

THIRD READING

Bill No: SB 1417
Author: Pérez (D), et al.
Amended: 4/23/26
Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 13-2, 4/13/26

AYES: Allen, Archuleta, Arreguín, Becker, Caballero, Gonzalez, Hurtado, McNERNEY, Reyes, Richardson, Rubio, Stern, Wahab

NOES: Ochoa Bogh, Strickland

NO VOTE RECORDED: Dahle, Grove

SUBJECT: Mutual water companies: assessments and water charges: notice

SOURCE: Author

DIGEST: This bill includes various provisions to provide greater transparency regarding rate and assessment increases by mutual water companies.

ANALYSIS:

Existing law:

- 1) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory over public utilities, including electrical corporations. (Article XII of the California Constitution)
- 2) Provides that any person, firm, or corporation, their lessees, trustees, receivers or trustees appointed by any court whatsoever, owning, controlling, operating, or managing any water system within this State, who sells, leases, rents, or delivers water to any person, firm, corporation, municipality, or any other political subdivision of the State, whether under contract or otherwise, is a public utility, and is subject to the jurisdiction, control, and regulation of the CPUC, except as otherwise provided. (Public Utilities Code §2701)

- 3) Provides that any corporation or association which is organized for the purpose of delivering water solely to its stockholders or members at cost, and which delivers water to others than its stockholders or members, or to the state or any department or agency thereof or any school district, or to any other mutual water company, for compensation, is a public utility and is subject to the jurisdiction, control, and regulation of the CPUC. (Public Utilities Code §2702)
- 4) Provides that any corporation or association that is organized for the purposes of delivering water to its stockholders and members at cost, including use of works for conserving, treating, and reclaiming water, and that delivers water to no one except its stockholders or members, or to the state or any agency or department thereof, to any city, county, school district, or other public district, or any federal agency that provides fire protection or operates park facilities, or to any other mutual water company, at cost, is not a public utility, and is not subject to the jurisdiction, control or regulation of the CPUC. Authorizes a mutual water company to perform specified acts without becoming a public utility and becoming subject to the jurisdiction, control or regulation of the CPUC, including delivering water at cost to any lessee of its stock or shares or other evidence of membership where the lease is in writing signed by the owner of the stock or shares or other evidence of membership and the lessee thereof and approved by the mutual water company. Requires all leases and contracts to be preserved for a period of 10 years by a mutual water company and subject to inspection by the CPUC. Defines the term “cost” as used in this to mean without profit. (Public Utilities Code §2705)
- 5) Authorizes a mutual water company organized for or engaged in the business of selling, distributing, supplying, or delivering water for irrigation purposes, and requires a mutual water company organized for or engaged in the business of selling, distributing, supplying, or delivering water for domestic use, to provide in its articles or bylaws that water shall be sold, distributed, supplied, or delivered only to owners of its shares and that those shares are appurtenant to certain lands, as specified. (Corporations Code §14300)
- 6) Authorizes a mutual water company that is not a public utility to levy assessments upon its shares, whether or not they are fully paid, unless otherwise provided in its articles or bylaws. Provides that the right to receive water or dividends may be denied and may be sold and transferred without those lands as if not appurtenant, if any shares of the corporation that have been made appurtenant to any land become delinquent in the payment of assessments. Requires the purchaser to acquire the right to receive water as provided in the

articles or bylaws of the corporation, or they may be forfeited to the corporation. (Corporations Code §14303)

- 7) Requires, pursuant to the Mutual Water Company Open Meeting Act, a board of directors of a mutual water company that operates a public water system to allow an eligible person, as defined, to personally attend a meeting of the board, if the eligible person gave the board at least 24 hours' advance written notice of their intent to personally attend the meeting. Authorizes the board to allow an eligible person who was denied attendance at a meeting for failure to provide this notice, or because the number of eligible persons having already provided notice of attendance exceeds the room capacity of the place of the meeting, to attend the meeting by teleconference. Requires the board to provide an eligible person attending a meeting by teleconference a copy of the documents to be discussed at the meeting, except as specified. (Corporations Code §14305)
- 8) Defines "eligible persons" for purposes of the Mutual Water Company Open Meeting Act to include, among others, shareholders of the mutual water company, a person who is an occupant, pursuant to a lease or rental agreement, of commercial space or a dwelling unit to which the mutual water company sells, distributes, supplies, or delivers drinking water, and an elected official of a city or county who represents people who receive drinking water directly from the mutual water company, as specified. (Corporations Code §14305(o))
- 9) Requires a mutual water company that operates a public water system to make certain records promptly available upon written request to an eligible person, as defined, upon payment of fees covering direct costs of duplication, including, among other documents, agendas and minutes of board meetings and copies of the mutual water company's annual budget and accounting report. (Corporations Code §14307)

This bill:

- 1) Prohibits a mutual water company from charging, issuing a bill, or otherwise seeking to hold tenants of shareholders responsible for the costs of water or its delivery, except for tenants, as provided in Section 2705 of the Public Utilities Code, where the tenant is a lessee of the corporation's shares or stock, or the tenant is a lessee of land of a shareholder, and the corporation has approved the lease.

- 2) Requires all notices of charges for water to be sent to the last known address of the shareholder or tenant, as applicable.
- 3) Requires a mutual water company that operates a public water system and that proposes to levy an assessment or to increase the charge for water to shareholders by more than 20% to comply with specified notice and public meeting requirements at least 30 days before it seeks to collect the assessment or increase the water charge. Requires the mutual water company to prepare a written proposal to collect an assessment or to increase a water charge, as specified, and to convene a public meeting regarding the proposal, as provided. Requires the mutual water company to send a copy of the written proposal and the notice of the public meeting to specified persons, along with other information, and to also send a copy of the written proposal and the notice of the public meeting to certain newspapers and radio stations.
- 4) Requires a mutual water company to make available to eligible persons, upon request, a copy of the current list of shareholders, including all contact information, and a copy of a written proposal to levy an assessment or to increase a water charge. Includes as an eligible person, for purposes of all of the above-described provisions, the chief administrative officer for each city, county, and government water agency in the mutual water company's service area, as specified. Prohibits a mutual water company that provides the requested records in digital form from charging for any duplication costs, as provided.

Background

Mutual water companies. Mutual water companies are private not-for-profit organizations of shareholder-owned water systems organized under Corporations Code Section 14300 *et seq.* and serving 1.3 million Californians in rural and pockets of urban areas. Some of these water companies date back to the 1800's when they constructed irrigation channels and installed pumps to distribute water to shareholder-owned properties, at the time in largely rural areas, while others date back to the mid-1900's as housing was being built in formerly rural areas. Over time, mutual water companies gave way to municipally owned water departments and investor-owned water utilities, that are regulated by the CPUC. However, mutual water companies are governed by their shareholders, via a board (often of volunteers). Shareholders are property owners who receive service and hold shares and liability for the integrity of the water system, including assessments to cover the costs to maintain the systems.

Eaton Fire impacts on mutual water companies. The Southern California January 2025 Eaton Fire killed 31 people and forced more than 200,000 to evacuate the area, destroyed 18,000 homes and structures, and burned nearly 60,000 acres of land. The fire also impacted water systems serving the community, including three mutual water companies in Altadena: Las Flores Water Company, Lincoln Avenue Water Company, Rubio Canyon Land and Water Association, who serve most residents and businesses in Altadena. These water companies had varying degrees of insurance to help them rebuild the infrastructure to restore service. Though the continued ability of the water system to provide service may also rest on the pace of the return of the customer base to the impacted area, as the ability to recover costs rests on continuing to provide service to customers.

Comments

Mutual water companies seek rate increases to recover from the Eaton Fire. In order to restore service, each of the mutual water companies have sought rate increases to financially recover from the Eaton Fire. The author's office contends they have done so without consistent timelines of outreach to shareholders. For instance, the advanced notification, which would include a public forum to discuss proposed charges, is not always clear. The author's office provided the following information concerning rate and assessment increases:

Las Flores Water Company:

- Applied a \$3,000 fee for standing homes, and to destroyed homes once rebuilt.¹
- The charge appeared to be presented in the October 2025 and January 2026 board meetings, which discussed plans for wildfire recovery, but no advanced notice of a prospective rate increase to advertise these meetings was provided in advance to shareholders.² Ultimately, nearly 200 shareholders demanded answers and expressed frustration and concern over these proposed charges.³
- A written notification dated March 2026 indicated that the charge was adopted by the board on their February 5th meeting to be applied on April 1, 2026.⁴

¹ <https://laist.com/brief/news/climate-environment/las-flores-water-company-altadena-whats-happening-and-why>

² <https://lasfloreswaterco.com/documents/lfwc-Fire-Assessment-Letter-2026.pdf>

³ <https://www.sgvtribune.com/2026/02/13/in-the-pipeline-altadena-utility-customers-to-see-water-rate-increases-in-2026-amid-fire-recovery/>

⁴ <https://lasfloreswaterco.com/documents/lfwc-Fire-Assessment-Letter-2026.pdf>

Rubio Cañon Land and Water Association:

- Proposed an 11% rate increase, and fire recovery fee of up to \$30 a month.⁵
- A March 18th notice indicated that charge will be applied May 1st with reference to rate adjustments being discussed at a February 3rd special meeting, but no advanced notification for shareholders to know that a rate increase would be discussed appeared to be found.⁶

Lincoln Avenue Water Company:

- Adopted a \$15 rate increase that took effect in March 2026 and considered imposing an additional fee.⁷
- No advanced notification to specifically highlight or discuss the rate increase appeared to be found but a letter was reportedly sent after the decision was made, and the company's website did not provide further details about any forum or agenda.⁸

Bill seeks greater notification and transparency concerning proposed increases to rates and assessments. This bill proposes greater notification of proposed rate and assessment increases by mutual water companies. The author's office has shared that survivors from the Eaton Fire are dealing with increased costs to rebuild their homes, and communities, including costs from the rebuilding of the mutual water company systems. They share the need for more transparency as residents have been surprised by the increased costs being placed on them by the mutual water companies. The author's office notes there is a lack of more visible and advanced notifications about proposed rate changes.

Opponents raise concerns about bill's prescriptive requirements. In opposition to this bill, the California Association of Mutual Water Companies (Cal Mutuals) states they support aspects of this bill to provide greater explanation of significant rate increases; however, they have concerns with the prescriptive nature of some of the requirements in the bill. Specifically, they raise concerns about the disclosure of shareholder names and contact information, the identification of board members who voted for a rate increase, and prescriptive notice and meeting mandates (such as requiring notices are publicized in newspapers and other media) or requiring the use of facilities with specific room capacity (at least 100 people). Cal Mutuals

⁵ <https://www.pasadenastarnews.com/2026/02/13/in-the-pipeline-altadena-utility-customers-to-see-water-rate-increases-in-2026-amid-fire-recovery/>

⁶ <https://www.rclwa.org/uploads/files/LatestNews/2026%20Rate%20Increase.pdf>

⁷ <https://pasadenanow.com/main/another-altadena-water-company-calls-shareholder-meeting-to-address-eaton-fire-financial-woes>

⁸ <https://www.sgvtribune.com/2026/02/13/in-the-pipeline-altadena-utility-customers-to-see-water-rate-increases-in-2026-amid-fire-recovery/>

notes that the identification of board votes may discourage volunteer board service. They argue that board votes are already reflected in meeting minutes under existing governance practices, and requiring individual vote attribution in a formal statutory notice raises significant policy concern. Cal Mutuals also contends that the most important notices are those sent directly to their customers, as opposed to publicizing them in other media. Moreover, Cal Mutuals believes the required disclosure of shareholder information raises significant privacy concerns which could create tension with established privacy protections and exposing shareholders to unwanted solicitation, harassment, or misuse of personal information without proper safeguards.

Tenant/occupant billing. Under current law in both the Public Utilities Code and Corporations Code, mutual water companies are limited in who they can bill for services, largely restricted to their shareholders, or else they may risk becoming a public utility subject to the regulatory authority of the CPUC. However, there are exceptions where a mutual water company is authorized to provide water at cost without becoming a public utility, such as in the instance of addressing a fire or other emergencies. An additional exception provides that where a shareholder enters into a lease agreement with an occupant and the lease agreement is provided to the mutual water company, the mutual water company can bill the occupant. The law requires the mutual water company to maintain the lease agreements for 10 years and makes them subject to the inspection of the CPUC. The bill prohibits billing tenants for water service. However, amendments taken in the policy committee attempt to address the authorized exception in the law, by authorizing billing of tenants where they are authorized by Public Utilities Code Section 2705. Given the need to help the community rebuild, the continued ability of utility providers to collect charges for water service, including from tenants who agreed to these arrangements, can support efforts to restore service more quickly, while protecting customers who have not agreed to these arrangements from being unfairly billed.

Related/Prior Legislation

SB 1291 (Gonzalez) of 2026, requires specified actions of mutual water companies and their boards, including providing teleconferencing for certain companies, and adopt an annual budget, among other requirements. The bill is pending in the Senate Banking and Financial Institutions Committee.

AB 240 (Rendon, Chapter 633, Statutes of 2013) required mutual water companies to comply with open meeting, public record, audit, and budget requirements and allows them to impose liens to collect unpaid charges.

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

SUPPORT: (Verified 4/24/26)

County of Los Angeles

OPPOSITION: (Verified 4/24/26)

California Association of Mutual Water Companies

ARGUMENTS IN SUPPORT: According to the author's office:

In a joint meeting facilitated by the Altadena Coalition of Neighborhood Associations, the companies fielded questions about these water rate increases among other charges facing fire survivors. Some residents have still received water service charges from the time of the Eaton Fire although their property was destroyed. This dynamic underscores the need for state law to ensure consistent requirements for how mutual water companies provide advanced notification and a meeting for shareholders specifically if they are proposing a rate increase to ensure appropriate shareholder notice and feedback prior to adoption.

ARGUMENTS IN OPPOSITION: According to Cal Mutuals, "...SB 1417 as drafted includes requirements that do not appear reasonably related to achieving the bill's intended purpose. The bill raises several significant policy and legal concerns." They express concerns with the prohibition on tenant billing, requiring board vote identification, prescriptive requirements in the bill, and disclosure of shareholder information.

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