

Date of Hearing: April 22, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

AB 1945 (Hadwick) – As Amended April 16, 2026

SUBJECT: Municipal utility districts: termination of service

SUMMARY: Authorizes the Lassen Municipal Utility District to offer a prepay option for electrical service, and waives certain disconnection outreach requirements for customers that participate in the prepay option. Specifically, **this bill:**

- 1) Authorizes a municipal utility district (MUD) furnishing electrical service to less than 100,000 customers to offer customers a prepay option for electrical service if all of the following conditions are met:
 - a. The customer affirmatively opts into a MUD-approved prepay program with informed written consent.
 - b. 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.
 - c. The MUD provides access to usage and account balance information.
 - d. 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.
 - e. The customer retains the right to exit the prepay option and return to standard billing pursuant to the policy adopted by the board.
 - f. The MUD offers the customer an opportunity to participate in an arrearage payment plan, if available and eligible.
 - g. 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.
 - h. The MUD keeps prepay program revenue in a separate fund, and does not spend revenue prematurely (until electrical service is provided).
 - i. 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.

EXISTING LAW:

- 1) Prohibits a MUD – furnishing light, heat, water, or power – from terminating residential service for nonpayment unless it first mails the customer a delinquency and termination notice at least 10 days before the proposed termination date, no earlier than 19 days after the original bill was mailed, with the 10-day period beginning five days after the notice is mailed. (Public Utilities Code § 12823.1)
- 2) Requires a MUD to make a reasonable attempt to contact an adult resident by telephone or in person at least 24 hours before termination; if contact cannot be made, the MUD must instead provide written notice – by mail, in person, or posted conspicuously at the premises – at least 48 hours before termination. (Public Utilities Code § 12823.1(b))
- 3) Requires MUDs to offer residential customers who are 65 or older, or who are dependent adults, a third-party notification service through which the district attempts to notify a customer-designated contact when the account is past due and subject to termination, including information on how to prevent termination. The customer must request the service on a MUD-provided form with the third party's written consent. The third party has no obligation to pay overdue charges, and the notification does not prevent or delay termination. (Public Utilities Code § 12823.1(c))
- 4) Requires that every notice of termination of service be clearly written with sufficient information, as specified (Public Utilities Code § 12823.1 (d)).
- 5) 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. (Public Utilities Code § 12823.1(e))
- 6) Mandates any service wrongfully terminated – i.e., did not follow the above requirements – 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. (Public Utilities Code § 12823.1(f))

FISCAL EFFECT: Unknown. This bill is keyed fiscal and will be referred to the Assembly Committee on Appropriations for its review.

BACKGROUND:

MUDs – Governed by the MUD Act, there are five MUDs statewide: East Bay, Lassen, Sacramento, South Placer, and Southern San Joaquin. MUDs can provide various utility services, including electricity, water, sewer, garbage disposal, transportation, and communications.

Currently, only Sacramento Municipal Utility District (SMUD) and Lassen Municipal Utility District provide electrical service in the State. SMUD delivers power to over 1.5 million customers and LMUD serves approximately 10,000 customers. Therefore, the prepay option in this bill is currently limited to just LMUD.

LMUD was created by the voters in 1986. Prior to this vote, the area received electric service from CP National Corporation (CPN). On May 10, 1988, LMUD acquired electrical facilities from CPN. LMUD is governed by 5 members elected by the voters.

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, as specified in the “existing law” section above.

Electric Prepay Programs – The concept of the prepay option in this bill is similar to a cell phone prepaid service: namely, a customer loads money onto their account in advance of service; and when that balance runs out, service stops until they add more funds. This bill largely applies that same model to residential electricity, with the key difference being that losing cell service is often an inconvenience, while losing power can have serious consequences for health and safety.

While it appears no MUD currently provides a prepay program for electrical service, other types of electrical providers do. For instance, the Truckee Donner Public Utility District currently operates a “pay-as-you-go” prepaid service. The Truckee Donner website explains that the customer may set the payment plan and the amounts that fit their budget. There are no late, connection, or reconnection fees. If a subsequent payment is made, the power will be reconnected. If an account balance is running low, the customer will receive an alert by text, email, or via the district’s mobile app. If the account balance falls below zero, service will be subject to disconnection at any time. There is no traditional bill once a month and usage is calculated daily.

COMMENTS:

- 1) *Author’s Statement.* 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) *Purpose of Bill.* Sponsored by LMUD, this bill authorizes MUDs serving fewer than 100,000 customers to offer an opt-in prepay program for electrical service. Customers must provide informed written consent to enroll, and the MUD must provide electronic access to usage and balance information, along with automated low-balance alerts before any service suspension. The author motivates this prepay program as being needed due to the lower-income population of LMUD and the high service fees – sometimes exceeding hundreds of dollars – LMUD must charge to have customers energized. This bill provides an alternate path to electric service that is cheaper and faster up-front.

- 3) *Waiver of Consumer Protections.* Existing law requires robust notification prior to shutting off service. MUDs 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. The 10-day period must not start until 5 days after mailing the notice of termination. Additionally, MUDs must also make a reasonable attempt to contact an adult residing at the customer's premises at least 24 hours prior to any termination of service and must take additional steps if the customer is over 65 years of age or a dependent adult.

This bill's most significant policy question is whether prepay participants receive adequate protection in lieu of the standard termination notification requirements. Under existing law, customers are entitled to a multi-week notice process before disconnection. Under the prepay model, service suspends automatically when the balance hits zero. The automated alerts (10 days and 24 hours before anticipated suspension) are intended to substitute for that process, but this is a weaker safeguard, particularly for low-income customers who may lack the funds to replenish their balance in time. The bill makes an acknowledgement toward this in requiring the MUD to disclose to customers prior to signing up for a prepay option any differences in consumer protection rules between the prepay option and standard billing. Whether customers without power would be able to meaningfully act on this information – or would simply prioritize restoring power expeditiously – is an open question.

- 4) *Equity Concerns with Vulnerable Customers.* The bill requires the MUD to adopt a policy to minimize disruptions to vulnerable residential customers, but the language is fairly broad. The author notes the purpose of the legislation is to target low-income households in rural communities, with Lassen County having a 17.2% poverty rate. The author notes, "a voluntary prepay option will benefit some lower-income customers who prefer to manage utility spending in smaller increments rather than absorb a larger monthly bill. It would also avoid costly start and stop service fees from being levied on customers."

The population the bill is designed to help – low-income customers in a high-poverty rural community – is also the population most exposed to the bill's core tradeoff. Prepay programs shift the responsibility of managing account balances onto the customer, and low-income households may be less able to absorb a sudden shortfall. The author's framing that the prepay option helps customers avoid the financial shock of a large monthly bill is reasonable, but it assumes customers can consistently replenish their balance in small increments. Households facing income volatility (a missed paycheck, an unexpected expense) may find that knowing their balance is low does not resolve the problem if funds are unavailable.

This raises a question about the adequacy of the consumer protections built into the bill. Under standard billing, a customer who falls behind benefits from a notice process before disconnection, including requirements for personal contact if other forms of contact have been exhausted. Under the prepay model, service suspends automatically when the balance is exhausted, and required notifications are limited to "automated low-balance alerts" at least 10 days before service suspension. The bill also requires the MUD to adopt a policy minimizing disruptions to vulnerable customers, but without specifics on what that policy must include. Rather, consumer protections are largely left to the MUD's

discretion. The author may wish to consider whether additional specificity is warranted given the demographics of the intended customer base.

- 5) *Just Lassen?* Although LMUD is the sponsor and the intended beneficiary, the bill applies to any MUD serving fewer than 100,000 customers. While unlikely, any future MUD offering electrical service under that threshold could use this authority.
- 6) *Double Referral.* This bill is double referred. It was first heard in the Assembly Committee on Local Government on April 15, 2026, where it passed on a 10-0 vote.

REGISTERED SUPPORT / OPPOSITION:

Support

California Municipal Utilities Association
Lassen Municipal Utility District
Northern California Power Agency

Opposition

None on file.

Analysis Prepared by: Laura Shybut / U. & E. / (916) 319-2083