

THIRD READING

Bill No: AB 1945
Author: Hadwick (R), et al.
Amended: 8/21/26 in Senate
Vote: 21

SENATE LOCAL GOVERNMENT COMMITTEE: 7-0, 6/23/26

AYES: Durazo, Choi, Arreguín, Ashby, Cervantes, Laird, Seyarto

ASSEMBLY FLOOR: 73-0, 5/4/26 (Consent) - See last page for vote

SUBJECT: Municipal utility districts: termination of service

SOURCE: Lassen Municipal Utility District

DIGEST: This bill authorizes a municipal utility district (MUD) providing electrical service to fewer than 100,000 residential customers to offer a prepay option for electrical service.

Senate Floor Amendments of 8/21/26 clarify if a customer is in arrears and the district holds a deposit, the customer can switch to prepay if the deposit covers the delinquency.

ANALYSIS:

Existing law:

- 1) Specifies that a MUD furnishing light, heat, water, or power shall not terminate residential service on account of nonpayment of a delinquent account unless the district first gives notice of the delinquency and impending termination, at least 10 days prior to the proposed termination, by means of a notice mailed, postage prepaid, to the customer to whom the service is billed not earlier than 19 days from the date of mailing the district's bill for services, and the 10-day period shall not commence until five days after the mailing of the notice.
- 2) Provides that every MUD shall make a reasonable attempt to contact an adult person residing at the premises of the customer by telephone or personal

contact, at least 24 hours prior to any termination of service, except that, whenever telephone or personal contact cannot be accomplished, the MUD shall give, by mail, in person, or by posting in a conspicuous location at the premises, a notice of termination of service, at least 48 hours prior to termination.

- 3) Specifies that every MUD shall make available to its residential customers who are 65 years of age or older, or who are dependent adults, as defined, a third-party notification service, whereby the district will attempt to notify a person designated by the customer to receive notification when the customer's account is past due and subject to termination. The notification shall include information on what is required to prevent termination of service. The residential customer shall make a request for third-party notification on a form provided by the MUD, and shall include the written consent of the designated third party. The third-party notification does not obligate the third party to pay the overdue charges, nor shall it prevent or delay termination of service.
- 4) Provides that every notice of termination of service pursuant to 1), above, shall include all of the following information:
 - a) The name and address of the customer whose account is delinquent;
 - b) The amount of the delinquency;
 - c) The date by which payment or arrangements for payment is required in order to avoid termination;
 - d) The procedure by which the customer may initiate a complaint or request an investigation concerning service or charges, except that, if the bill for service contains a description of that procedure, the notice pursuant to 1), above, is not required to contain that information;
 - e) The procedure by which the customer may request amortization of the unpaid charges;
 - f) The procedure for the customer to obtain information on the availability of financial assistance, including private, local, state, or federal sources, if applicable;
 - g) The telephone number of a representative of the district who can provide additional information or institute arrangements for payment.

- 5) Specifies that every notice of termination of service pursuant to 2), above, shall include the items of information in a), b),(c), f), and g) of 4).
- 6) Requires all written notices to be in a clear and legible format.
- 7) Provides that, if a residential customer fails to comply with an amortization agreement, the district shall not terminate service without giving notice to the customer at least 48 hours prior to termination of the conditions the customer is required to meet to avoid termination, but the notice does not entitle the customer to further investigation by the district.
- 8) Specifies that a termination of service shall not be affected without compliance with 1) through 7), above. Any service wrongfully terminated shall be restored without charge for the restoration of service, and a notation thereof shall be mailed to the customer at the customer's billing address.

This bill:

- 1) Authorizes a MUD furnishing electrical service to less than 100,000 customers to offer residential customers a prepay option for electrical service if all of the following conditions are met.
 - a) The customer that is a new residential applicant applying for electrical service on or after January 1, 2027, the customer has paid the deposit under a decision of a district, as specified.
 - i) A customer that has a current deposit held by the district shall be eligible to participate in the prepay option.
 - b) The customer affirmatively opts into a MUD-approved prepay program with informed written consent.
 - c) The MUD provides the customer with all information on how to return to standard billing and what differences exist between the prepay option and standard billing with regard to consumer protection rules.
 - d) The MUD provides access to usage and account balance information.
 - e) The MUD issues automated low-balance alerts to the customer before service suspension, at least 10 days and 24 hours before service is anticipated to end.
 - f) The customer retains the right to exit the prepay option and return to standard billing pursuant to the policy adopted by the board.

- g) The MUD offers the customer an opportunity to participate in an arrearage payment plan, before converting the customer whose account is in arrears to a prepay option. A customer who elects to participate in and complies with the arrearage payment plan must not be converted to prepay service while the customer remains in compliance with the plan.
 - i) Notwithstanding (g), a customer that is participating in, and in compliance with, an arrearage payment plan may elect to convert to prepay only if their deposit is equal to or greater than, the amount of the delinquency;
 - ii) Upon conversion to prepay service, the district must apply the customer's deposit to the amount of their delinquency and any remainder of the deposit must be applied as a credit to the customer's account.
 - h) The prepay option requires the MUD to refund to the customer any unexpended balance from the customer's account within 10 business days after termination of service, as specified.
 - i) The MUD keeps prepay program revenue in a separate fund, and does not spend revenue prematurely (until electrical service is provided).
 - j) The MUD adopts a policy to minimize service disruptions to vulnerable residential customers, as specified, that participate in the program.
- 2) Defines "prepay option" to mean a payment option offered by a district to its customers that enables the customer to make a payment for a specified amount of electrical service before that service is provided.
 - 3) Provides that statutory requirements regarding notifications of termination of service do not apply to customers participating in the prepay option.
 - 4) Authorizes a MUD to offer customers the option of receiving notices for the termination of service of delinquent accounts solely by electronic mail, text message, app-based notification, or other electronic method as specified by the customer, except for the final notification of imminent disconnection requiring either a telephone call or personal contact at least 24-48 hours prior to termination.
 - 5) Makes numerous technical and clarifying changes.

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

Comments

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."

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT: (Verified 8/21/26)

Lassen Municipal Utility District (source)
California Municipal Utilities Association
Golden State Power Cooperative
Northern California Power Agency

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

OPPOSITION: (Verified 8/21/26)

None received

ASSEMBLY FLOOR: 73-0, 5/4/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Berman, Boerner, Bonta, Bryan, Calderon, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Ward, Wicks, Zbur, Rivas

NO VOTE RECORDED: Arambula, Bennett, Caloza, Chen, Flora, Wallis, Wilson

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8/24/26 11:31:56

**** **END** ****