



# 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: \_\_\_\_\_