
SENATE COMMITTEE ON LOCAL GOVERNMENT

Senator María Elena Durazo, Chair

2025 - 2026 Regular

Bill No: AB 1945

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Author: Hadwick

Fiscal: No

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Consultant: Vargas

MUNICIPAL UTILITY DISTRICTS: TERMINATION OF SERVICE

Authorizes a municipal utility district providing electrical service to fewer than 100,000 customers to offer a prepay option for electrical service.

Background

Municipal Utility Districts. Municipal Utility Districts (MUDs) are special districts that provide their customers with a variety of utility services, including electricity, water, sewer, garbage disposal, transportation, and communications. There are five MUDs in California: East Bay, Lassen, Sacramento, South Placer, and Southern San Joaquin.

The MUD Act allows MUDs furnishing light, heat, water, or power to terminate residential service due to nonpayment of a delinquent account, but it requires a robust notification process prior to termination of a service. First, the MUD must give notice of delinquency and impending termination, at least 10 days prior to the proposed termination, by means of a mailed notice to the customer to whom the service is billed no earlier than 19 days from the date of mailing the MUD's bill for services. The 10-day period cannot start until 5 days after mailing the notice of termination.

MUDs are also required to make a reasonable attempt to contact an adult residing at the premises of the customer, by telephone or personal contact, at least 24 hours prior to any termination of service. If telephone or personal contact cannot be accomplished, the MUD must give, by mail, in person, or by posting, a notice of termination of service, at least 48 hours prior to termination. For customers who are 65 years of age or older and dependent adults, a MUD must make available a third-party notification service. Each notice must also contain certain information.

Establishing service. When establishing utility service, a MUD may require a customer to provide a deposit based on the customer's creditworthiness. Customers with limited or no credit history may be required to pay a deposit before service is initiated. Current law prohibits MUDs from requiring a deposit that exceeds the estimated charges of two billing cycles or three times the average monthly bill. Once a customer establishes service, under traditional billing, the customer receives a bill after service has been provided and are given a specified period of time to pay.

Electric Prepay Programs. Prepay is an alternative payment option in which consumers buy a dollar amount of electricity, and service providers deduct energy usage from that balance as it is used. The concept of the prepay option is similar to a cell phone prepaid service. According to a report from U.S. Department of Energy, "Experience with prepay to date has revealed some early benefits, along with areas of concern. Many utilities with prepay report positive benefits for

both their operations and their consumers, including improved relationships with consumers, energy savings, and high consumer satisfaction.”

Lassen Municipal Utility District. Currently, only Sacramento Municipal Utility District (SMUD) and Lassen Municipal Utility District (LMUD) provide electrical service in the State. SMUD delivers power to over 1.5 million customers and LMUD serves approximately 10,000 customers. Lassen County’s poverty rate is approximately 15.6%, roughly in line with the statewide average.¹ LMUD offers several assistance programs to help customers manage utility costs during those periods of financial hardship. LMUD offers:

- Winter Energy Assistance Rate, which provides a discount to income-eligible customers; and
- Low Income Home Energy Assistance Program, which is funded by the Federal Department of Human Services and offers financial assistance to offset costs of heating and cooling homes and help homes become more energy-efficient.

LMUD’s current deposit policy is if the new customer’s credit history is not acceptable or verified, the new customer is required to pay a deposit equal to a two-months of average consumption with a minimum of \$200. This raises barriers for some customers establishing and maintaining utility service. To address this issue, LMUD wants to offer a prepay service program as an alternative payment option to its customers in lieu of paying a large deposit.

Proposed Law

Assembly Bill 1945 authorizes a MUD supplying electrical service to fewer than 100,000 customers to offer its customers a prepay option for electrical service if the following conditions are met:

- The customer affirmatively opts into a MUD-approved prepay program with informed written consent;
- The MUD provides the customer with all information related to the mechanisms and policies to return to standard billing and provides information on any differences in consumer protection rules between the prepay option and standard billing;
- The MUD provides access to usage and account balance information;
- The MUD issues automated low-balance alerts to the customer before suspension at least 10 days and 24 hours before the forecasted service suspension;
- The customer retains the right to exit the prepay option and return to standard billing;
- The MUD offers a customer who is eligible to participate in an arrearage payment plan the ability to participate in the payment plan, as long as it is before the prepay option takes effect;
- The MUD refunds the customer any unexpected balance from the customer’s account within 10 business days after the customer has terminated electrical service and the MUD has withdrawn payment for the customer’s final bill;
- The MUD deposits into a separate fund all revenue collected from customers that have opted into the prepay option and the MUD does not spend revenue prematurely until electrical service is provided; and

¹ <https://inequality.stanford.edu/sites/default/files/PovertyinCA19.pdf>

- The MUD adopts a policy to minimize disruptions to vulnerable customers who elect to participate in the prepay option.

AB 1945 defines “prepay option” to mean a payment option offered by the district to its customers that enables the customers to make a payment for a specified amount of electrical service before that service is provided.

AB 1945 also allows MUDs to offer customers the option of receiving notices for the termination of service of delinquent accounts via email, text, app-based notification, or other electronic method, except for the final notification 24 hours prior to service being terminated. The bill provides that requirements regarding notifications of termination of service do not apply to customers that opt-in for the prepay option.

AB 1945 makes additional technical and conforming changes.

Comments

1. Purpose of the bill. According to the author, “Assembly Bill 1945 gives rural, low-income ratepayers another tool to manage household energy costs. In Lassen County, customers have asked for a voluntary prepay option so they can pay for electricity in advance, track usage more closely, and avoid the financial shock of a larger monthly bill or costly stop-and-start service fees. Current law does not give Lassen Municipal Utility District clear authority to offer that option. AB 1945 preserves traditional billing, requires informed consent and customer safeguards, and expands consumer choice for communities that want more flexibility in how they pay for essential utility service.”

2. Eligibility. New customers may struggle to start utility service due to high deposit requirements. LMUD’s current deposit policy is \$200 or higher depending on the average consumption of the residence. AB 1945 intends to address this barrier by providing an alternative payment option for customers who may have difficulty paying an upfront deposit. Currently, the bill does not limit eligibility to customers facing this barrier and instead makes prepay programs available to all residential customers. As a result, customers who can readily afford a deposit, including higher-income households, may also benefit from an alternative payment structure. In some cases, the greatest beneficiaries could be owners of second homes or vacation properties who do not occupy their residences year-round. Because these customers may have extended periods with little or no electricity usage, a prepay program could allow them more flexibility, especially during periods the property is unoccupied. Expanding eligibility to all residential customers could therefore extend the program beyond its stated purpose of helping customers facing deposit related barriers to establish service. The Committee may wish to consider amending AB 1945 to more closely align eligibility for the pre-pay program with the population it is intended to assist.

3. Let’s be clear. AB 1945 states that before the prepay option takes effect, and if the customer has eligibility for an arrearage payment plan offered by the district, the district must offer an opportunity to participate in an arrearage payment plan. The intent of this provision is that for customers behind on their utility bills, rather than automatically cutting their service and only providing prepay service as an option, the MUD first needs to provide the customer with an opportunity to join an arrearage payment plan to enable them to retain on traditional billing. To ensure the bill’s text matches its intent, the Committee may wish to consider amending AB 1945 to instead provide that:

- Before converting a residential customer to prepay service, the district shall offer the customer the opportunity to participate in an arrearage payment plan. A customer who elects to participate in and complies with the arrearage payment plan shall not be converted to prepay service while the customer remains in compliance with the plan.

Assembly Actions

Assembly Local Government Committee:	10-0
Assembly Utilities and Energy Committee:	18-0
Assembly Floor:	73-0

Support and Opposition (6/19/2026)

Support: Lassen Municipal Utility District (Sponsor)
California Municipal Utilities Association
Golden State Power Cooperative
Northern California Power Agency

Opposition: None Submitted

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