SENATE THIRD READING
SB 1417 (Pérez)
As Amended June 29, 2026
Majority vote

SUMMARY

Establishes additional transparency and public notice requirements for mutual water companies (MWCs) proposing to levy an assessment or increase water charges by more than 20%.

Major Provisions

1) Requires MWCs that operate public water systems and propose 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.

2) Prohibits MWCs from charging, issuing a bill, or otherwise seeking to hold tenants of shareholders responsible for the costs of water or its delivery, except for specified tenants.

3) Requires all notices of charges for water to be sent to the last known address of the shareholder or tenant, as applicable, or by electronic mail if the shareholder or tenant, as applicable, has provided and verified the use of an electronic mail address to the company within the last year.

4) Requires MWCs 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.

5) Requires MWCs to provide or send a copy of the written proposal and the notice of the public meeting to specified persons, along with other information, and to also provide or send a copy of the written proposal and the notice to a newspaper of general circulation or another specified communication outlet.

6) Requires MWCs to post a copy of the written proposal and the notice on the company′s internet websites or social media platforms, as applicable.

7) Requires the individual votes of board members of the MWC on the assessment or the increase of the water charge to be recorded in the minutes of the board meeting.

8) Includes, as an eligible person entitled to request MWC records and receive assessment or rate-increase notices, the chief administrative officer for each city, county, and government water agency in the mutual water company′s service area, as specified.

9) Requires MWCs to make available to eligible persons, upon request, a copy of a written proposal to levy an assessment or to increase a water charge.

COMMENTS

Mutual Water Companies (MWCs). MWCs are private corporations organized as either nonprofit mutual benefit corporations or general corporations that provide water service exclusively to their shareholders. In companies that supply domestic water, shares are generally tied to a specific property, and ownership of that property includes the right to receive water service. More than 1,000 MWCs serve an estimated 1.3 million Californians across rural, suburban, and urban communities.

Unlike investor-owned utilities, MWCs are governed by boards of directors elected by shareholders, who fund the operation, maintenance, and improvement of the water system through water charges and assessments. While some MWCs are managed by shareholder-volunteers, others employ full-time staff. Smaller companies often face challenges related to aging infrastructure and limited access to capital for system improvements.

Although generally exempt from the California Public Utilities Commission (CPUC) regulation, MWCs remain subject to state and federal oversight. Companies with 200 or more service connections are regulated by the State Water Resources Control Board′s Division of Drinking Water, while smaller systems are typically overseen by county health departments. MWCs are further subject to the federal Safe Drinking Water Act.

Need for this Bill. Unlike public water agencies, MWCs are not subject to Proposition 218′s notice and public participation requirements for certain rate increases. While current law requires specified open meeting, recordkeeping, and budget practices, it does not establish uniform notice or public meeting requirements before significant assessments or water charge increases are considered. According to the author, during the Eaton Fire recovery, shareholders did not always receive advance notice of when proposed assessments and water charge increases would be discussed or adopted.

Therefore, this bill builds upon the existing governance and meeting requirements applicable to MWCs. Specifically, the bill establishes additional transparency, notice, and public meeting requirements for MWCs that propose to levy an assessment or increase water charges by more than 20%. These requirements include preparing a written proposal, providing advance notice, holding a public meeting, and posting proposal materials on company websites or social media platforms, as applicable. In addition, the bill requires board members′ individual votes to be recorded in the meeting minutes, expands the categories of persons eligible to receive certain notices and request company records, and prohibits mutual water companies from billing most tenants directly for water service.

According to the Author
According to the author, ″California is served by public and private water service providers, including mutual water companies that operate as small, private nonprofit corporations. Unlike public water providers, mutual water companies are not automatically subject to standard transparency requirements. Prior legislation extended Brown Act-style transparency requirements to these entities [AB 240 (Rendon)] Chapter 633, Statutes of 2013. Public agencies are also subject to Proposition 218, which requires advanced customer notification and engagement when rate changes are proposed. However, these requirements do not apply to mutual water companies, meaning their shareholders are not guaranteed advance notice or a forum to speak before a mutual water company′s board raises water service prices. This impact

of a lack of advanced notice and transparency for mutual water company shareholders is highlighted in Altadena, were the three mutual water companies have sought rate increases following Eaton Fire without abiding by standard advanced outreach and public forum standards. SB 1417 addresses this gap by setting the necessary advanced shareholder notification and public meeting requirements before a rate increase exceeding 20% is applied by a mutual water company.″

Arguments in Support
Supporters, including the County of Los Angeles, environmental justice, public health, and community organizations, state that the bill would strengthen transparency by improving notice requirements for significant assessments and water charge increases, expanding access to company records, and providing communities with more information about decisions affecting their water service. They further contend that the need for improved notice became especially apparent following the Eaton Fire, when some displaced residents reportedly did not receive notice of proposed assessments and water charge increases.

Arguments in Opposition
The California Association of Mutual Water Companies (CalMutuals) questions the bill′s expansion of the entities eligible to inspect mutual water company records to include government water agencies located within five miles of the company′s service area. They argue that, unlike shareholders, tenants, and certain elected officials who are directly affected by a mutual water company′s operations, neighboring water agencies generally have no governance, ownership, or oversight relationship with the company and therefore should not receive expanded access to company records.

FISCAL COMMENTS

Unknown. According to the Senate Committee on Appropriations, the bill is expected to have negligible costs pursuant to Senate Rule 28.8.

VOTES

SENATE FLOOR: 30-9-1
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Ochoa Bogh, Seyarto, Strickland, Valladares
ABS, ABST OR NV: Niello

ASM UTILITIES AND ENERGY: 14-0-4
YES: Petrie-Norris, Boerner, Calderon, Davies, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz, Ta
ABS, ABST OR NV: Patterson, Chen, Wallis, Zbur

UPDATED

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