Office of Senate Floor Analyses
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UNFINISHED BUSINESS

Bill No: SB 1417
Author: Pérez (D), et al.
Amended: 8/18/26
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

SENATE FLOOR: 30-9, 5/19/26
AYES: 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
NOES: Alvarado-Gil, Choi, Dahle, Grove, Jones, Ochoa Bogh, Seyarto, Strickland, Valladares
NO VOTE RECORDED: Niello

ASSEMBLY FLOOR: 66-6, 8/24/26 - See last page for vote

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

SOURCE: Author

DIGEST: This bill includes various provisions to provide greater transparency and public notice requirements regarding proposed water charge increases by mutual water companies.

Assembly Amendments expand the options for public notice of proposed rate increases to include electronic mail; delete the requirement to disclose a shareholder list; clarify the shareholder rights to inspect the mutual water company's books; expand the facilities that can be used for a public meeting by authorizing the mutual water company to use the largest publicly accessible facility

available; provide additional flexibility to the dissemination of the public notice for the proposed water charge increase; and clarify the timing of the notice requirements and the timing by when the mutual water company can begin collecting an approved charge.

ANALYSIS:

Existing law:

1) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory over public utilities, including water 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 specified tenants, and requires all notices of charges for water to be sent to the shareholders at their last known address of the shareholder or tenant, as applicable, or by electronic mail if the shareholder or tenant has provided and verified the use of an electronic mail address to the mutual water company within the last year.

2) 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:

   a) Requires the mutual water company to prepare a written proposal at least 45 days before a public meeting to adopt a proposal to collect an assessment or to increase a water charge, as specified, and to convene a public meeting regarding the proposal, as provided.

   b) Requires the mutual water company to provide or send a copy of the written proposal and the notice of the public meeting, at least 45 days beforehand, to specified persons, along with other information, and to also provide or send a copy of the written proposal and the notice of the public meeting to certain newspapers and radio stations.

   c) Requires the mutual water company to post a copy of the written proposal and the notice, at least 45 days beforehand, on the company's internet websites or social media platforms, as applicable.

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

e) Prohibits the mutual water company from beginning to collect an assessment or increase a water charge earlier than 30 days after the public meeting where the proposed assessment is adopted.

3) Requires a mutual water company to make available to eligible persons, upon request 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 §14300 *et seq.* According to the California Association of Mutual Water Companies (CalMutuals), over 1,000 of these companies operate in the state, serving 1.3 million Californians in rural and pockets of urban and suburban 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 governed by local elected officials and investor-owned water utilities that are economically regulated by the CPUC. However, mutual water companies are governed by their shareholders, via a board (often of volunteers) who set service charges. 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. Similar to other water utilities, mutual water companies are also subject to water quality regulations by the State Water Resources Control Board.

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 Cañon 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. The ability of the affected mutual water company to recover costs also rests on continuing to provide service to customers, which can be affected by the pace of the return of the customer base to the impacted area (including the numerous structures that need to be rebuilt).

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 water charge increases to financially recover from the Eaton Fire. The author's office contends the companies have done so without consistent timelines of outreach to shareholders, including advanced notification lacking clear information about the details for a public forum to discuss proposed charges. 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]

Rubio Cañon Land and Water Association:

- Proposed an 11% rate increase, and fire recovery fee of up to $30 a month.[5]

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

- 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 public notification and transparency concerning proposed increases to charges and assessments. This bill proposes greater notification of proposed increases in water service charges and assessments 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 greater transparency by mutual water companies as residents have been surprised by the increased costs being placed on them by these companies. The author's office notes there is a lack of more visible and advanced notifications about proposed rate changes.

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, otherwise 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 when 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

[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/

committee attempt to address the authorized exception in the law, by authorizing mutual water companies to bill 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 utility service more quickly, while still protecting customers who have not agreed to these arrangements from being unfairly billed.

Related/Prior Legislation

SB 1291 (Gonzalez, 2026) required 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 was held by the Senate Appropriations 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 8/19/26)

Altadena CoLab
Amigos de Los Rios
Central California Environmental Justice Network
Clean Water Action
Communities for a Better Environment
Community 3.0x
Community Water Center
County of Los Angeles
Designing Resilience
Eaton Fire Residents United
Green Circle SGV
Leadership Counsel for Justice and Accountability
Physicians for Social Responsibility Los Angeles
Soul Force Project

OPPOSITION: (Verified 8/19/26)

None received

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.

Assembly Floor 66 6 7 SB 1417 Pérez Senate Third Reading By Bennett
Ayes: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, DeMaio, Elhawary, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
Noes: Ellis, Hadwick, Lackey, Macedo, Sanchez, Tangipa
No Vote Recorded: Alanis, Castillo, Chen, Dixon, Flora, Johnson, McKinnor

Prepared by: Nidia Bautista / E., U. & C. / (916) 651-4106
11/16/26 10:16:53

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