to allow investor-owned natural gas suppliers (public utility gas corporations) to discontinue annual reporting after one year of reporting a zero balance, but not before June 30, 2037, is deleted. This change is necessary to align with changes to Table 9-2 and Table 9-6a, which remove post-2030 allowance allocation from this update to the Cap-and-Invest Regulation. The final year for the NGS to EDU allocation transition, as directed by AB 1207, will be established in a future rulemaking, at which time the corresponding final year for annual reporting by public utility gas corporations can be established in section 95893(e).
9. In section 95893(e)(1), the word “including” was replaced with “and” for clarity, and the phrase “on those proceeds” was added to specify the interest that is to be reported on a natural gas supplier’s annual Use of Allocated Allowance Value report.
10. In section 95893(e)(4), “investor-owned utilities” was changed to “public utility gas corporations” to align with the Regulation’s definition of “natural gas supplier” which defines investor-owned utilities pursuant to the definition in the California Public Utilities Code. This change is necessary for clarity and consistency in the usage of terms in the Regulation.
11. In section 95893(e)(5)(A), the terms “including” and “this includes” were replaced with “and” for clarity.
12. In the heading of Table 9-6A in section 95893, “investor-owned natural gas supplier” was changed to “public utility gas corporation” to align with the Regulation’s definition of “natural gas supplier,” which defines investor-owned utilities pursuant to the definition in the California Public Utilities Code. This change is necessary for clarity and consistency in the usage of terms in the Regulation. Further, Table 9-6A was updated to change the annual percentages of allowances that must be transitioned from natural gas investor-owned utilities to EDUs, as directed by AB 1207 and pursuant to section 95893(b)(1)(A)(1), for 2028-2031, and to delete the post-2031 percentages. Multiple interested parties, including the author of AB 1207, commented that the proposed transition in the 45-day Amendments was too slow and expressed that an accelerated transition by January 1, 2031, with protections maintained for low-income ratepayers, would be better aligned with AB 1207. The updated percentages in Table 9-6A are responsive to this feedback, with the transition starting one year earlier and with 70% of NGS allowances transferred to EDUs by budget year 2031. The 70% transition by 2031 ensures that natural gas utilities retain sufficient allowances to provide an equivalent non-volumetric residential return primarily to low-income ratepayers as directed by the CPUC, aligned with parallel requirements added in section 95893(d)(8). The transition starts with budget year 2028 to provide time for the CPUC to establish how that distribution should occur, for investor-owned utilities to update billing systems to implement those requirements, and for EDUs to prepare their systems and set procedures for accepting the additional NGS allowances to be used for return to EDU ratepayers per section 95892(d)(9). The transition to 70% by 2031 is phased in equally across budget years 2028, 2029, and 2030. Post-2031 percentages are deleted because cap adjustment factors for those years will be determined in a future rulemaking (see paragraph 55 in Modifications to Section 95891 above). CARB will continue to coordinate with the CPUC and assess the impact of the transition of natural gas allowances on low-income ratepayers as it considers how best to complete the transition of these allowances in a future rulemaking.

## **(R) Modifications to Section 95911**

1. Section 95911(c)(2) was revised to revert text proposed in the 45-day Amendments back to the original text. The 45-day Amendments had proposed the announcement date of the annual Auction Reserve Price to be "...December 8, or the next business day if December 8 is not a business day..." and this proposed text is deleted so that the announcement date is "...the first day in December that is a business day..." This change reflects input from interested parties related to the timing of information needed to make decisions related to consigning allowances in the February auction.

## **(S) Modifications to Section 95920**

1. In section 95920(f)(3)(B), a sentence was added to clarify when and how the Executive Officer will approve of updated percentage shares of the holding limit. This sentence was added for procedural clarity.

## **(T) Modifications to Section 95921**

1. In Section 95921(b)(7)(B), the phrases "CARB-issued offset credit" and "ARB-issued offset credit" were changed to "ARB offset credit" to match the term defined in section 95802 for consistency.

## **(U) Modifications to Section 95923**

1. In Section 95923(b)(1), the phrase "Cap-and-Trade" was changed to "Cap-and-Invest" to match the global change made to the name of the program in the 45-day Amendments and to align with AB 1207.

## **(V) Modifications to Section 95975**

1. In section 95975(f), new text clarifies that revisions to correct discovered inaccuracies in project listing information are considered part of a registry's review for completeness. This change is necessary to ensure clear direction on program administration, that information submitted to CARB is accurate, and for market integrity.
2. In section 95975(g), new text clarifies when an offset project operator will be notified that an offset project may be listed in situations where listing information is revised to address inaccuracies or when inaccuracies may be found when reviewing for completeness. This change is necessary to ensure clearer direction on program administration, that information submitted to CARB is accurate, and for market integrity.
3. Section 95975(j) was revised to improve clarity, breaking one lengthy sentence into two sentences. The proposed changes extend the period during which missing an OPDR submittal deadline does not result in termination of the project from "through December 31, 2026" to "through June 30, 2027." Proposed changes also correct an internal regulatory reference to section 95976(d) to instead be to section 95976(d)(2) to clarify that the relevant deadline is the annual 12-month deadline to avoid project termination and not the earlier 4-month deadline for offset credit issuance. This change is necessary to ensure enough time is provided to a project operator before project termination.
4. In section 95975(m)(2), the word "sequestration" was added, since this section relates to offset project operator changes resulting from a sale or transfer of real property

interests pursuant to section 95975.1, which is specific to sequestration offset projects. This change is necessary to clarify that the requirements of this section apply only to sequestration offset projects and that non-sequestration offset projects are not impacted by this section.

## **(W) Modifications to Section 95975.1**

1. The title of section 95975.1 is changed to include the term “Sequestration,” which clarifies that the requirements of this section apply only to sequestration offset projects.
2. In section 95975.1(a)(1), the text is reordered to improve clarity without changing the meaning. The text “the following disclosures and information” is moved within the sentence for clarity. “Intending to acquire” is changed to “actively pursuing acquisition” for clarity. For instance, general or preliminary inquiries in the project area should not trigger the proposed disclosure requirements.
3. In section 95975.1(a)(1)(D), a reference to the “Cap-and-Trade Regulation” was updated to “Cap-and-Invest Regulation” to reflect the new name of the Program and align with AB 1207.
4. In section 95975.1(a)(1)(E), the word “including” was replaced with “such as” for clarity.
5. The attestation statement for the expected new project owner previously proposed in section 95975.1(a)(2)(D) in the 45-day Amendments is moved to a new section 95975.1(a)(2). The text in new section 95975.1(a)(2) requires the offset project operator to obtain the signed attestation statement from the individual or entity that is pursuing acquisition of any portion of the offset project boundary prior to the transfer of title. This change is in response to interested parties’ concerns about the timing of signing the attestation statement. New section 95975.1(b)(4) requires the former Offset Project Operator or Authorized Project Designee to provide to CARB the attestation statement signed by the individual or entity that newly acquired the offset project within 60 days after the sale or transfer. The timeframe of 60 days was chosen to provide maximum amount of time for signing while also meeting the agency’s needs to receive the attestation. The regulatory citation within the attestation statement is updated from section 95975.1(a)(2) to section 95975.1(a)(1)(A)-(G) to appropriately refer to the required information and disclosures.
6. Sections 95975.1(a)(2)(A)-(D) in the 45-day Amendments are renumbered to sections 95975.1(b)(1)-(4), respectively. Renumbered section 95975.1(b), previously section 95975.1(a)(2) in the 45-day Amendments, was changed to require that the notice to CARB must be provided within 60 days after the sale or transfer of title and also to clarify that the Offset Project Operator that is required to provide the notice to CARB is the “former” Offset Project Operator (i.e., the designated Offset Project Operator before the transfer of title). Moving the deadline to provide the required notice to CARB after a sale or transfer removes the burden on offset project operators to provide notice to CARB for sales or transfers that may not be complete while also meeting the agency’s need for the notice.
7. In renumbered section 95975.1(b)(1), previously section 95975.1(a)(2)(A) in the 45-day Amendments, text was changed to clarify that it is contact information for each former owner that sold or transferred real property interests that must be submitted to CARB since the notice is provided to CARB after the sale or transfer of title has already occurred. This change is necessary for CARB to fully understand the scope of ownership and land title.

8. In renumbered section 95975.1(b)(2), previously section 95975.1(a)(2)(B) in the 45-day Amendments, the term “expected” was deleted since the notice is provided to CARB after the sale or transfer of title, at a time when the new owner would be the actual owner and not just the expected owner. Also, the word “and” replaces the word “including” for greater clarity.
9. In renumbered section 95975.1(b)(3), previously section 95975.1(a)(2)(C) in the 45-day Amendments, the term “former” is added to clarify that it is the Primary Account Representative or Alternate Account Representative of the former offset project operator that must sign the attestation statement that must be submitted to CARB. This change is necessary to align with the changes to section 95975.1(b) and to ensure the correct party is making the attestation, which is important for program implementation and enforceability of the regulation.
10. In renumbered section 95975.1(b)(4), previously section 95975.1(a)(2)(D) in the 45-day Amendments, the required attestation statement was moved to new section 95975.1(a)(2), and the text requiring submission of the signed attestation statement is updated to refer to section 95975.1(a)(2) for accuracy, consistency, and clarity.
11. In renumbered section 95975.1(c), previously section 95975.1(a)(3) in the 45-day Amendments, text is revised to clarify that if any requirements associated with the sale or transfer in renumbered sections 95975.1(a)(1)(A)-(G), 95975.1(a)(2), and 95975.1(b)(1)-(4) are not met, then the project being transferred terminates. The text is also revised to clarify that all project forest owner(s), not just the identified Offset Project Operator, of the compliance offset project are responsible for any required compensation in the event of termination. This change is necessary to align with section 95983 and to address situations where compensation may be needed.
12. Previous section 95975.1(b) in the 45-day Amendments was deleted. If any of the requirements in sections 95975.1(a)(1)(A)-(G), 95975.1(a)(2), and 95975.1(b)(1)-(4) are not met, then the project being transferred terminates, and there is now already a requirement to notify CARB regarding these requirements in new section 95975.1(b). This change is necessary to avoid any unnecessary or duplicative notice requirements.
13. Section 95975.1(d) was renumbered from section 95975.1(c) due to renumbering of previous sections, and a punctuation error is corrected.
14. Section 95975.1(e) was renumbered from section 95975.1(d) due to renumbering of previous sections. In section 95975.1(e)(3), changes clarify that the new forest owner(s) are responsible for any required compensation for project termination for failing to update listing information, and the citation to section 95983(d) is corrected to section 95983(c)(4). This change is necessary to provide notice on when the project will terminate and what the forest owner(s)’s requirements are.
15. Section 95975.1(f) was renumbered from section 95975.1(e) due to renumbering of previous sections. In section 95975.1(f), the term “offset project operator” is replaced by “forest owner(s)” to align with other regulatory text where all forest owners, and not just the one designated as the offset project operator, are responsible for compensation following offset project termination.

## **(X) Modifications to Section 95976**

1. In section 95976(d) the phrase “except for a project in its monitoring period that has an extended deadline pursuant to section 95976(h)(2)” was added to align with changes to section 95976(h)(2) and clarify that a sequestration offset project in its monitoring period can have additional time to meet its reporting deadline and thereby avoid project termination. This change is necessary to ensure consistency within the regulation and

the integrity of the program so projects within their monitoring period are not unnecessarily terminated.

2. In section 95976(h)(1), changes clarify the range of dates on which a sequestration offset project developer may choose to start the monitoring period for a project and clarify when the decision about the start date for a monitoring period becomes final and irrevocable. Amendments clarify that when a project elects to go into its monitoring period early, that decision will be considered final upon the verification body submitting an Offset Verification Statement for a reporting period in the monitoring period. In other words, an offset project developer can rescind its decision about the start date for the beginning of an early monitoring period up until the time that an offset verification statement for a reporting period in the monitoring period is submitted. This is necessary to provide projects considering entering an early monitoring period flexibility to change their mind, balanced with CARB's need for the transition to be finalized at a definite point in time. References to letters or submitting a letter are replaced with requirements for notification to clarify that an offset project operator may end its crediting period early by notifying CARB by means other than submitting a letter, such as by an email with attachments, thus providing more flexibility to projects while ensuring CARB is still notified. These changes are necessary to provide flexibility and certainty for sequestration projects as they transition early into a monitoring period.
3. In section 95976(h)(2), changes provide that the offset project operator or authorized project designee for a project in its monitoring period will be notified of a missed reporting period deadline and will have 45 additional calendar days to provide the required report before the project is terminated due to the missed deadline. This change is necessary to outline process if there is a missed reporting deadline during a monitoring period. The 45 additional calendar days timeframe was chosen as it provides enough time for the offset project operator to gather the information, takes into consideration the nature of the information, while also providing the report within a reasonable timeframe to CARB to meet the regulatory need.

### **(Y) Modifications to Section 95977**

1. In section 95977(c)(1), the phrase "an offset project with fails to submit an" [sic] is deleted, and the sentence is restructured so it does not imply that it is the role of the offset project to submit an Offset Verification Statement—that is the role of the verification body. A reference to section 95983(d)(4) was corrected to section 95983(c)(4) for accuracy. These changes are necessary to provide clarity on roles in submissions.
2. In section 95977(c)(2), a reference to section 95983(d)(4) was corrected to section 95983(c)(4) for accuracy.
3. In section 95977(d)(1), the term "will terminate" was changed to "terminates" to clarify when termination happens, and the term "pursuant to section 95983(c)(4)" was added to clarify requirements upon termination.
4. In section 95977(d)(2), the citation to section 95983(d) is corrected to section 95983(c)(4).

### **(Z) Modifications to Section 95977.1**

1. In section 95977.1(b)(1), the text proposed in the 45-day Amendments about CARB providing written approval of early site visit dates is deleted and replaced by new text. The new text is necessary to address project developer and verification concerns related to approving earlier verification site visits.

The proposed changes remove the requirement for CARB to approve an earlier site visit when offset verification services are not being audited, instead allowing a verification body to schedule its site visit to an earlier date in instances when neither CARB nor the offset project registry notifies the verification body within 10 calendar days of its intent to audit the verification. Ten days provides a reasonable amount of time for either a registry or CARB to notify the verification body of an audit. New text also provides an exception to the requirement for an offset project data report to be submitted before offset verification services begin. The exception is for reporting periods for which CARB has been notified of an unintentional reversal. The exception is necessary to allow verifiers to begin their verification activities earlier and conduct at least part of their site visit prior to any salvage harvest. The exception does not change that the sequential sampling portion of the verification site visit should not occur until after the end of the reporting period and after the project developer's post-disturbance update to its forest inventory. The phrase "Before beginning offset verification services" was added to accommodate the inclusion of that exception to the requirement for an offset project data report to be submitted before verification services begin, and this addition is necessary to preserve the pre-existing requirement to submit a Notice of Offset Verification Services before verification services begin. These changes are necessary to streamline the verification process while enabling audits of verification bodies by CARB and offset project registries. The phrase "for the Offset Project Operator or Authorized Project Designee" was deleted as unnecessary.

2. In section 95977.1(b)(3)(D)2.i., changes were made in alignment with those in section 95989(e). Text was added to clarify that the requirement applies only to out-of-state sequestration projects and that the project must provide documentation to the verification body of activities, upon which direct environmental benefits in the State designation were contingent, that were actually completed and that will be completed, such as photographs, GIS data, and remote sensing data. This is necessary to ensure that the planned activities, upon which an out-of-state project is seeking a direct environmental benefits in the State designation, are actually occurring and providing direct environmental benefits in the State. Some text previously proposed in sections 95977.1(b)(3)(D)2.i and 95989(e) was moved between the two sections for clarity. Text in section 95977.1(b)(3)(D)2.i is now limited to verification requirements, while section 95989(e) provides for any consequences if planned activities are not verified. "Direct Environmental Benefits to California" was corrected to "Direct Environmental Benefits in the State" to be consistent with the term defined in section 95802(a). These changes are necessary to ensure environmental and program integrity.
3. Section 95977.1(b)(3)(M) was changed to clarify the reporting period for which correctable errors that result in less than 3% overstatement of the GHG emissions reductions or removal enhancements must be fixed. When verification is deferred and covers multiple reporting periods in a single verification, the clarified text describes that such errors do not need to be fixed in the reporting period(s) currently undergoing verification but do need to be fixed in all offset project data reports for future reporting periods. This change is necessary to address recommendations from interested parties and provide a clear timeline for when these errors must be fixed. Additional language was added to further clarify that any error resulting from a nonconformance must be corrected in the reporting period being verified. This change is necessary because nonconformances must be addressed presently and cannot be delayed. These changes are necessary to ensure accuracy and the need for errors to be corrected. These changes also consider the work that goes into reporting and are needed or program integrity and enforcement.

4. In section 95977.1(b)(3)(R)7., text was added to clarify how the proposed eight-month deadline for project developers and verifiers to reach resolution on outstanding issues at the time of a verifiable offset project data report petition to CARB applies to projects that petitioned CARB before the proposed amendments become effective. To address these concerns from interested parties, the proposed language established a deadline of December 31, 2027, for all projects that have petitioned CARB prior to April 1, 2027, which is eight months prior to December 31, 2027. This change was necessary to allow flexibility during the transition from the current regulatory requirements to the new eight-month deadline.

### **(AA) Modifications to Section 95980.1**

1. In section 95980.1(d)(2), two references were updated to correctly refer to section 95980.1(d)(1) instead of to section 95980.1(d)(2).

### **(BB) Modifications to Section 95983**

1. The text in section 95983(a)(5) is moved to section 95983(b)(5), which is a more appropriate location within the Regulation because the text is about eligibility for using the Forest Buffer Account to compensate for unintentional reversals.
2. In section 95983(b)(1), several changes are proposed. First, providing “a wildfire containment date found in official wildfire databases to the verification body was added as an alternative method of identifying a wildfire containment date. This change was necessary to enable a project developer to use an official state wildfire database, instead of relying on a written statement from the state wildfire response agency, to identify a wildfire containment date, reducing delays and agency burden. Second, the text “undertaken by the forest owner” was deleted because in some cases a third party or an agency will be the party applying prescribed fire to the landscape, so it was necessary to address real world application. Third, the term “fire authority having jurisdiction” was added based on input from CalFIRE staff to address instances where the relevant authority having jurisdiction is not a state and local agency. Fourth, the requirement for Response to Wildfire documentation was removed because that documentation is often either not produced for an incident or not available, thus making the requirement impractical. Additional changes are made for clarity on establishing the discovery dates for disturbances outside of wildfires.
3. In section 95983(b)(2), new text was added to include a second option—moving onsite carbon stocks to an existing stratum that can pass sequential sampling—for quantifying onsite carbon stocks after an unintentional reversal. This change is necessary to support Program implementation and provides added flexibility when stratifying carbon stocks.
4. Updates in section 95983(b)(3) extend the deadline to account for the associated long-term carbon storage from salvage logs to 24 months to allow more time for salvage operations to be completed and to have their impacts quantified and verified. Text proposed in the 45-day Amendments about verifiability and intentionality was removed as it was redundant with the first sentence. Verifiability is already required since accounting for the salvage harvest is required and intentionality is covered because the long-term carbon storage in wood products resulting from the salvage harvest is required to be deducted from the reversal estimate. The removed language also implied

that a pre-salvage harvest site visit was required which would be overly burdensome for projects.

5. All text in section 95983(b)(3)(A) that was proposed as part of the 45-day Amendments is deleted. Changes in other parts of section 95983(b) now provide for 24 months for both salvage harvesting and Offset Project Data Report submittal and provide 30 months for Offset Verification Report and Offset Verification Statement submittal. With those updates, projects that are terminating will no longer need additional time compared to projects that are not terminating to complete salvage harvesting, submit their Offset Project Data, and secure submittal of their verification documents. Thus, the section has been deleted as unnecessary.
6. In section 95983(b)(4), the phrase “for all reporting periods in which an unintentional reversal occurs” was added to clarify that all reporting periods affected by an unintentional reversal must quantify, report, and verify onsite carbon sources and sinks for each reporting period affected by an unintentional reversal, including when a reversal spans two or more reporting periods. Another change extends the reporting deadline following an unintentional reversal to 24 months to align with the updated timeline for salvage harvests in section 95983(b)(3). Removing the term “positive” clarifies that a verification body may submit an offset verification statement other than a positive offset verification statement when verifying reporting periods in which an intentional reversal occurred. These changes are necessary to ensure consistency within the regulation, environmental integrity, program accountability, and accuracy in the instance of unintentional reversals.
7. Section 95983(b)(5) is amended to include text proposed for section 95983(a)(5) in the 45-day Amendments. The moved text is now in a more appropriate location within the Regulation among other regulatory text about using the Forest Buffer Account to compensate for unintentional reversals. The relocated text is also amended, addressing interested party concerns about being able to quantify carbon stock losses before a reporting period or right at the end of a reporting period. The updated text clarifies that this provision applies to the reporting period being verified, which is a period that can be years earlier than when the verification occurs later. The amendments require there to be verifiable evidence that the carbon stock loss occurred during the reporting period, such as documentation of severe weather events or documentation of a specific pest or disease from a state or local authority, although quantification of that carbon stock loss may occur later. These changes are necessary to address stakeholder concerns, ensure environmental integrity, program accountability, and instruction for unintentional reversals.
8. In section 95983(d), the text “verifiable evidence” was replaced by “a positive Offset Verification Statement” to clarify the requirements that need to be met for offset credits to be retired from the Forest Buffer Account. Also, the word “reversal” was added, and the text “make good faith efforts to obtain” was replaced by “provide” for clarity.
9. In section 95983(d)(1), the text “with reasonable assurance” was deleted for clarity, as the text was redundant.
10. In section 95983(g), the text “including the detailed verification report” was deleted because the text was redundant—the detailed verification report is already encompassed in the verification.
11. In section 95983(g)(2), text was reordered for clarity.
12. In section 95983(g)(24), text was changed to replace the word “including” with the phrase “such as” for clarity.

## **(CC) Modifications to Section 95987**

1. In section 95987(b)(2), new text clarifies when an offset project registry makes project documentation publicly available. Current regulatory text is clear that an offset project registry makes project documentation publicly available upon registry offset credit issuance. Text proposed in 45-day Amendments aimed to clarify that an offset project registry also makes project documentation publicly available in situations when the registry approves a verification that does not result in offset credit issuance, such as a verification of a forest project reversal. Stakeholder comment indicated concerns that the 45-day Amendment text is too broad and could require an offset project registry to make project documentation publicly available in situations when the registry concludes its review without being able to approve the verification, which has never been required and was not the intent of the 45-day Amendment text. New text is necessary to respond to stakeholder concerns, to clarify that documentation is not made publicly available when the offset project registry reaches a negative determination, and to align with the intent of the 45-day Amendments.

## **(DD) Modifications to Section 95989**

1. In section 95989(e), several revisions are proposed. First, language proposed in the 45-day Amendments was clarified to specify that the verification requirement applies only to sequestration offset projects that are located outside California. This change is necessary because section 95989(a) already specifies that sequestration offset projects located within California are already deemed to provide direct environmental benefits in the State; these projects do not need to undergo verification to ensure the planned activities are occurring and providing direct environmental benefits in the State. Second, text requiring an offset project developer to provide relevant documentation to its verification body was moved to section 95977(b)(3)(D)2.i. and therefore deleted from this section as redundant. Third, the proposed text in 45-day Amendments establishing that CARB may revoke the direct environmental benefits in the State designation for unretired offset credits that were issued since the last full verification was moved from section 95977(b)(3)(D)2.i. to section 95989(e) because that text is more appropriate in this section. Text on revoking the direct environmental benefits in the State designation of offset credits now appears only in this section and not in section 95977.1(b)(3)(D)2.i. In addition, new text in section 95989(e) specifies that CARB will remove the direct environmental benefits in the State designation from offset credits issued to the project going forward, in addition to revoking the designation from any previously issued offset credits that are both unretired and from reporting periods since the last full verification. By limiting the scope of revoking to unretired offset credits, the revocation will not create an obligation on entities that have previously retired these offset credits to satisfy a compliance obligation to replace the credits with credits that do have direct environmental benefits in the State designation. These changes are necessary to ensure that the planned activities, upon which an out-of-state project is seeking a direct environmental benefits in the State designation, are actually occurring and providing direct environmental benefits in the State.

## **(EE) Modifications to Appendix B**

1. Appendix B was changed to replace the word “including” with the phrase “such as” for clarity.

## **(FF) Modifications to Appendix D**

1. Appendix D was changed in various sections to replace the word “including” with the phrase “such as” for clarity.
2. Section 2.5.c in Appendix D was changed to replace the word “including” with a colon for clarity about what contact information must be kept active.
3. Section 7 in Appendix D was changed to remove the word including and reference to the specific name of the Regulation for clarity.

In addition to the modifications described above, additional modifications correcting grammar, punctuation and spelling have been made throughout the proposed changes. These changes are non-substantive.

These modifications do not change implementation of the regulation in any way that changes the conclusions of the Draft Environmental Impact Analysis (Draft EIA), which was included as an appendix to the Staff Report. The modifications consist of definition and provision clarifications and minor revisions removing certain proposals. The modifications also include other related changes, including updates to revert to prior language for liquified petroleum gas to align with point of regulation changes in MRR and updates to biomass-derived fuel exemptions that enable stacking of environmental benefits from unlinked external programs. The updates also clarify entity registration and reporting requirements and disclosure of information related to consultants and corporate associations. The modifications also further support affordability for the ratepayers of electric utilities through additional allowance allocation and support for low-income natural gas ratepayers. The updates also support jobs and mitigate emissions leakage by providing additional allowance allocation to industry, which lowers compliance costs thereby lowering the risk of emissions leakage. These changes include updates to cap adjustment factors, restructuring the MDI allocation to update the source of allowances, clarify and streamline the process and further specify allowable uses, and add a new allowance benchmark for light-duty vehicles. The updates to MDI allocation include clarifying the eligibility of biomass-derived fuels and hydrogen, enable MDI for the use of alternative materials, and describing potential future consideration of carbon capture and sequestration projects. Updates were also made to the administration, approval, and verification process for ARB offset credits. The modifications do not alter the compliance responses for the project such that the significance determinations from the Draft EIA change. Additionally, the modifications will not result in any new significant environmental impacts, any substantial increases in the severity of an environmental impact, or a declined feasible alternative or mitigation measure considerably different from those considered in the Draft EIA. Therefore, no additional environmental analysis or recirculation of the Draft EIA is required.

## **Additional Document(s) Added to the Record**

In the interest of completeness and in accordance with Government Code section 11347.1, subdivision (a), staff has also added to the rulemaking record and invites comments on the following additional documents:

1. California Air Resources Board. Annual Summary of Greenhouse Gas Emissions Data Reported to the California Air Resources Board. November 2025.  
<https://ww2.arb.ca.gov/sites/default/files/classic/cc/reporting/ghg-rep/reported-data/2024-ghg-emissions-2025-11-04.xlsx>.

2. California Air Resources Board. Cap-and-Invest Program Vintage 2026 Allocation Summary. December 2025. <https://ww2.arb.ca.gov/sites/default/files/2025-12/nc-v2026%20Public%20Allocation%20Summary.pdf>.
3. California Air Resources Board. Cap-and-Trade Program Workshop. June 2023. [https://ww2.arb.ca.gov/sites/default/files/2023-06/nc-CapTradeWorkshop\\_June142023\\_0.pdf](https://ww2.arb.ca.gov/sites/default/files/2023-06/nc-CapTradeWorkshop_June142023_0.pdf).
4. California Air Resources Board. Cap-and-Trade Program Workshop. May 2024. [https://ww2.arb.ca.gov/sites/default/files/2024-05/nc\\_CapTradeWorkshop\\_May3124.pdf](https://ww2.arb.ca.gov/sites/default/files/2024-05/nc_CapTradeWorkshop_May3124.pdf).
5. California Air Resources Board. Facility Emissions By Facility. Accessed March 2026. <https://www.arb.ca.gov/carbapps/pollution-map/>.
6. California Air Resources Board. Refinery Projects Application under LCFS. n.d. <https://ww2.arb.ca.gov/resources/documents/refinery-projects-application-under-lcfs>.
7. California Air Resources Board. State and Local Sales Tax Spreadsheet. 2025.
8. California Air Resources Board. Summary of Transfers Registered in CITSS By California and Québec Entities in 2025. February 2026. [https://ww2.arb.ca.gov/sites/default/files/2026-02/nc-2025\\_q4\\_transfersummary.xlsx](https://ww2.arb.ca.gov/sites/default/files/2026-02/nc-2025_q4_transfersummary.xlsx).
9. California Department of Finance. Economic Research Unit. National Economic Forecast – Annual & Quarterly. January 2026. <https://dof.ca.gov/media/docs/forecasting/economics/economic-forecasts-u-s-california-counties/United-States-Economic-Forecast-GB-2026-27.xlsx>.
10. California Department of Finance. Economic Research Unit. California Economic Forecast – Annual & Quarterly. January 2026. <https://dof.ca.gov/media/docs/forecasting/economics/economic-forecasts-u-s-california-counties/California-Economic-Forecast-GB-2026-27.xlsx>.
11. California Department of Finance. Economic Research Unit. National Deflators: Calendar Year averages. January 2026. <https://dof.ca.gov/media/docs/forecasting/economics/economic-indicators/inflation/Implicit-Price-Deflators-CY.xlsx>.
12. California Department of Industrial Relations. Consumer Price Index – California. February 2026. <https://www.dir.ca.gov/oprl/CPI/PresentCCPI.PDF>.
13. California Energy Commission. California Energy Demand Forecast, 2025 - 2045 Baseline 'Mid' Forecast. January 2026. <https://efiling.energy.ca.gov/GetDocument.aspx?tn=268179-9&DocumentContentId=105226>.
14. California Energy Commission. 2025 Integrated Energy Policy Report, Electricity Resource Plans. Accessed March 30, 2026. <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=25-IEPR-02>.
15. California Public Utilities Commission. Decision Conditionally Approving Extended Operations at Diablo Canyon Nuclear Power Plant Pursuant to Senate Bill 846 (D.23-12-036). December 14, 2023. <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M521/K496/521496276.PDF>.
16. Pacific Gas and Electric Company. Annual Report of Pacific Gas and Electric Company (U 39 M) On the Results of Its Energy Savings Assistance, California Alternate Rates for Energy and Family Electric Rate Assistance Programs. May 2025. [https://liob.cpuc.ca.gov/wp-content/uploads/sites/14/2025/10/PGE-ESA-CARE-Annual-Report\\_Corrected.pdf](https://liob.cpuc.ca.gov/wp-content/uploads/sites/14/2025/10/PGE-ESA-CARE-Annual-Report_Corrected.pdf).
17. PacifiCorp. 2025 Integrated Resource Plan Update. March 31, 2026. [https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2025-irp/2025\\_IRP\\_Update.pdf](https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2025-irp/2025_IRP_Update.pdf).

18. San Diego Gas & Electric Company. Annual Report Activity of San Diego Gas & Electric Company (U 902 M) On Energy Savings Assistance, California Alternate Rates for Energy, and Family Electric Rate Assistance Programs for 2024. June 2025. <https://liob.cpuc.ca.gov/wp-content/uploads/sites/14/2025/10/A.19-11-003-SDGE-2024-Annual-Report-6-27-2025-e-Serve.pdf>.
19. Southern California Gas Company. Annual Report of Southern California Gas Company (U 904 G) On Low Income Assistance Programs for Program Year 2024. July 2025. <https://liob.cpuc.ca.gov/wp-content/uploads/sites/14/2025/10/A.19-11-006-SoCalGas-2024-ESA-CARE-Annual-Report-Public-Version.pdf>.
20. U.S. Energy Information Administration. Annual Energy Outlook 2025. Table 13: Natural Gas Supply, Disposition, and Prices. Accessed March 2026. <https://www.eia.gov/outlooks/aeo/data/browser/#/?id=13-AEO2025&cases=ref2025&sourcekey=0>.
21. U.S. Energy Information Administration. California Natural Gas Industrial Price. February 2026. <https://www.eia.gov/dnav/ng/hist/n3035ca3m.htm>.
22. U.S. Energy Information Administration. United States Natural Gas Industrial Price. February 2026. <https://www.eia.gov/dnav/ng/hist/n3035us3m.htm>.

These documents are available for inspection at the California Air Resources Board, 1001 I Street, Sacramento, California, 95814, between the hours of 9:00am to 4:00pm, Monday through Friday (excluding holidays). To inspect these documents please contact Lindsay Garcia, Regulations Coordinator, at (916) 546-2286.

## Agency Contacts

Inquiries concerning the substance of the proposed regulation may be directed to Mark Sippola, Branch Chief, Climate Change Program Evaluation Branch, at (279) 208-7918 or Rachel Gold, Supervisor, Program Development Section, at (279) 208-7516.

## Public Comments

Written comments will only be accepted on the modifications identified in this Notice. Comments may be submitted by postal mail or by electronic submittal no later than the due date to the following:

Postal mail: Clerks' Office, California Air Resources Board  
1001 I Street, Sacramento, California 95814

*Electronic submittal:* <https://ww2.arb.ca.gov/lispub/comm/bclist.php>

Please note that under the California Public Records Act (Gov. Code § 7920.000 et seq.), your written and verbal comments, attachments, and associated contact information (e.g., your address, phone, email, etc.) become part of the public record and can be released to the public upon request.

In order to be considered by the Executive Officer, comments must be directed to CARB in one of the two forms described above and received by CARB no later than the deadline date for public comment listed at the beginning of this notice. Only comments relating to the above-described modifications to the text of the regulations shall be considered by the Executive Officer.

If you need this document in an alternate format or another language, please contact the Clerks' Office at (916) 322-5594 or by facsimile at (916) 322-3928 no later than five (5) business days from the release date of this notice. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

Si necesita este documento en un formato alternativo u otro idioma, por favor llame a la oficina del Secretario del Consejo de Recursos Atmosféricos al (916) 322-5594 o envíe un fax al (916) 322-3928 no menos de cinco (5) días laborales a partir de la fecha del lanzamiento de este aviso. Para el Servicio Telefónico de California para Personas con Problemas Auditivos, ó de teléfonos TDD pueden marcar al 711.

California Air Resources Board



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Steven S. Cliff, Ph.D.,  
Executive Officer

Date: April 13, 2026

Attachment

*The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see [CARB's website](http://www2.arb.ca.gov) ([www2.arb.ca.gov](http://www2.arb.ca.gov)).*



# City of Needles, California Request for Commission Action

CITY COUNCIL    BOARD OF PUBLIC UTILITIES

Regular    Special

**Meeting Date:** May 5, 2025

**Title:** California Municipal Utilities Association Comment Letter on Advanced Clean Fleet Regulations

**Background:** California Air Resources Board established Advanced Clean Fleets and Low Carbon Fuel Standard Regulations established a target of a **zero-emissions fleet by 2045**. CMUA submitted the enclosed comment letter requesting CARB to reevaluate the regulations before 2030.

The City of Needles has submitted comments to CMUA that this is an unfunded mandate set by CARB and would negatively impact the City and Utilities by the following;

- 1) There are no zero-emission electric fleets for bucket trucks and other electric vehicles needed for employees to complete their jobs.
- 2) The City of Needles has approximately 35-40 non-electric standard vehicles for various departments that lack the funding to purchase brand-new EV vehicles at \$45,000 - \$60,000 + each.
- 3) The City does not have the area or EV charging equipment to charge 35-40 vehicles each night.

**Fiscal Impact:** To be determined.

**Environmental Impact:** Zero-emission vehicles by 2045.

**Recommended Action:** Provide direction to staff to continue to monitor CARB's Advanced Clean Fleet Regulations and submit opposition letters as needed

**Submitted By:** Rainie Torrance, Utility Manager  
GHG Ad Hoc Committee; Commissioner Jones, Commissioner Cairns

**City Manager Approval:** Patrick J. Martinez

**Date:** 4/29/2026

**Other Department Approval (when required):** \_\_\_\_\_

**Date:** \_\_\_\_\_



April 17, 2026 | [Submitted electronically](#)

Chair Lauren Sanchez  
And Members of the California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

**RE: Joint Public Agency Reply Comments to the April 2, 2026, 15-Day Changes to the Advanced Clean Fleets Regulation**

Chair Sanchez and Members of the Board:

The California Municipal Utilities Association (CMUA)<sup>1</sup>, the Southern California Public Power Authority (SCPPA)<sup>2</sup>, and the Northern California Power Agency (NCPA)<sup>3</sup> (collectively, the *Joint Public Agencies*) appreciate the opportunity to submit comments on the California Air Resources Board's (CARB) April 2, 2026, 15-Day Notice of Modified Text (15-day changes) for the Advanced Clean Fleets (ACF) regulation.

The Joint Public Agencies appreciate that the 15-day changes reflect some substantial changes to the ACF regulation in response to the concerns we raised in our September 15, 2025, comment letter<sup>4</sup> and in subsequent productive discussions with CARB staff. Several of these changes represent meaningful improvements to the regulation to support emergency response for public electric, water, wastewater, and gas utility fleets and demonstrate CARB's willingness to refine the rule in response to stakeholder feedback.

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<sup>1</sup> The California Municipal Utilities Association is a statewide organization of local public agencies in California that provide electricity, gas, water, and wastewater service to California consumers. CMUA membership includes publicly owned electric utilities that operate electric distribution and transmission systems that provide approximately 25 percent of the electric load in California and water and wastewater agencies that serve approximately 75 percent of California water customers.

<sup>2</sup> The Southern California Public Power Authority (SCPPA) is a joint powers authority whose members include the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District. SCPPA Members are local publicly owned electric utilities that serve nearly 2.3 million California homes and businesses over 9,000 square miles.

<sup>3</sup> The Northern California Power Agency (NCPA) is a nonprofit California joint powers agency established in 1968 to construct and operate renewable and low-emitting generating facilities and assist in meeting the wholesale energy needs of its 16 members: the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, Shasta Lake, and Ukiah, Plumas-Sierra Rural Electric Cooperative, Port of Oakland, San Francisco Bay Area Rapid Transit (BART), and Truckee Donner Public Utility District—collectively serving nearly 700,000 electric consumers in Central and Northern California.

<sup>4</sup> September 15, 2025 Joint Public Agency Utility comment letter: [https://scs-public.s3-us-gov-west-1.amazonaws.com/env\\_production/oid377/did200185/pid\\_212132/assets/attachments/86614/vg0gig72ojb\\_document.pdf?v=29168](https://scs-public.s3-us-gov-west-1.amazonaws.com/env_production/oid377/did200185/pid_212132/assets/attachments/86614/vg0gig72ojb_document.pdf?v=29168)

At the same time, however, the 15-day changes include new barriers that undercut the ACF's intended flexibilities, and do not respond to several of the key outstanding issues raised by the Joint Public Agencies in prior comments. **The Joint Public Agencies request that CARB issue a second 15-day package to address these barriers for the successful implementation of the ACF.**

In addition, the context in which this rule will be implemented continues to change, including shifts in federal policy affecting ZEV incentives, evolving manufacturer plans and product availability, and recent real-world emergency events that underscore the operational demands on utility fleets. The January 2025 Southern California fires and windstorm, for example, reinforced the unpredictability of wildfire and other emergency events and the critical importance of maintaining reliable, deployable specialty vehicles for emergency response, mutual aid, and service restoration. And just since September 2025, when the ACF amendments were approved, several vehicle manufacturers have scaled back investments in ZEVs in the U.S. Electric pickup truck offerings, which have been an important early compliance strategy for public agencies, have been especially hard hit.

Despite some meaningful improvements reflected in the 15-day changes, those changes fail to reflect the fact that the ZEV market for utility vehicles continues to face significant uncertainty related to vehicle availability, delivery timelines, infrastructure readiness, availability of federal and state incentives, and vehicle performance across diverse and demanding operating conditions. Taken together, these realities highlight the need for flexibility so that the ACF rule can be implemented in a way that reflects actual market conditions and the essential public services provided by POU's.

### **CARB Should Reevaluate the ACF Prior to 2030**

The Joint Public Agencies appreciate CARB's decision to delay the 100 percent ZEV purchase requirement from 2027 to 2030, as this additional time will help better align the rule with current market conditions and allow fleets to make more feasible procurement decisions. We also appreciate this additional flexibility provided to small and rural fleets, which recognizes that compliance timelines must account for the unique operational and resource constraints facing these agencies.

For the ACF regulation to be workable over time, CARB must remain willing to revisit and refine specific provisions of the regulation as real-world conditions continue to evolve. Public agency utilities remain committed to fleet electrification where feasible.

**Accordingly, the Joint Public Agencies request a firm commitment from CARB to reevaluate the ACF regulation through a public process before 2030, in consultation with the Joint Public Agencies and other affected stakeholders.** A scheduled reevaluation would allow the Board and staff to assess changes needed so that the regulation accurately reflects real-world ZEV market conditions and public utility disaster response and operational needs. We recognize that the Board has already directed staff to revisit the rule in 2027, and we appreciate that commitment. However, rather than merely "revisiting" the rule, CARB should explicitly ensure that this will be a transparent public

process in which adjustments to the rule can be made, and that the public agency utility perspective is meaningfully incorporated into any subsequent regulatory updates. This can be conducted in the manner of a mid-term review similar to that of the Advanced Clean Cars I regulation, commitment to a formal rulemaking, or other similar formal process. Such a reevaluation is particularly important given that some of the Regulation’s most consequential requirements and exemptions, including the timing of the 100 percent ZEV purchase requirement for public fleets, will be changing in that period.

### **New Burdensome Exemption Requirements Should Be Removed**

While many of the 15-Day changes attempt to reduce administrative burden, the Joint Public Agencies have significant concerns about the changes in Section 2013.1 (f), which require fleet owners to demonstrate that vehicles qualifying for exemptions would reduce the required number of ZEV purchases in the applicable calendar year. The language itself is vague, but CARB clearly states that the intent of the section is “the fleet owner shall not be granted an exemption for a given vehicle if other vehicles they need to purchase are available as a ZEV.”<sup>5</sup>

In practice, section 2013.1 (f) blocks fleets from taking advantage of the 50% procurement requirement prior to 2030, which was established by CARB so that public agencies could deploy ZEVs where most suitable and Internal Combustion Engine (ICE) vehicles where most needed.<sup>6</sup> Instead, if a single exemption is needed, CARB will analyze every single ICE purchase and make its own determinations for which purchases should be ZEV or not. CARB should either remove or amend this limitation within section 2013.1(f) to ensure that the 50% purchase requirement and exemptions remain available to public agencies as intended. At a minimum, the Fleet Resiliency exemption should be removed from the 2013.1 (f) process, as the decision to designate a vehicle for fleet resiliency should be treated differently than the availability determinations of the ZEV Purchase Exemption.

Beyond stripping fleets of the ability to prioritize their ZEV purchases based on the needs and limitations of their specific fleet, this single requirement dramatically expands the exemption workload for fleets. Any time a fleet purchases more than one ICE vehicle in a year and requires an exemption request, they will be forced to submit the equivalent of an exemption application for every single ICE purchase in the fleet, no matter whether the purchase has already been made or will be made in the future. The workload becomes staggering for larger fleets, which may be purchasing more than 50 vehicles in a year.

The language in 2013.1 (f) undermines many of CARB’s efforts to improve exemption processes. For example, the “Streamlined” ZEV Purchase Exemption allows for an easier exemption process without any upfront applications. However, after the year is done and

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<sup>5</sup> [Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information](#), posted April 2, 2026, page 9.

<sup>6</sup> [Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information](#), posted April 2, 2026, page 7.

reporting is completed, CARB can potentially retroactively deny the valid purchase of an ICE in lieu of an unavailable ZEV, because a different ZEV could have been purchased in place of a different ICE vehicle. The Streamlined exemption process is therefore unlikely to actually reduce the volume of documentation needed, and instead shifts the burden to after purchases are completed and issues are harder to rectify. Without removing or fixing 2013.1 (f), the Streamlined exemption process is illusory and cannot be relied upon.

Public agency utilities operate fleets that support complex, multiyear capital plans that often evolve throughout the year in response to factors outside a utility's control. Another result of section 2013.1 (f) is that fleets requiring exemptions must submit a comprehensive annual disclosure of planned vehicle purchases, raising concerns about how this information will be used, how changes to plans will be handled, and whether the fleet's purchasing plans could inadvertently constrain fleet operational flexibility.

Lastly, the new language in section 2013.1 (f) could be misread to imply a sunset of the ZEV Purchase Exemption, Daily Usage Exemption, and Fleet Resiliency Exemption on January 1, 2030. CARB should update the language in this section to ensure that there are no unintended consequences resulting from this section.

### **Removing Limitations to the Fleet Resiliency Exemption Supports Essential Public Agency Utility Functions**

The restructuring of the former Mutual Aid Assistance exemption into the Fleet Resiliency Exemption reflects a meaningful improvement and shows that CARB has responded to several of the concerns raised by the Joint Public Agencies. In particular, reducing the ZEV threshold from 25 percent to 5 percent is a substantial step toward supporting emergency response by making the exemption more accessible and administratively workable for public agency fleets.

The Joint Public Agencies continue to urge CARB to preserve flexibility in the exemption structure, including a process to increase the current 25 percent cap on exempted vehicles, where warranted. This is especially important for public agency utilities, whose fleets must remain ready to respond to emergencies, support critical infrastructure, and maintain reliable electric, water, and wastewater services under rapidly changing conditions. In addition, vehicles purchased under the ZEV Purchase and Daily Usage exemptions should not count against the 25 percent limit; just because a vehicle is purchased pursuant to a different exemption pathway does not mean the vehicle serves fleet resiliency needs, and should not artificially reduce the number of vehicles available for the Fleet Resiliency Exemption. The exemption should not be further limited by the number of ZEVs in the fleet. Public agency utilities should be able to access this exemption to the full extent needed for fleet resiliency without added and unnecessary barriers.

### **Fleets Must Be Able to Consider Core Vehicle Specifications**

The functionality of the ZEV Purchase Exemption is essential to the success of the ACF regulation, as the regulation does not function if public agencies are forced to make

purchases of vehicles that are not available and do not meet fleet needs. The Joint POU appreciate the updates made to the ZEV Purchase Exemption, as detailed below, but request that CARB revisit the language to ensure that the exemption process incorporates core operational specifications. The regulation's definition of configuration only considers the highest classification of a vehicle (e.g. bucket truck, work truck), but does not consider auxiliary equipment, payload, towing, or off-road capabilities. If public agency utilities cannot ensure that ZEVs meet the specifications they need, they risk being unable to respond to emergencies and system maintenance needs.

The Joint POU Agencies appreciate the following amendments to the ZEV Purchase Exemption:

- Additions to the eligible Configuration List for streamlined applications, including Class 2b and 3 pickup trucks. CARB should not limit the vehicle types eligible for the Streamlined exemption process, as market conditions change and there are no guarantees about which vehicle types may be available going forward.
- CARB's inclusion of language in section 2013.2 (d)(2)(B) to account for situations involving public bid processes where no responsible bids for ZEVs are received. The availability of documentation for fleet purchases depends upon public agency procurement rules and is limited to the responses received by the public agency.
- The addition of several requirements that manufacturers need to meet in order for ZEVs to qualify as "available for purchase," which all go towards protecting public agency purchases of fleet vehicles. However, the exemption should incorporate additional considerations to meaningfully address manufacturer longevity, reliability and support, such as requiring field testing and local availability of warranty services.
- Removal of the requirement forcing public agency utilities to consider the purchase of electric power takeoff (ePTO) as part of their solicitation of bids for certain types of vehicles. This change preserves fleet owners' ability to evaluate emerging technologies based on operational performance rather than regulatory preference. However, CARB should consider incorporating ePTOs into the regulation as an additional pathway for realizing emission reductions for some hard-to-electrify specialty vehicles.

### **Daily Usage Exemption Revisions**

Because the ZEV Purchase Exemption does not consider core specifications when determining whether a vehicle is "available," the Daily Usage Exemption has the potential to serve as an important backstop to ensure that ZEVs being purchased are actually able to meet the daily usage needs of the fleet. The Joint Public Agencies appreciate CARB's edits to clarify the two methods for a fleet to qualify for the Daily Usage Exemption, so that the exemption language is easier to understand. In addition, the exemption was expanded so that fleets can submit data in increments longer than daily, which will increase access to the exemption.

However, the exemption requirements and thresholds still remain challenging, potentially preventing fleets from actually being able to utilize the exemption. The Joint Public Agencies request the following additional changes:

- The 10% ZEV threshold requirement should be reduced, at least to 5%. The need to purchase vehicles that can meet our daily usage needs is true whether or not a fleet has been able to procure enough ZEVs to meet the 10% threshold. Retaining this threshold continues to place public utilities in the untenable position of having to make ZEV purchases unrelated to operational need simply to unlock regulatory relief for vehicles that cannot yet be electrified.
- CARB should amend the regulation to allow fleets to limit data comparisons to those vehicles performing the same duty cycle. Specialized vehicles are often custom-built to meet the specific needs of their assignments and location, and cannot be easily swapped throughout the fleet, even within the same class and configuration.
- Rather than imposing a burdensome and complicated vehicle testing requirement, including requiring fleets to obtain real-world BEV energy usage data that matches the fleet's use case, the Joint Public Agencies strongly recommend that CARB allow the calculation of fuel equivalency to capture stationary work usage.

### **Planning Flexibility is Essential for Public Agency Utility Fleet Operations**

The Joint Public Agencies recognize and appreciate the modifications made to allow exemptions to apply to fleet expansions, not solely to replacement vehicles. These changes are responsive to concerns we raised in previous comments, and reflect the operational reality that public agency utility fleets must expand and adapt over time to serve growing populations, maintain infrastructure, and respond to emergencies. Additionally, the Joint Public Agencies appreciate the revisions addressing non-recoverable vehicles, including theft.

At the same time, the Joint Public Agencies reiterate that the regulation must not inadvertently disadvantage public agency utilities that rely on rental arrangements, including contracts longer than one year, to bridge procurement gaps or support temporary projects, and it would be unworkable if such rentals were treated as “purchases” for purposes of compliance or exemption eligibility. We urge CARB to clarify that long-term rental vehicles are not deemed purchased or owned for ACF compliance purposes, and that POUs are not required to impose de facto ACF compliance obligations on private rental fleets that are otherwise outside the scope of the rule, to avoid constraining already limited rental options and to ensure that the regulation is practicable for public agency utilities.

While the Joint Public Agencies understand that CARB is attempting to close loopholes in the regulation, the proposed changes to the definition of “Fleet Owner” leave public agencies with no regulatory remedies when they require a longer-term rental but cannot locate a rental ZEV. This provision can therefore result in non-compliance by a fleet that

follows common and necessary rental practices for reasons outside its control. If CARB wants to consider these rentals as part of a public agency's fleets, it must extend the same protections as afforded to fleet purchases.

### **Structural and Implementation Considerations**

CARB's elimination of the distinct "public agency utility" category and extension of AB 1594 flexibilities to all state and local government fleets reduces categorization-based administrative requirements and improves access to the exemptions for all public agencies. However, CARB should ensure that the unique operational demands of utility fleets, particularly those related to grid reliability, water system integrity, and public health and safety, remain fully understood as exemptions are evaluated.

The Joint Public Agencies recommend that CARB recognize the judgment of fleet owners in determining whether a given ZEV is capable of replacing an ICE vehicle based on the fleet's operational and procurement needs. The Joint Public Agencies remain concerned that the 15-day amendments continue to defer to the discretion of the CARB Executive Officer, and in fact narrow the scope of the Executive Officer's focus to "good engineering judgment." Reliance on "good engineering judgment" alone is insufficient to determine eligibility for exemptions. Instead, exemption applications should be evaluated not only on engineering considerations, but also on feasibility and operational impacts, including maintaining appropriate preparedness for emergency response.

### **ZEV Milestones Option**

Allowing fleets to switch between the ZEV Purchase Schedule and the ZEV Milestones Option through 2030 provides important planning flexibility during a period of significant uncertainty in the ZEV market. This flexibility will help public agency utilities select the best fit compliance pathway in response to changing market conditions and their operational needs.

The Joint Public Agencies also appreciate the expanded ability under the ZEV Milestones Option to designate existing ICE vehicles as part of the Fleet Resiliency Exemption. Allowing designated ICE vehicles to be excluded from milestone calculations represents an important shift toward recognizing the role of mission-critical assets that cannot yet be replaced with ZEVs due to operational, safety, or reliability constraints.

However, the ZEV Milestones Option should be modified to push back the Milestone deadlines, similar to the delay already afforded to the ZEV Purchase 100% requirement. Public agencies complying with the Milestones Option face the same supply limitations, but CARB has not reflected the realities of the ZEV market through corresponding updates to the milestone dates. The Joint Agencies also recommend that CARB consider updating the Milestone schedule with vehicle groupings that better represent the composition of public agency utility fleets.

**CARB Should Exercise Enforcement Discretion for Good-Faith Compliance**

CARB should exercise enforcement discretion and avoid imposing punitive financial penalties on public agencies that make good-faith efforts to comply with this challenging new rule. The ACF rule includes complex exemptions and implementation issues that may require time to resolve in practice, and public agency utilities should not be penalized for attempting to follow a regulatory structure that remains difficult to administer. Any penalties would ultimately be borne by utility ratepayers. More broadly, successful implementation of the ACF rule depends on the ZEV market's ability to produce the vehicles utilities need, and public agencies should not be punished when market limitations prevent timely compliance.

**Considerations Are Needed for Cost and Ratepayer Affordability**

The Joint Public Agencies remain concerned that, even with the improvements reflected in the 15-day changes, the ACF regulation does not yet provide a clear and durable pathway to address cost and ratepayer affordability impacts for public agency utility fleets. As local government entities, public utilities have limited mechanisms to absorb unanticipated capital and operating cost increases and must balance fleet investments against other critical infrastructure and public service demands. While the Joint Public Agencies recognize CARB's expectation that total cost of ownership benefits may materialize over time, current ZEV market conditions for medium and heavy-duty utility vehicles continue to present significant upfront cost premiums, uncertainty regarding long-term maintenance and performance, and reliance on incentive programs that remain variable in availability and scope. Explicit considerations on affordability within the regulatory framework will be necessary to ensure that utilities are not forced to make procurement decisions that could result in avoidable rate impacts for customers or divert public funds from essential reliability, safety, and emergency response investments.

**Conclusion**

The Joint Public Agencies appreciate the opportunity to comment on the April 2, 2026, 15-day changes and acknowledge CARB has taken important steps to address some of the implementation challenges identified by stakeholders. However, the regulation must be workable for public utilities tasked with essential electric and water services operations and emergency response. There are still outstanding issues in the 15-day changes, as outlined in this letter, that continue to pose a risk to communities served by public agency utilities. We urge CARB to address these concerns to ensure public agency utilities have the necessary accommodations to meet their responsibilities to protect the public health, safety, and welfare of the millions of their communities. We look forward to continued engagement with the Board and staff to ensure the ACF regulation remains adaptable, enforceable, and grounded in the practical realities facing public agency utility fleets.

Respectfully Submitted,



Derek Dolfie  
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Government Affairs Manager  
Southern California Public Power Authority (SCPPA)  
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Emily Lemei  
Customer Programs Manager & Regulatory Affairs  
Northern California Power Agency (NCPA)  
651 Commerce Drive  
Roseville, CA 95678



# City of Needles, California Request for Commission Action

CITY COUNCIL  BOARD OF PUBLIC UTILITIES  Regular  Special

**Meeting Date:** May 5, 2026

**Title:** Present Perfected Rights Report – March 2026

**Background:**

CURRENT YEAR:  
March 2026

	Current	YTD	% change prior year to current year YTD
Net Diversion	150.40	309.35	13%
Measured Returns	41.53	118.88	
Unmeasured Returns	25.28	46.15	
<b>Consumptive Use</b>	<b>83.59</b>	<b>144.32</b>	<b>(based on consumptive use)</b>

PRIOR YEAR:  
March 2025

Net Diversion	110.14	287.21
Measured Returns	38.85	112.86
Unmeasured Returns	23.41	48.97
<b>Consumptive Use</b>	<b>47.88</b>	<b>125.38</b>

% of PPR Remaining

**88%**

\*Based on CY26 Water Order of 2,528 diversion

PPR Limits 1,223	1,223
SCIA Agreement (145)	- 145
PPR Entitlement	1,078

LCWSP SCIA Limit	+ 527
2025 Consumption	1,605
2025 Diversion 2,261	

**Recommended Action:** No action needed - information only

**Submitted By:** Rainie Torrance, Utility Manager

**City Manager Approval:** Patrick J. Martinez

Date: 4/29/2026

**Other Department Approval (when required):** \_\_\_\_\_

Date: \_\_\_\_\_

Approved:     Not Approved:     Tabled:     Other:

Agenda Item: \_\_\_\_\_

CITY OF NEEDLES  
 WATER ACCOUNTING  
 MONTHLY CALCULATION SHEET  
 CALENDAR YEAR 2026

Diversions - Pumped from Wells	Pumped (Acre-Feet)												Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Well #8	0.00	0.00	0.00										0.00
Well # 15 (formerly #10)	9.10	0.00	0.00										9.10
Well #11	103.51	106.14	130.92										340.57
Well #12	10.22	27.97	44.32										82.51
Sub-Total	122.83	134.11	175.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	432.18
Delivered to Ft. Mojave Indian Tribe (AZ)	27.42	21.33	22.31										71.06
Delivered to Ft. Mojave Indian Tribe (CA)	2.30	46.94	2.53										51.77
Sub-Total	29.72	68.27	24.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	122.83
City of Needles' Net Diversion	93.11	65.84	150.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	309.35
<u>Uses of Water</u>													
Commercial Accounts	36.46	22.07	51.33										109.86
Residential Accounts	42.78	14.81	50.01										107.60
Golf Course	10.22	27.97	44.32										82.51
Parks, Ballparks, Cemetery	3.66	0.99	4.74										9.39
Total	93.12	65.84	150.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	309.36

**CALENDAR YEAR 2026  
WASTEWATER TREATMENT PLANT**

	<b>Mean Flow</b>	<b># Days</b>	<b>A/F</b>	<b>A/F Return</b>
Jan	0.438	31	41.67	40.42
Feb	0.443	28	38.07	36.93
Mar	0.450	31	42.81	41.53
Apr		30	0.00	0.00
May		31	0.00	0.00
Jun		30	0.00	0.00
Jul		31	0.00	0.00
Aug		31	0.00	0.00
Sep		30	0.00	0.00
Oct		31	0.00	0.00
Nov		30	0.00	0.00
Dec		31	0.00	0.00
<b>TOTAL</b>	<b>1.331</b>	<b>365</b>	<b>122.56</b>	<b>118.88</b>

Daily mean flow x #days mo X 1,000,000 = gal/mo  
 divided by 7.48 divided by 43560 = A/F mo

CITY OF NEEDLES  
WATER ACCOUNTING  
MONTHLY CALCULATION SHEET  
CALENDAR YEAR 2026

Item 6.

	Diversions												Total
	Pumped (Acre-Feet)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
<b>Pumped from Wells</b>													
Well #8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Well # 15 (FKA #10)	9.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.10
Well #11	103.51	106.14	130.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	340.57
Well #12	10.22	27.97	44.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	82.51
<b>Sub-Total</b>	<b>122.83</b>	<b>134.11</b>	<b>175.24</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>432.18</b>
Delivered to Ft. Mojave Indian Tribe (AZ)	27.42	21.33	22.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	71.06
Delivered to Ft. Mojave Indian Tribe (CA)	2.30	46.94	2.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	51.77
<b>Sub-Total</b>	<b>29.72</b>	<b>68.27</b>	<b>24.84</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>122.83</b>
<b>City of Needles' Net Diversion</b>	<b>93.11</b>	<b>65.84</b>	<b>150.40</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>309.35</b>

Return and Other Credits													
<b>Measured Returns</b>													
Sewer Plant's Rapid Infiltration Ponds <sup>1</sup>	40.42	36.93	41.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	118.88
<b>Unmeasured Returns</b>													
Percolation from Golf Course <sup>2</sup>	0.00	9.63	17.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27.38
Percolation from Parks <sup>3</sup>	1.46	0.40	1.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.76
Percolation from Large Commercial Users <sup>4</sup>	0.88	0.53	1.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.64
System Losses <sup>5</sup>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Septic Tank Returns <sup>6</sup>	4.12	3.84	4.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12.38
<b>Total Unmeasured Returns</b>	<b>6.46</b>	<b>14.40</b>	<b>25.28</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>46.15</b>
<b>Total Returns</b>	<b>46.88</b>	<b>51.33</b>	<b>66.81</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>165.03</b>

**Footnotes:**  
 1/Calculated as WWTP Total Discharge\*0.97.  
 2/Calculated as Monthly Delivery to Golf Course\*Efficiency-Monthly ET. Efficiency=0.9  
 3/Calculated as Delivery to Parks, Ballparks, Cemetry\*0.40.  
 4/Calculated as 24% of Deliveries to Commercial Accounts\*0.10.  
 5/Calculated as City of Needles' Net Diversions- Total Uses.  
 6/Total Annual UMRF from septic tanks = 50. assumes 210 septic units\*0.6 AF/yr\*0.40 (where 0.40 = UMRF Factor). Annual volume is distributed monthly using a monthly distribution factor.

	Consumptive Use												
Diversion	93.11	65.84	150.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	309.35
Measured Returns	40.42	36.93	41.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	118.88
Unmeasured Returns	6.46	14.40	25.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	46.15
Consumptive Use	46.23	14.51	83.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	144.32



# City of Needles, California Request for Commission Action

CITY COUNCIL  BOARD OF PUBLIC UTILITIES

Regular  Special

**Meeting Date:** May 5, 2026

**Title:** Needles Public Utility Authority Unaudited Income Statement through 12/31/26

**Background:** Unaudited Income Statement for the Water, Wastewater, and Electric departments through December 31, 2026.

**Fiscal Impact:**

**Environmental Impact:**

**Recommended Action:** Information Only

**Submitted By:** Rainie Torrance, Utility Manager

**City Manager Approval:** Patrick J. Martinez

**Date:** 4/29/2026

**Other Department Approval (when required):** \_\_\_\_\_

**Date:** \_\_\_\_\_

<b>NEEDLES PUBLIC UTILITY AUTHORITY</b>			
<b>Income Statement for fiscal year to date:</b>			<b>12/31/25</b>
			<b>UNAUDITED NUMBERS</b>
<b><u>WATER</u></b>			
Revenue			1,637,174
Operating Expenses			1,097,574
Water Dept. Asset Replacement Fund (current year)			129,738
<i>*Contributions Only</i>			
Computation of NPUA expenses for WATER:			22%
Debt service		158,662	
Transfer expense		0	
UUT		0	
Purchase price		58,896	
Bank service charge		4,941	
			222,499
<b>NET WATER</b>			<b>187,363</b>
<b><u>WASTEWATER</u></b>			
Revenue			1,088,357
Operating Expenses			612,060
Wastewater Asset Replacement Fund (current year)			78,852
<i>*Contributions Only</i>			
Computation of NPUA expenses for WASTEWATER:			31%
Debt service		223,570	
Transfer expense		0	
UUT		0	
Purchase price		82,989	
Bank service charge		6,963	
			313,522
<b>NET WASTEWATER</b>			<b>83,923</b>
<b><u>ELECTRIC</u></b>			
Revenue			7,153,750
Less: Cultivation - Substations			0
Operating Expenses			5,296,822
Less: Cultivation - Substations			0
Electric Dept. Asset Replacement Fund (current year)			499,866
<i>*Contributions Only</i>			
Computation of NPUA expenses for ELECTRIC:			47%
Debt service		338,960	
Transfer expense		0	
UUT		0	
Purchase price		125,823	
Bank service charge		10,556	
			475,339
<b>NET ELECTRIC</b>			<b>881,723</b>
<b><u>NPUA EXPENDITURES</u></b>			
Debt service	721,192		100%
Transfer expense	0		
UUT	0		
Purchase price	267,708		
Bank service charge+Trustee	22,460		
+Arbitration Computations	1,011,361		



# City of Needles

817 Third Street, Needles, California 92363  
(760) 326-2113 • FAX (760) 326-6765  
[www.cityofneedles.com](http://www.cityofneedles.com)

Mayor, Janet Jernigan  
Vice Mayor Ellen Campbell  
Councilmember Tona Belt  
Councilmember Jamie McCorkle  
Councilmember JoAnne Pogue  
Councilmember Henry Longbrake  
Councilmember Larry Ford

City Manager Patrick J. Martinez

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## MEMORANDUM

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: PATRICK J. MARTINEZ, CITY MANAGER

SUBJECT: WEEKLY MEMORANDUM

DATE: April 17, 2026

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### 1. **Cal Cities City Leaders Summit – Panel Participation**

Next week, Mayor Jernigan and Vice Mayor Ellen Campbell will attend the Cal Cities City Leaders Summit in Sacramento to engage in statewide policy discussions and advocacy. The City Manager will serve as a featured panelist on *“The New Grants and Economic Development Playbook,”* sharing strategies to secure funding, leverage partnerships, and advance infrastructure and economic development based on the City’s recent successes. Participation in Cal Cities ensures Needles remains competitive for funding, connected to key decision-makers, and engaged in policies that impact our community. This recognition reflects the strong work being done across the organization—driven by a City Council with a clear vision, a strong internal effort to pursue opportunities, and partnerships that help us deliver results. The summit also provides a platform to share Needles’ story and bring back best practices that support Council priorities and long-term growth.

### 2. **Third Annual Community Fall Festival Celebrating the Route 66 Centennial**

The City is preparing for the Third Annual Community Fall Festival on **November 7, 2026**, from **9:00 a.m. to 8:00 p.m.** at Santa Fe Park, celebrating the 100-Year Anniversary of Route 66 and reinforcing Needles’ role as the eastern gateway to California. This signature event is designed to attract regional visitors and position Needles as a premier Route 66 destination during the Centennial year. Planned activities include an OHMV car show, live entertainment, food vendors, a beer garden, kids zone, and a fireworks show to anchor the evening. Staff is actively advancing event logistics with a strong focus on vendor recruitment and sponsorship opportunities, with limited vendor space available and active outreach underway to secure event sponsors. The festival builds on prior success and is expected to draw increased attendance due to the national significance of the Centennial. This event directly supports Council priorities related to tourism, economic development, and community engagement. **Contact: Jennifer Valenzuela, Parks and Recreation, (760) 326-2814 or [parksandrecreation@cityofneedles.com](mailto:parksandrecreation@cityofneedles.com).** Additional information is available on the [City’s Route 66 Centennial webpage](#).

- 3. Needles Highway Improvement Project – Construction Update**  
Construction will begin on **April 23, 2026**, and continue through **July 31, 2026**, for a San Bernardino County Public Works project improving approximately 2.32 miles of Needles Highway from David Drive to just north of Notchco Road. The project includes roadway rehabilitation, striping, signage, and related infrastructure upgrades. Initial work will include utility locating and pre-construction activities, followed by full construction. Work will occur Monday through Friday between **6:30 a.m. and 4:30 p.m.**, and the public should expect traffic control and potential delays. Residents are asked to follow posted “No Parking” signage and keep roadways clear during active work. We appreciate the community’s patience during construction. **Contact: Granite Construction – James Regan, (760) 625-5423; San Bernardino County Public Works, (909) 387-7920. Refer to the attached notice.**
- 4. Lucky Dhaba – New Business & Ribbon Cutting**  
The City is pleased to welcome Lucky Dhaba, a new Indian restaurant located on the west end of Needles at 2411 W. Broadway Street. The Needles Chamber of Commerce will host a ribbon cutting and food tasting on **April 25, 2026**, with the restaurant scheduled to officially open to the public on **April 26, 2026**. This new business reflects continued growth in Needles and highlights ongoing momentum in attracting investment and expanding dining options. The addition of Lucky Dhaba supports City Council goals related to economic development, business attraction, and enhancing local amenities. Residents are encouraged to support this new local business.
- 5. NIAA 2A State Softball & Baseball Tournaments – Needles Host Site**  
Staff met this week at the Jo Jo Garcia Memorial Sports Complex to prepare for the upcoming NIAA 2A State Softball and Baseball Tournaments, with games to be held at Needles High School. This event will bring teams, families, and visitors into the community, supporting local businesses and advancing the City Council’s goal of promoting sports tourism. The tournament is scheduled for **May 14–16**. City staff are actively coordinating operations and facility readiness to ensure a safe, well-organized event that showcases Needles. The Girls’ team will look to defend their State Championship title, while the Boys’ team will compete to build on last year’s runner-up finish. Hosting events of this scale strengthens partnerships with the Needles Unified School District and positions the City to attract future tournaments and continued economic activity.
- 6. Route 66 Bike Week – Final Reminder**  
Route 66 Bike Week begins next week, taking place **April 20–26, 2026**, and will bring a weeklong motorcycle ride experience along the historic Mother Road. Riders will travel through Needles and surrounding Route 66 communities, generating increased activity for local businesses and regional tourism. This is expected to bring an influx of visitors to the area, and the community should anticipate increased traffic and activity throughout the week. The event continues to highlight Needles’ role as a key destination along Route 66 and supports the City Council’s goals of promoting economic activity and community pride.

- 7. Flip Mendez Golf Tournament – Final Sponsorship Opportunity**  
The 27th Annual Flip Mendez Youth Fundraiser Golf Tournament on **May 2, 2026**, at Rivers Edge Golf Course is sold out, reflecting strong community support. The tournament benefits the Flip Mendez Youth Fund, which provides scholarships and financial assistance for local youth to participate in sports and recreational programs. As the event approaches, this serves as a final opportunity for businesses and community members to participate as hole sponsors. Sponsorships will help maximize funding and ensure continued support for youth athletics and scholarships. For sponsorship opportunities or additional information, please contact Rhonda Mendez at (760) 927-2220 or Frank Mendez at (760) 927-2215.
- 8. Run for the Wall (RFTW) Needles – Event Update**  
The annual Run for the Wall (RFTW) procession will stop in Needles on **May 13, 2026**, commemorating the **35th Anniversary of the Gulf War**. Riders are expected to arrive at approximately **12:35 p.m.**, with activities taking place at El Garces and Santa Fe Park along Route 66. The event honors Veterans and raises awareness for POW/MIA accountability, and continues to draw strong participation from riders and community members. Local residents and Veterans are encouraged to attend and welcome the riders into Needles. Community partners are also accepting donations for food in support of the event. This event supports City Council goals related to community engagement, honoring Veterans, and regional tourism.
- 9. Chamber Spotlight – Needles Branch Library**  
The Needles Chamber of Commerce recently hosted a “Good Morning Needles” event featuring the Needles Branch Library, highlighting its free programs and community resources. Branch Manager Adela Covarrubias shared information on services that support education, digital literacy, and community engagement. Current programs include Storytime, Basic Internet Classes, and Family Game Time, with the Summer Reading Program launching in June. Residents are encouraged to [click the link](#) to learn more about available programs and upcoming events.
- 10. Needles Pride Program & Infrastructure Improvements**  
This week, staff continued advancing efforts that support community pride, safety, and system reliability. Public Works focused on weed abatement along J Street, a highly visible corridor, as part of ongoing beautification efforts. In preparation for increased seasonal activity, staff also striped lanes at Jack Smith Park to support safe access and economic activity at the boat launch. Infrastructure improvements continued under the Electric Circuit Reliability Program, including work along Lilly Hill Drive and Larchwood Circle to replace aging and inaccessible poles and improve overall system reliability. Additionally, concrete repairs were completed at the underpass sidewalk railing to enhance public safety. These efforts reflect the City’s continued commitment to maintaining a clean, safe, and well-functioning community.
- 11. Earth Day Transit Promotion – Fare-Free Service**  
In recognition of Earth Day, Needles Area Transit and Dial-a-Ride will offer fare-free transit services on **April 22, 2026**, encouraging residents to utilize public transportation and reduce environmental impact. This initiative provides an

opportunity for the community to experience local transit services at no cost while promoting sustainability and alternative transportation options. The program is supported in partnership with regional transit agencies and aims to increase awareness and ridership. This effort supports City Council goals related to environmental stewardship, accessibility, and community engagement.

**12. Update – Penny Deposits**

Arrowhead Credit Union has announced that pennies will no longer be accepted for deposit after **April 30**, and is encouraging customers to complete deposits prior to that date. This change is being driven at the federal level, as the U.S. Treasury reduces production of pennies due to rising manufacturing costs and declining use in circulation. The City is sharing this update to keep residents informed and avoid any confusion. Staff are also monitoring these broader changes and working toward practical solutions to ensure continued efficient cash handling operations, with additional information to be brought forward to City Council at a future meeting.

**13. Bi-Annual Vaccination and Licensing Clinic – Next Weekend**

This is a reminder that the City of Needles Animal Shelter will host its low-cost vaccination and pet licensing clinic **on April 25, 2026, from 9:00 a.m. to 12:00 p.m.** at the Animal Shelter (1662 Flip Mendez Parkway). In partnership with PetSmart Veterinary Services, the clinic offers affordable vaccinations and microchipping, helping reduce costs for residents. Pet licensing will be available at reduced rates, and all dogs will be licensed prior to leaving, ensuring compliance with City requirements and promoting responsible pet ownership. This event supports public health and improves overall licensing compliance. Residents from the tri-state area are welcome to participate. Dogs must be on leashes and cats must be in carriers.

**14. Needles Women’s Club Flower Show – Final Reminder**

The 96th Annual Needles Women’s Club Flower Show will be held on **April 25, 2026**, at the Needles Women’s Clubhouse. This long-standing community event highlights local talent in gardening and floral design and is free and open to the public. Entries will be accepted from **8:00 a.m. to 9:30 a.m.**, followed by judging from **9:30 a.m. to 12:00 p.m.**, with public viewing from **12:00 p.m. to 2:00 p.m.** Residents are encouraged to attend, participate, and support this community tradition. This event supports Council priorities related to community engagement and local pride. **Contact: Mary McNeil, (626) 705-3394**

**15. Dance Trax 51 Spring Recital – Reminder**

Just a reminder that Dance Trax 51 will host its Spring Recital on **May 1 and May 2 at 6:00 p.m. at** the Needles High School Auditorium. This event will showcase the talent and hard work of our local youth dancers. We encourage the community to come out and support these young performers.

**16. Behavioral Health Community Meeting – Public Outreach**

The San Bernardino County Department of Behavioral Health (DBH) will host a community meeting in Needles next month on **May 19, 2026, from 11:00 a.m. to 1:00 p.m.** at the Needles Council Chambers. The meeting will provide an overview of the transition from the Mental Health Services Act (MHSA) to the

Behavioral Health Services Act (BHSA), along with information on programs and resources available to the community. Residents and stakeholders are encouraged to attend, ask questions, and provide input on behavioral health services in Needles. The City is supporting outreach efforts to promote attendance and ensure local engagement. This effort supports Council priorities related to community well-being and access to services.

**17. “Our Water Ways” Film Screening at Palo Verde College**

The “*Our Water Ways*” film screening was held on **April 11, 2026**, at the Palo Verde College Needles Educational Center and was well attended by the community. Hosted by Palo Verde College and led by Dean Jaclyn Randall, the event brought together regional and tribal voices to share perspectives on the cultural and historical significance of water. We appreciate Supervisor Rowe’s support in sending her Field Director, Steve Reyes, to participate.

The program featured speakers Paul Jackson and Nora McDowell (Fort Mojave Indian Tribe), along with Matt Leivas, former Chemehuevi Heritage Chair, who is also featured in the film. The discussion highlighted the Colorado River’s importance, emphasizing water rights, cultural connections, and the essential role water plays in sustaining life—reinforcing the need for continued stewardship in Needles as a Colorado River community.

**18. Historic 1923 American LaFrance Fire Truck Restoration**

City Councilmember Larry Ford and Heather Timmons volunteered their time to refurbish original brass fire extinguishers from the City of Needles’ historic 1923 American LaFrance Fire Truck (as shown). Their efforts reflect strong community pride and a commitment to preserving the City’s history. With only a few finishing touches remaining, approximately \$15,000 is still needed to complete the restoration. Donations are welcome to help bring this project across the finish line. Those interested in contributing may contact Jesse Fragoso at [jfragoso@cityofneedles.com](mailto:jfragoso@cityofneedles.com).

**19. Community Events Calendar Now Live**

The City’s new website now features a [Community Events Calendar](#)—a single source for community events, civic meetings, and community programs. Local organizations are invited to submit or update events through the City Clerk’s Office to keep the calendar current and inclusive. Contact **Candace Clark at [cclark@cityofneedles.com](mailto:cclark@cityofneedles.com)** to participate. Residents can subscribe and sync the calendar to mobile devices for real-time updates, making it easier to stay informed and engaged.

# 1. CAL CITIES PARTICIPATION

Join Us

for the

## Cal Cities City Leaders Summit

SAFE Credit Union Convention Center - Sacramento, CA

APRIL 23<sup>rd</sup> - 3:45pm

### The New Grants and Economic Development Playbook



DALE SUMERSILLE  
SENIOR ASSOCIATE  
CAL CONSULTING  
MODERATOR



LARRY KOSMONT  
CHAIRMAN & CEO  
KOSMONT COMPANIES



PATRICK MARTINEZ  
CITY MANAGER  
CITY OF NEEDLES



MICHAEL ANTWINE  
CITY MANAGER  
CITY OF BELL

This panel will explore effective strategies for pursuing grants and collaborative financing options, especially for cities working to rebuild their economies. The panel will discuss the Building a Better America initiative, as well as how special financing districts can support capital improvements, climate action, housing, and ongoing maintenance. Learn how combining tax increment financing with grants can help revitalize your community and drive sustainable growth.

**\*\*Please check program for room\*\***



LEAGUE OF CALIFORNIA CITIES

REGISTER NOW

# CITY LEADERS SUMMIT

SACRAMENTO, CA  
April 22-24, 2026



# 2. 3<sup>RD</sup> ANNUAL COMMUNITY FALL FESTIVAL

## SAVE THE DATE!

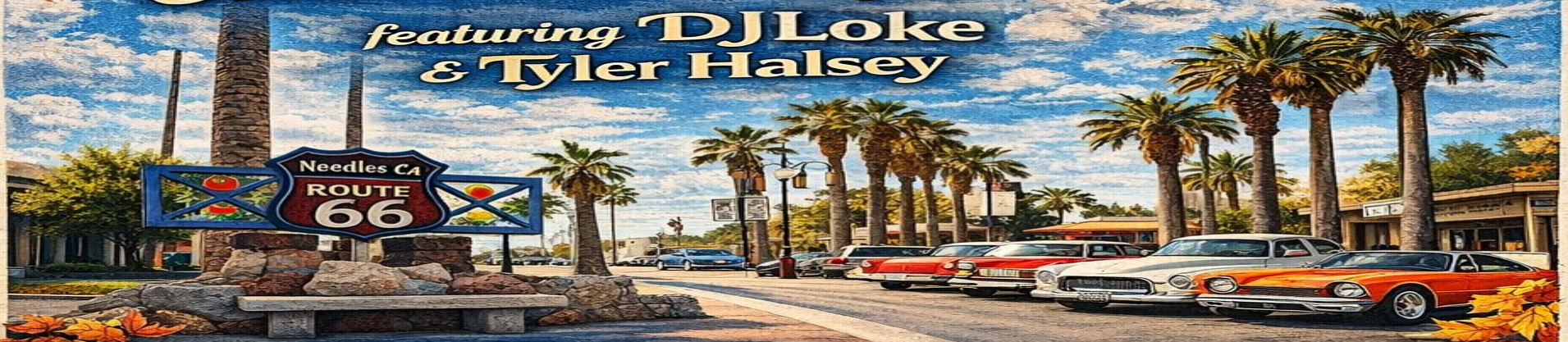
*The City of Needles*  
★ *Third Annual* ★  
**COMMUNITY  
FALL FESTIVAL**



Celebrate the Route 66 Centennial!

*Cruisin' the Century in Needles*

featuring **DJLoke  
& Tyler Halsey**



 **SATURDAY, NOVEMBER 7, 2026**

 **9:00 AM - 8:00 PM** •  **SANTA FE PARK, NEEDLES, CA**



**OHMV Car Show**

**NOW ACCEPTING VENDORS**



**Fireworks Show**

**LOOKING FOR CO-SPONSORSHIP  
OPPORTUNITIES**



**Food Trucks**



**Beer Garden at  
Red Dog Saloon**



**Kids Zone &  
Games**



**JOIN US FOR A HISTORIC CELEBRATION**

Experience the energy of Route 66 and a Fall Festival like never before — OHMV, culture, community, and the Colorado River

Contact Jennifer Valenzuela at 760-326-2814  
or [parksandrecreation@cityofneedles.com](mailto:parksandrecreation@cityofneedles.com)



Item 8.

**CITYOFNEEDLES.COM**

# 3. NEEDLES HIGHWAY PROJECT 1C



## NOTICE TO THE RESIDENTS OF NEEDLES

San Bernardino County Department of Public Works has contracted with Granite Construction for the construction of Needles Highway in the Needles area. The construction shall include road paving and road shoulder work.

This work will be performed between the dates of April 23, 2026 and July 31, 2026.

Normal working hours will be between the hours of 6:30 A.M. and 4:30 P.M. Monday through Friday.

There will be "No Parking Signs" posted on your street indicating the specific dates work will be performed on the street. During the time we are working, access to the public will be limited and we ask the following:

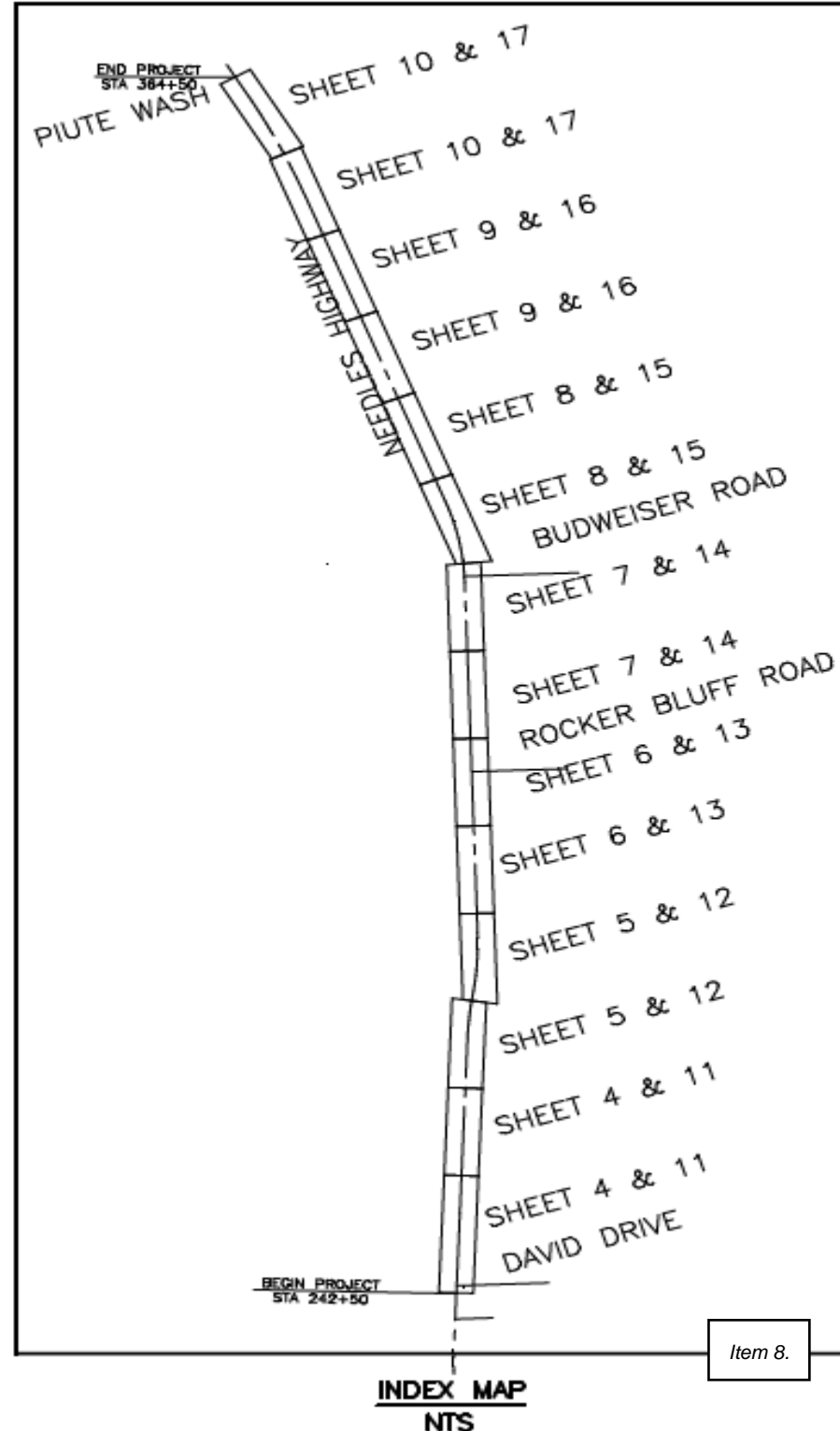
1. Do not park your vehicles on the roadway
2. Do not allow water to run on the roadway
3. Do not allow children to play in the roadway
4. Do not place trash cans or other debris on the roadway

We regret any inconvenience that this work may cause you and we thank you for your cooperation in assisting us in rebuilding your street.

Thank you.

**Granite Construction**  
James Regan  
(760)625-5423

If you need further assistance, contact the Department of Public Works at (909) 387-7920.



# 4. NEEDLES CHAMBER RIBBON CUTTING



The Needles Chamber of Commerce and Visitors Center

# INVITES YOU!

TO THE

OFFICIAL **RIBBON CUTTING** CEREMONY

Join us as we officially open the doors  
Celebrating a New Beginning on Rt. 66 in Needles, CA



**Date: Saturday, April 25, 2026**

**Time: 3:00 PM**

**Location: 2411 West Broadway Street  
Needles, CA 92363**

Item 8.

For More Information Please Contact The Needles Chamber of Commerce at 760-326-2050

# 5. HOSTING NIAA STATE CHAMPIONSHIPS



# 6. ROUTE 66 BIKE WEEK SELIGMAN

# ROUTE 66 BIKE WEEK

A WEEK LONG "BENEFIT" RIDE, SPANNING 8 STATES TO SUPPORT THE MOTHER ROAD & PROMOTE MOTORCYCLE TOURISM.

**\*April 20-26, 2026\***

**ALL PROCEEDS  
BENEFIT THE  
SMALL BUSINESSES  
YOU SHOP AT.**



**START, STOP & SHOP  
ANYWHERE YOU WANT**

**BIKER RALLY ACTIVITIES  
@ THE SADDLE SORE RANCH  
IN GOLDEN VALLEY, AZ  
WED THRU SUN.**



CHECK OUR WEBSITE FOR MORE INFO

**ROUTE66BIKEWEEK.COM**



# 7. FLIP MENDEZ SPONORSHIPS

## THE FLIPS

### 27th Annual

*Flip Mendez Youth Fund Golf Tournament*

**Rivers Edge Golf Course**

**Saturday, May 2, 2026**

*The Flip Mendez Youth Fund Golf Tournament Committee thanks you for your support.  
In 2025 contributions to the Flip Mendez Youth Fund provided funding for:*

**4 College Scholarships to NHS Graduating Seniors**

**Over 200 Youth Sports Scholarships**

**Donations to the following sports:**

**Baseball, Softball, Basketball, Football,**

**Volleyball, T-Ball and many other donations for the youth.**

**Tee Sponsorship – \$75 – Per Hole**

**Sponsorship fees must be received by April 20th for signs to be placed on course.**

Sponsor Names: \_\_\_\_\_

Tee Sponsor: \$75.00 x's \_\_\_\_\_ hole(s) = \$ \_\_\_\_\_

Other Amount = \$ \_\_\_\_\_

*Make checks payable to:* Flip Mendez Youth Fund

*Mail to:* Frank or Rhonda Mendez 2101 El Monte Street, Needles, CA 9236

Tax ID# 47-3448436

*For Questions Call -* Rhonda Mendez at (760) 927-2220 Or Frank Mendez (760) 927-2215

## *27<sup>th</sup> Annual Flip Mendez Youth Fundraiser Golf Tournament*

2101 El Monte Street Needles, CA 92363

Phone (760) 927-2220

Dear Sponsor,

We are proudly preparing for the annual Flip Mendez Youth Fundraiser Golf Tournament which will be our 27<sup>th</sup> ANNUAL and is scheduled for May 2, 2026.

As you may know, Flip Mendez had a passion for helping young people and their families, and often quietly paved the way for many to participate in community sports leagues, and other activities. The Flip Mendez Youth Fundraiser Golf Tournament was established to assist children by sponsoring them so that they may play sports and provide new equipment that is needed. We do not want any child to go without playing sports due to financial hardship. The Flip Mendez Youth Fund is here to assist any child that needs help. The Flip Mendez Committee has continued Flip's legacy of generosity in the community where he grew up and raised his own family. The Flip Mendez Youth Fund is a Tax Exempt, Non-Profit Organization; our Tax ID # is 47-3448436.

In the past, you were a generous sponsor of this event, and your contribution is much appreciated and needed.

In previous years, we were able to accomplish the following:

- ❖ Sports scholarships for over 340 kids
- ❖ Scholarships for Graduating seniors
- ❖ Generous Donations to the NHS Baseball, CRAGS, Volleyball, Softball, Basketball, Football along with Pee Wee Tee-Ball, Pee Wee Basketball, Needles Little League, Pop Warner Football, Cheer and many other sports donations.

Your faithful support of this event is appreciated by the Mendez family, the Tournament Committee, and the citizens of the community. **You may choose to be a \$75 Hole Sponsor or sponsor multiple holes. (A sign will be placed on a hole with business' name on it for however many holes you sponsor.)** You may also choose to sponsor any dollar amount you wish, just fill out the form and put the amount you wish to donate. We have included a *Hole Sponsor Request Form* and a *Team Registration Form* for your convenience. Please let us know if we can count on your generous support again this year.

Sincerely,

Mrs. Irene Mendez & The Flip Mendez Youth Fundraiser Tournament Committee

\*Frank Mendez\* Rhonda Mendez \*Frank Valenzuela\* Jennifer Valenzuela \*Rick Huebner

# 8. RUN FOR THE WALL



## RUN FOR THE WALL

**MAY 13, 2026**

**EL GARCES AND SANTA FE PARK  
ON ROUTE 66 IN NEEDLES, CA**

**HOSTED BY THE CITY OF NEEDLES  
AND COMMUNITY PARTNERS**

**DONATIONS FOR FOOD ARE BEING ACCEPTED AT  
DECO FOODSERVICES AT 700 W BROADWAY IN NEEDLES.**

**RIDERS ARE EXPECTED TO ARRIVE AT 12:35 PM  
AND LOCAL VETERANS AND RESIDENTS ARE ENCOURAGED  
TO WELCOME THE RIDERS INTO TOWN.**

**For more information, call 760-333-5255**



## 9. NEEDLES CHAMBER SPOTLIGHT

**Bring A Friend  
or Two**

**Thursday**

**April 16, 2026**

**7:30 a.m.**

950 Front Street.

Needles Ca 92363

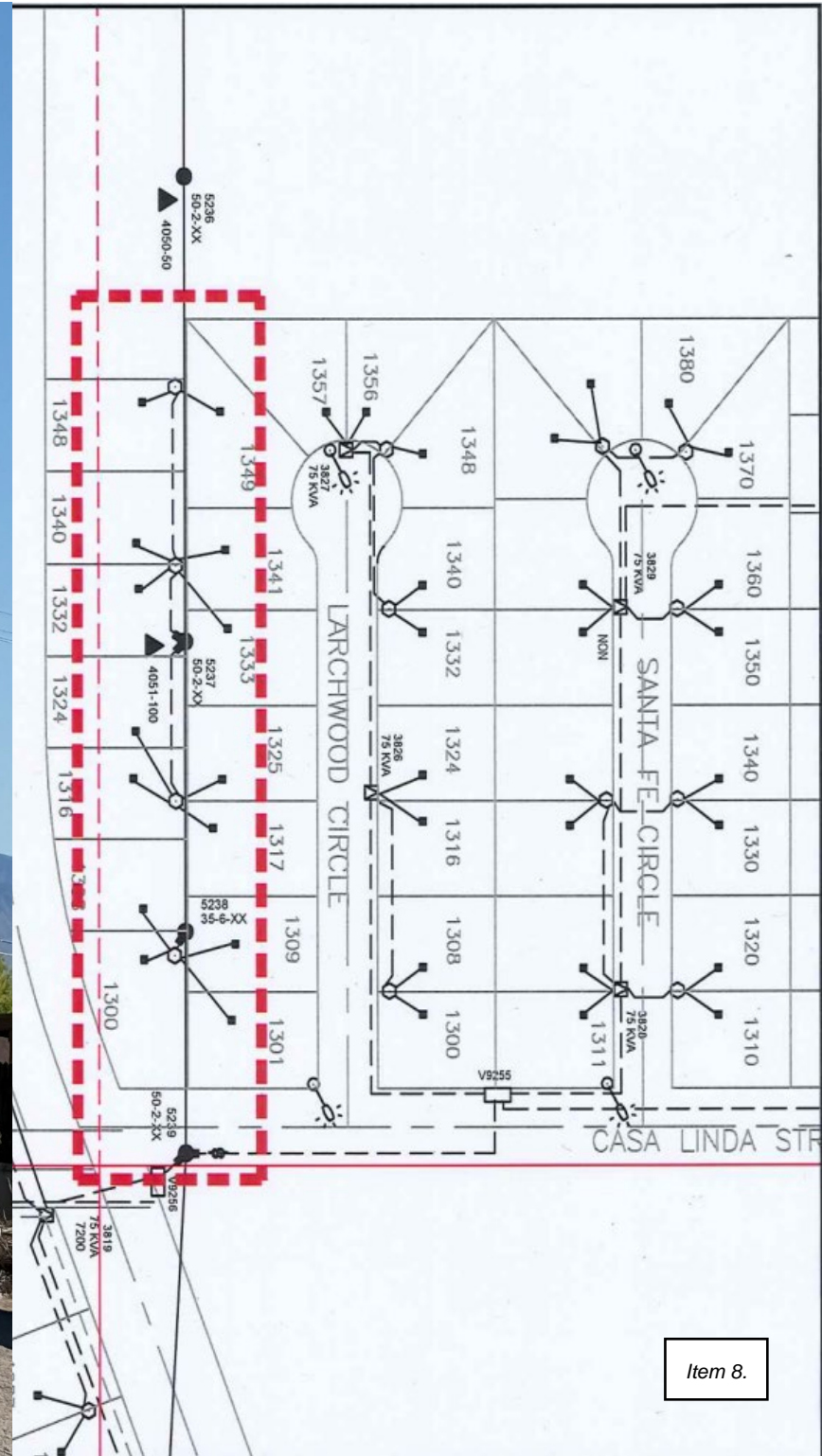


**Guest Speaker Adela Covarrubias**

San Bernardino County Branch Manager - Needles, California

**For More Information Please Contact The Chamber At 760-326-Item 8. 0**

# 10. ELECTRICAL IMPROVEMENTS- LARCHWOOD



Item 8.

# 10. CITYWIDE BEAUTIFICATION- J STREET



# 10. CITYWIDE BEAUTIFICATION- BOAT LAUNCH



# 10. CITYWIDE BEAUTIFICATION- UNDERPASS



# 11. EARTH DAY FREE TRANSIT

# Try transit fare-free on Earth Day!



# April 22

## 12. ARROWHEAD CREDIT UNION

# Last Call for Penny Deposits

Pennies will no longer be accepted after April 30.  
We're happy to accept deposits before then!



Visit our coin machine for  
fee-free coin exchange!<sup>1</sup>

<sup>1</sup> Fee-free coin machine use for Arrowhead members only.

# 13. VACCINATION CLINIC



**PETSMART**  
**VETERINARY**  
**SERVICES™**

## Needles Animal Shelter

Low Cost Vaccination and Licensing Clinic

**April 25th | 9:00-12:00**

1662 Flip Mendez Pkwy, Needles, CA 92363  
(760) 326-4952

All of tri-state  
welcome!

Services provided by:

**PETSMART Veterinary Services**  
**Dr. Joseph Velasco**

-  Rabies **\$10**
-  DA2PP **\$15**
-  FVRCP **\$15**
-  Bordetella **\$15**
-  Microchips **\$30**

### SPECIAL PRICING

 FOR CITY LICENSE 

**ALTERED**

**\$10**

**UNALTERED**

**\$20**

**CASH ONLY**

Dogs must be on leashes  
and cats must be in carrier

Item 8.

# 14. WOMEN'S CLUB FLOWER SHOW

Show off your gardening talents at the  
***96th Annual Needles Women's Club  
Flower Show***

**Saturday, April 25, 2026**

**Needles Women's Clubhouse  
305 W. Broadway, Needles**

**Entries Accepted .....8:00-9:30 am**  
**Judging.....9:30 am-12:00 pm**  
**Public Viewing.....12:00 pm - 2:00 pm**

Live entries must be at least 3 months old

**Roses**

**Fruit**

**Herbs**

**Vegetables**

**Nuts**

**Succulents**

**Fresh Cut Flowers**

**Potted Plants**

**Cactus**

**Dish Gardens**

**Dried Flowers**

**Bouquets**

**Sponsored by the Needles Women's Club**

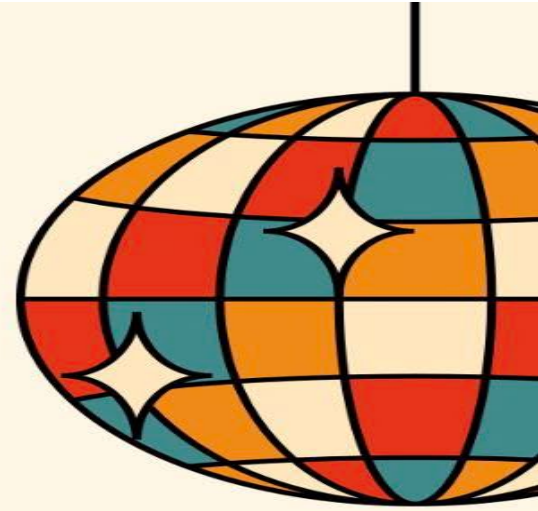
**Free to the Public**

**Opportunity Drawing/Plant Sale**

**Questions? Call Mary (626) 705-3394**

# 15. DANCE TRAX 51 RECITAL

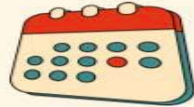
# LET'S DANCE!



## Dance Trax 51 SPRING RECITAL



Needles High School  
Auditorium



May 1<sup>st</sup> & 2<sup>nd</sup>  
6:00 PM

# DON'T MISS IT!



# 17. PALO VERDE COMMUNITY EVENT

*Our Rivers, Our Ocean*

*A Sacred Places Institute for  
Indigenous People Production*

## *Our* **WATER WAYS** *Screening*

**APRIL 11, 2026 @ 1 PM**

### **A California Tribal Story**

YOU'RE INVITED to join us at the Palo Verde College Needles Educational Center for a tribal community screening of the film highlighting the tribal communities' deep connection to our precious resource - water.

In conjunction of the Sacred Places Institute for Indigenous Peoples, PVC hosts this screening to celebrate and show the voices of the ancestors and leaders who discuss the personal and ancestral relationships with the Colorado River and Pacific Ocean.

Meet Matt Leivas, previous Chemehuevi Heritage Chair and featured in the film.

Event starts at 1 p.m. followed by a program, screening, and Q&A.

*Presented by*

**PALO VERDE COLLEGE**

Needles Educational Center

725 W. Broadway St., Needles, CA 92363



Item 8.

# 17. PALO VERDE COMMUNITY EVENT



# 18. HISTORIC FIRE TRUCK RESTORATION EFFORT





# City of Needles

817 Third Street, Needles, California 92363  
(760) 326-2113 • FAX (760) 326-6765  
[www.cityofneedles.com](http://www.cityofneedles.com)

Mayor, Janet Jernigan  
Vice Mayor Ellen Campbell  
Councilmember Tona Belt  
Councilmember Jamie McCorkle  
Councilmember JoAnne Pogue  
Councilmember Henry Longbrake  
Councilmember Larry Ford

City Manager Patrick J. Martinez

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## MEMORANDUM

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: PATRICK J. MARTINEZ, CITY MANAGER

SUBJECT: WEEKLY MEMORANDUM

DATE: April 24, 2026

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### 1. **CMUA Presidential Visit to Needles**

On **April 24, 2026**, the City hosted Danielle Blacet-Hyden, President of the California Municipal Utilities Association (CMUA), for an official visit to City Hall with participation from Utility Board Members and staff, led by the Utility Manager. CMUA represents public power agencies across California and provides advocacy, regulatory guidance, and technical support on complex energy and utility issues. The visit included a meet and greet followed by a focused working session with Board Members serving on renewable energy, RPS, and GHG ad-hoc committees. Discussions centered on upcoming regulatory requirements, legislative trends, and potential impacts to Needles, along with an open forum to address local priorities. The visit concluded with a tour highlighting recent projects and ongoing initiatives, reinforcing the City's proactive approach to navigating evolving utility and energy regulations.

### 2. **Cal Cities City Leaders Summit – Panel Participation**

On **April 23, 2026**, the City Manager served as a featured panelist at the Cal Cities City Leaders Summit in Sacramento, presenting on "The New Grants and Economic Development Playbook." Mayor Jernigan and Vice Mayor Campbell were also in attendance, representing the City and engaging in statewide policy discussions, and met with Assemblymember Gonzalez and State Senator Steve Padilla to reinforce legislative relationships and **thank them for their continued support of the Needles community**. The presentation highlighted the City's approach to securing grant funding and delivering infrastructure and economic development outcomes, and participation at the Summit positioned Needles as a strong example among small and rural communities while strengthening key state and regional partnerships, reflecting the leadership of the City Council and the collective efforts of staff and partners in advancing Council priorities.

### 3. **San Bernardino County Court Leadership Visit**

The Mayor, Vice Mayor, City Manager, and Needles Unified School District Superintendent met with Presiding Judge Rod Cortez and leadership from the San Bernardino County Superior Court during their visit to the Needles Courthouse. The discussion focused on the progress made in reestablishing local court services and identifying opportunities to expand operations in

Needles. Key topics included the potential return of criminal court functions and the development of juvenile-focused programs aimed at early intervention and drug use prevention, similar to services previously offered through the Center for Change program. The meeting reflects continued collaboration between the City and the Court to strengthen local access to justice and expand supportive services for the community.

**4. Crime Prevention Partnership – WeTip Hotline Initiative**

The San Bernardino County Sheriff’s Department has launched a crime prevention initiative utilizing the WeTip Hotline, partnering with the City to install signage at public facilities that have experienced ongoing issues. The program provides multiple ways to report crime anonymously, including text and phone reporting, with cash rewards for information fully funded by the Sheriff’s Department. This effort is intended to deter crime and vandalism, hold offenders accountable, and protect public infrastructure. The City appreciates the Sheriff’s Department’s partnership and remains committed to taking a zero-tolerance approach to criminal activity and the destruction of public property.

**5. Sports Tourism Update – Middle School Softball Tournament in Needles**

Needles will continue to serve as a regional destination for youth athletics as the Colorado River Conference Middle School Softball Tournament is scheduled for **May 2, 2026**, with first games beginning at 9:00 a.m. The tournament will feature the top eight teams in the conference, bringing student-athletes, families, and visitors into the community. This event serves as a lead-in to the upcoming NIAA 2A State Softball and Baseball Tournaments, continuing to build momentum and visibility for Needles as a host community. Ongoing tournament activity supports local businesses, strengthens partnerships with the Needles Unified School District, and reinforces the City’s growing reputation as a reliable destination for competitive youth sports. These efforts align with the City Council’s goal of expanding sports tourism and positioning Needles as a hub for regional athletic events.

**6. Needles Pride Program & Infrastructure Improvements**

The City of Needles remains committed to enhancing community cleanliness, safety, and overall quality of life through ongoing beautification and maintenance efforts. This week, Public Works completed significant improvements at key recreational facilities, including the reconstruction of the men’s and women’s restrooms at Duke Watkins Park, which are now open to the public. Improvements to restroom facilities at the Jo Jo Garcia Sports Complex were also completed in preparation for the upcoming NIAA Softball State Tournament. These improvements support upcoming tournament play and reflect the City’s proactive approach to maintaining public spaces and ensuring a high-quality experience for residents and visitors.

**7. Summer Recreation Programming – 2026 Season**

The City is preparing for the **2026 summer recreation season** with a full lineup of youth and family programming. The **Needles Aquatics Center** will open on **June 6, 2026**, offering lap swim, open swim, swim lessons, and private rentals, with structured lesson sessions running throughout June and July. The “Suns Out, Fun’s Out” **Summer Day Camp will operate June 10 through July 30, Monday through Thursday from 1:00 p.m. to 5:00 p.m.**, providing youth ages

5–12 with supervised activities including sports, arts and crafts, and outdoor recreation in a safe and engaging environment. **Pee-Wee Basketball registration remains open through May 29, 2026**, with the season running **June through July**, supporting early youth sports development. Collectively, these programs expand access to affordable recreation, maximize use of City facilities, and reinforce the City’s ongoing commitment to youth engagement, community wellness, and quality of life, with additional details provided in the attached materials.

**8. Memorial Day Ceremony – Upcoming**

The City will host its annual Memorial Day Ceremony on May 25, 2026, at 11:00 a.m. at the Needles Riverview Cemetery. This event provides an opportunity for the community to come together in remembrance of the men and women who gave their lives in service to our country. Additional observances include Decoration Day on May 22, 2026, at 6:30 a.m., and flag and cross removal on May 25, 2026, at 4:00 p.m. The community is encouraged to attend and participate in honoring our fallen heroes.

**9. Needles Branch Library – Summer Programming**

The Needles Branch Library is currently offering Session 3 programming through early June, including weekly internet classes, family game time, and storytime. The **Summer Reading Program will launch in June** with a series of weekly events designed to promote literacy, learning retention, and youth engagement during the summer months. The program served over 140 children and teens last year and is targeting increased participation this year. The Library is **actively seeking community donations and partnerships to support program** incentives, expand participation, and strengthen community involvement. These efforts play a key role in supporting youth development, preventing summer learning loss, and advancing the City’s broader quality of life goals. Additional information is available through the [Needles Branch Library](#).

**10. Route 66 Centennial Fall Festival – Vendor & Sponsorship Outreach**

Staff continues advancing planning for the Third Annual Community Fall Festival on **November 7, 2026**, as part of the Route 66 Centennial. Current efforts are focused on vendor recruitment and sponsorship outreach, with limited vendor space available and active promotion underway to build a strong and diverse event lineup. Interested vendors can [register using the provided link](#). In addition, the City is pursuing sponsorship opportunities, including an exclusive Presenting Fireworks Sponsor to support the signature evening event. Councilmembers are encouraged to share this information within their networks and assist in identifying potential sponsors. Refer to the attached sponsorship letter. These efforts are critical to maximizing participation, visibility, and the overall success of this once-in-a-generation Centennial event.

**11. 4th Annual Resource & Job Fair – Staff Recognition**

Following the successful Resource & Job Fair, Public Works staff—Jesse Fragoso, Zerik Phillips, Ken Mann, Jose Sanchez, and Daniel Wallace—were recognized by Supervisor Dawn Rowe and received commendations for their efforts in supporting the event. The City also extends its appreciation to Supervisor Rowe for her continued support in helping make this event a

success. This recognition highlights the behind-the-scenes work that contributes to strong partnerships and effective service delivery.

## 12. **Community Events Calendar Now Live**

The City's new website now features a [Community Events Calendar](#)—a single source for community events, civic meetings, and community programs. Local organizations are invited to submit or update events through the City Clerk's Office to keep the calendar current and inclusive. Contact **Candace Clark at [cclark@cityofneedles.com](mailto:cclark@cityofneedles.com)** to participate. Residents can subscribe and sync the calendar to mobile devices for real-time updates, making it easier to stay informed and engaged.

# 1. CPUC NEEDLES VISIT



# 2. CAL CITIES PARTICIPATION

## The New Grants and Economic Development Playbook



DALE SUMERSILLE  
SENIOR ASSOCIATE  
CAL CONSULTING  
MODERATOR



LARRY KOSMONT  
CHAIRMAN & CEO  
KOSMONT COMPANIES



PATRICK MARTINEZ  
CITY MANAGER  
CITY OF NEEDLES



MICHAEL ANTWINE  
CITY MANAGER  
CITY OF BELL

This panel will explore effective strategies for pursuing grants and collaborative financing options, especially for cities working to rebuild their economies. The panel will discuss the Building a Better America initiative, as well as how special financing districts can support capital improvements, climate action, housing, and ongoing maintenance. Learn how combining tax increment financing with grants can help revitalize your community and drive sustainable growth.

**\*\*Please check program for room\*\***



# 3. SAN BERNARDINO COUNTY COURT LEADERSHIP



Item 8.

## 4. WE-TIP HOTLINE



# REPORT CRIME ANONYMOUSLY

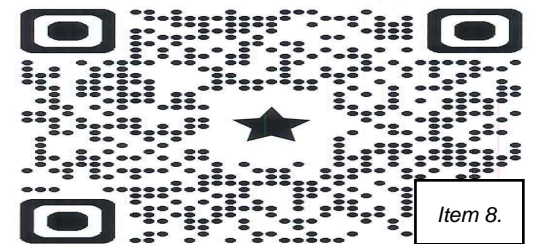
**3** EASY WAYS TO REPORT  
ANONYMOUSLY



Text **REPORT** to **844.909.3096**



Call **844.909.3096**



Item 8.

## 5. SPORTS TOURISM

**COLORADO RIVER CONFERENCE**  
**MIDDLE SCHOOL**

**SOFTBALL**  
**TOURNAMENT**

**MAY 2, 2026 - NEEDLES, CALIFORNIA**

**9AM FIRST GAMES!**

**TOP 8 TEAMS IN CONFERENCE**

***ON THE COLORADO RIVER!***

# 6. CITYWIDE BEAUTIFICATION- DUKE WATKINS



Item 8.

# 7. RECREATION CENTER SUMMER PROGRAMMING



## Suns out...Funs out

### Camp 2026

**REGISTRATION  
BEGINS MAY  
1ST...CAMP BEGINS  
IN JUNE!!**

**OUTDOOR ADVENTURES •  
CREATIVE ARTS & CRAFTS •  
SPORTS & GAMES**

Themed weekly activities to include: Derby races, cooking, scavenger hunts, Pinatas, sport games, luau and life size board games to name a few!!



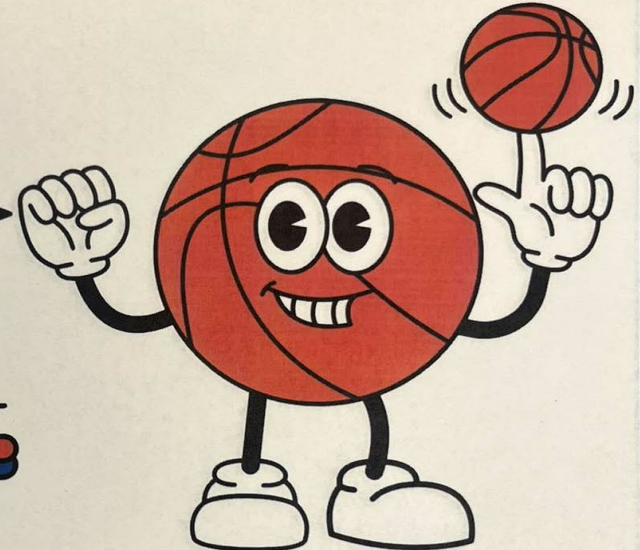
**\$4**  
daily



CITY OF NEEDLES RECREATION

## PEE ~ WEE BASKETBALL

**\$35**  
\$40 NON-RESIDENT



**REGISTRATION OPEN:  
MAY 1ST ~ MAY 29TH**

**NEEDLES RECREATION CENTER**

1705 J St. Needles Ca

**AGES: JR PEE WEE- 3 TO 5YR OLDS  
PEE WEE-6 & 7 YR OLDS**

CALL 760-326-2814 OR EMAIL:  
[PARKSANDRECREATION@CITYOFNEEDLES.COM](mailto:PARKSANDRECREATION@CITYOFNEEDLES.COM)

**Ages 5-12 yr old**



[parksandrecreation@](mailto:parksandrecreation@)



760-326-2814

Item 8.

# 7. AQUATICS CENTER SUMMER PROGRAM

## NEEDLES MUNICIPAL AQUATICS CENTER

Opening Day - Saturday, June 6, 2026

1661 J Street Needles, California 760 326-3866 (FUNN)

TIMES	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
6:30- 8:00 am	LAP SWIM						
8:00- 9:15 am	MORNING EXERCISE						
9:00-10:00 am	STAFF INSERVICE						
10:00-10:30 am	SWIM LESSONS						
10:30-11:00 am	PRIVATE LESSONS						
11:00-11:30 am	SWIM LESSONS						
11:30-12:00 pm	PRIVATE LESSONS						
12:00-4:00 pm	OPEN SWIM	Sat/Sun Open Swim is 2pm-6pm for the month of June					
4:00-6:30 pm	NEEDLES SANDSHARKS SWIM TEAM PRACTICE						
6:30-7:00 pm	SWIM LESSONS						
7:00-9:00 pm	OPEN SWIM						
9:00- 10:00 pm	LAP SWIM						

*Aquatic Center is available for Private Rentals Fri - Sun after 6pm*

### ADMISSION PRICES

DAYTIME: \$3.00 (3 & Under is free)  
NIGHT: Child \$1.75 Adult \$2.25

### PASS SALES

Adult/Child/Senior - Open Swim  
10 Visit Pass \$20.00 (Save 25%)  
30 Visit Pass \$50.00 (Save 33%)  
Season \$80.00 (Save 50%)

\*Family of Four \$125.00  
\*Plus \$15.00 for each additional

Life Jacket & Mat Rentals:  
\$1.00 per day

Exercise & Lap Swim  
10 Visit Pass \$15.00  
30 Visit Pass \$40.00  
Season \$60.00

(Daily rate without a pass: \$2.00)

*Exercise & Lap Swim runs thru end of September*

### SWIM LESSONS

Session 1 June 9 - June 19  
Session 2 June 23 - July 3  
Session 3 July 7 - July 17  
Session 4 July 21- July 31

Group Rates: \$30.00 for eight 1/2 hour sessions  
*Monday through Thursday for 2 weeks*

Private Rates: \$11.00 for each 1/2 hour session

*Minimum of 4 lessons. Dates & times to be arranged with instructor*

\* Evening Lessons are taught during Session 1 - 3  
\*\* Parent-Tot Lessons are taught during Session 2

### Pool Parties \$90.00

Up to 4 hours of swim fun for  
14 children and 2 adults:  
~PLUS~

2 Large Pizzas  
24 Cupcakes  
2 Gallons Lemonade  
Cups, plates, forks & napkins

### Private Rental Rates

\$80.00 per Hour

Groups renting the facility must  
provide proof of insurance, or  
purchase insurance from the City  
of Needles for an additional  
minimal charge of \$207.05)

### July 4th

### Celebrate Freedom

Join us for great family fun.  
Lots of games and prizes! We have once  
again partnered with the Needles Elks  
Lodge to make this event  
**FREE ADMISSION FOR ALL AGES!!**

We will also crown:  
**Miss Freedom & Mr. Firecracker**  
(4-5 yr. olds eligible)



## CITY OF NEEDLES

### Recreation & Parks

### Aquatic Center

1661 J STREET, NEEDLES, CA 92363  
(760) 326-3866 • FAX (760) 326-2815  
PARKSANDRECREATION@CITYOFNEEDLES.COM

Patrick Martinez, City Manager  
Jennifer Valenzuela, Recreation Manager

Recreation & Parks Commission:  
Chair Manuel Calderon  
Vice Chair Suzanne Torres  
Commissioner Cynthia Melvin  
Commissioner Lorie Long  
Commissioner Casey Pletcher  
Commissioner JR Rodriguez  
Commissioner Maria McAndrews

## 2026 SWIM LESSON RELEASE FORM

**\$30 for 8 - 1/2 hour lessons**

**(Circle all sessions & times being requested.)**

Name: \_\_\_\_\_ SESSION 1 - June 8 - June 18 10-10:30 or 11-11:30 or 6:30 - 7:00

Age: \_\_\_\_\_ D.O.B. \_\_\_\_\_ SESSION 2 - June 22 - July 2 10-10:30 or 11-11:30 or 6:30 - 7:00

Street Address: \_\_\_\_\_ SESSION 3 - July 6 - July 16 10-10:30 or 11-11:30 or 6:30 - 7:00

City: \_\_\_\_\_ State: \_\_\_\_\_ SESSION 4 - July 20 - July 30 10:00 - 10:30 or 11:00 - 11:30

Phone: \_\_\_\_\_ PARENT-TOT Session 2 - June 22 - July 02 11 - 11:30 ONLY

Parent/Guardian's name (Printed): \_\_\_\_\_

**If the participant has any physical or medical problems or is required to take any medication or has any allergies, please explain.**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## RELEASE AND HOLD HARMLESS

I hereby waive, release and discharge my and all claims for damages for personal injury, death or property damage which my son/daughter may have, as a result of participation in the SWIM LESSONS. This release is intended to discharge in advance the City of Needles Recreation Department (its officers, employees, and agents), from any and all liability arising out of, or connected in any way with participation in said activity. It is understood that this activity involves an element of risk and danger of accidents, and knowing those risks I hereby assume those risks. I agree to indemnify and to hold the above persons or entities free and harmless from any loss, liability, damage, cost, or expense which they may incur as the result of the death or injury of my son/daughter, or property damage that he/she may sustain while participating in said activity.

I HAVE CAREFULLY READ THIS AGREEMENT, WAIVER AND RELEASE AND FULLY UNDERSTAND ITS CONTENTS. I AM AWARE THAT THIS IS A RELEASE OF LIABILITY AND A CONTRACT BETWEEN MYSELF AND THE CITY OF NEEDLES RECREATION DEPARTMENT AND SIGN IT OF MY OWN FREE WILL.

THIS ALSO CERTIFIES THAT IN MY ABSENCE, I AUTHORIZE AND INSTRUCT A REPRESENTATIVE OF THE NEEDLES RECREATION STAFF, TO TAKE MY SON/DAUGHTER TO THE NEAREST MEDICAL FACILITY AND OBTAIN MEDICAL SERVICES FROM A STATE-LICENSED MEDICAL CARE PRACTITIONER.

Signature of Parent/Guardian: \_\_\_\_\_ Date: \_\_\_\_\_

Relationship to participant: \_\_\_\_\_

Date Paid:	Ck. #	Cash	Receipt #
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Item 8.

# 8. MEMORIAL DAY CEREMONY

## MEMORIAL DAY ★ CEREMONY ★

Join us as we come together as a community to honor the brave men and women who gave their lives in service to our country.

 **Needles Riverview Cemetery, Needles, CA**



**May 25, 2026  
11:00 AM**

This special program will include a heartfelt tribute to our fallen heroes, patriotic observances, and a time of remembrance.

**ALL COMMUNITY MEMBERS ARE INVITED TO ATTEND**  
Let us stand together in gratitude and reflection. ★

 *We remember. We honor. We never forget.* 

# 9. SUMMER READING DONATION OPPORTUNITY

268 W. Hospitality Lane, 3<sup>rd</sup> Floor, San Bernardino, CA 92415 | Phone: 909.387.2220

[www.SBCounty.gov](http://www.SBCounty.gov)



Library

Melanie Oroasco  
County Librarian

April 16, 2026

To Whom It May Concern,

The San Bernardino County Library is excited to present our fun and educational Summer Reading Program! Each year, we present an informative yet entertaining program where kids are encouraged to read for rewards. In doing this, children will retain the reading skills gained during the school year and be more prepared to start school in the Fall.

When children read for pleasure, cultivating knowledge and skills learned during the school year, the benefits to the community are innumerable. The Summer Reading Program is a gateway for family participation in the library, which in turn builds community throughout the county. In addition, the program reinforces the library's position in the community as a place where children can enjoy themselves and gain a lifelong love of reading and learning.

Last year, the Needles branch library served over 140 children and teens. Our goal this year is to increase that number by 5 percent. With your generous donation, our customers will identify you as a sponsor and will be encouraged by our staff to support your business.

I hope that your organization and the San Bernardino County Library can partner for the Summer Reading Program this year. Thank you for your time and consideration.

Sincerely,

Adela Covarrubias  
Branch Manager  
1111 Bailey Avenue  
760-326-9255  
[adela.covarrubias@lib.sbcounty.gov](mailto:adela.covarrubias@lib.sbcounty.gov)

THIS SUMMER, JOIN THE SAN BERNARDINO COUNTY

LIBRARY AS WE REAWARD YOU FOR READING!

How does it work? Sign up for our Summer Reading Program, check out books from the library and read! Log your progress on Beanstack and take a trip to the Library to pick up your reward. Don't forget to visit us weekly to receive your rewards and enjoy our special programs throughout the summer.

Participating in this year's summer program is as easy as 1, 2, 3!

1. Register on Beanstack using your account or create one, and decide if you will be logging books, pages, or minutes read.
2. Check out books from the Library and READ! Log your progress online, on Beanstack, by entering the book title, number of pages or minutes read, depending on what you chose.
3. Earn a reward badge each week by reading at least the weekly minimum and logging the books, pages or minutes read. Come into the library to collect your rewards throughout the summer.

Don't Stop There! Take the County Library Challenge and earn tickets for a grand prize opportunity drawing. How do you do this? It's easy!

- Children and Teens: Earn a ticket and spin the prize wheel for a chance to win when you reach our countywide goal.
  - Children's Challenge: Log 45 books, 450 pages or 6 hours of reading
  - Teen Challenge: Log 8 books, 800 pages or 8 hours of reading
- Each branch will have an in-branch drawing for those who meet the challenge, in addition to the countywide grand prize drawings.
- ALL AGES: Receive a ticket for every 30 books you check out during the Item 8. Your tickets will be entered into an opportunity drawing to win once of many awesome prizes.



## BOARD OF SUPERVISORS

COL. PAUL COOK (RET.) First District | JESSE ARMENDAREZ Second District | DAWN ROWE Chairman, Third District | CURT HAGMAN Fourth District | JOE BACA, JR Vice Chair, Fifth District

Luther Snoke  
Chief Executive Officer

# 9. SUMMER READING PROGRAMS

## NEEDLES BRANCH LIBRARY

1111 Bailey Ave., Needles, 92363  
760-326-9255 | [library.sbcounty.gov](http://library.sbcounty.gov)



Session 3: April 26-June 6

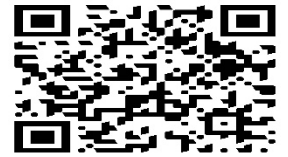
### Kids Zone (6-11 years)

**Storytime • Wednesdays • 1:30pm**  
*Stories, songs, and crafts for all ages.*

**Family Game Time • Tuesdays • 3:00pm**  
*Board games for families.*

### Adult Programs (18+ years)

**Basic Internet Class • Mondays • 1:00pm**  
*Search, complete forms, and stay safe online.*



Scan the QR Code or visit:  
[library.sbcounty.gov/session](http://library.sbcounty.gov/session)



Library

**All County Library branches  
will be closed on May 25**

MON 11am-7pm • TUE 11am-7pm  
WED 11am-7pm • THURS 10am-6pm  
FRI closed • SAT 9am-5pm • SUN closed

Item 8.

# 10. FALL FESTIVAL CENTENNIAL SPONSORSHIPS



*City of Needles*

817 Third Street, Needles, California 92363

(760) 326-2113 • FAX (760) 326-6765

[www.cityofneedles.com](http://www.cityofneedles.com)

Mayor Janet Jernigan  
Vice Mayor Ellen Campbell  
Councilmember Tona Belt  
Councilmember Jamie McCorkle  
Councilmember JoAnne Pogue  
Councilmember Henry Longbrake  
Councilmember Larry Ford

City Manager Patrick Martinez

## ROUTE 66 CENTENNIAL FIREWORKS SPONSORSHIP COMMITMENT FORM

Organization Name: \_\_\_\_\_  
Contact Person: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_  
Address: \_\_\_\_\_

### ROUTE 66 CENTENNIAL

**Date:** April 13, 2026

**Subject:** Presenting Sponsorship Opportunity – Route 66 Centennial Fireworks Celebration | November 7, 2026

Dear {{Contact Name}},

In 1926, Route 66 transformed the American landscape. In 2026, we celebrate its 100th Anniversary—and the City of Needles proudly stands as the gateway to California on the Mother Road.

This Centennial happens once in a lifetime. The organizations that step forward now will be permanently associated with one of the most iconic milestones in American history.

As part of the national Route 66 Centennial, the City anticipates strong regional attendance and increased visibility, positioning Needles as a key California destination for this historic celebration.

While the City Council has approved initial funding to launch the event, we are seeking **one exclusive Presenting Fireworks Sponsor** to deliver a signature experience worthy of this moment.

#### Why This Matters:

- Route 66 attracts international tourism and heritage travelers
- Needles is one of the original California Route 66 communities
- The Centennial year is expected to generate increased visitation and media attention
- The fireworks show will serve as the **headline finale and defining moment** of the celebration

This is more than sponsorship—it is alignment with a nationally recognized historic event.

#### Presenting Fireworks Sponsorship Includes:

- Exclusive recognition as **“Route 66 Centennial Fireworks Presented by [Your Organization]”**
- Prominent logo placement across event banners, marketing materials, and digital promotions
- On-stage recognition during the concert and fireworks countdown
- Inclusion in press releases and coordinated social media campaigns
- VIP seating and on-site hospitality recognition
- Acknowledgment in post-event materials and historical documentation
- Additional banner recognition at the historic El Garcés for sponsors contributing \$2,500+

### Sponsorship Level

- Presenting Fireworks Sponsor – **\$25,000 (Exclusive)**
- Route 66 Major Sponsor – **\$5,000**
- Supporting Centennial Sponsor – **\$2,500**
- Community Sponsor – \$1,500
- Community Sponsor – \$500
- Community Sponsor – \$250
- Other Contribution: \$ \_\_\_\_\_

*Note: Sponsors contributing \$2,500 or more receive banner recognition at the historic El Garcés.*

**Recognition Name (as it should appear):**

\_\_\_\_\_  
\_\_\_\_\_

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

### Payment Instructions

Please make checks payable to:

**City of Needles (Route 66 Centennial – Fireworks Sponsorship)**

Mail to:  
City of Needles  
817 Third Street  
Needles, CA 92363

Electronic payment options available upon request.

For questions, contact:  
Patrick Martinez  
760-326-2115 ext. 113  
pmartinez@cityofneedles.com

Item 8.

# 11. EMPLOYEE RECOGNITION SUPERVISOR ROWE

