

Date of Hearing: June 24, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

SB 1417 (Pérez) – As Amended April 23, 2026

SENATE VOTE: 30-9

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

SUMMARY: Establishes additional transparency and public notice requirements for mutual water companies proposing to levy an assessment or increase water charges by more than 20%. Specifically, **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 mutual water companies that operate a public water system and propose to levy an assessment or raise water charges by more than 20% to do all of the following at least 30 days before collecting:
 - a) Prepare a written proposal specifying the amount, the basis, necessity for, and use of the funds, and which board members voted for the proposal to levy an assessment or raise water charges;
 - b) Convene a public meeting in a city or county building accommodating at least 100 participants, located within five miles of the service area or in a facility serving a county government that includes the service area;
 - c) Send the written proposal and meeting notice at least 45 days before the meeting to all eligible persons and to general-circulation newspapers and radio stations serving the county;
 - d) Include in the shareholder notice specified language on their right to vote for the board, participate in board meetings, and receive information about company and water system operations; and
 - e) Include in the notice to non-shareholder eligible persons, such as tenants and local officials, specified language on their right to participate and obtain copies of company documents, including minutes, budget, accounting report, water quality records, annual report, shareholder list, and the written proposal.

- 4) Requires a mutual water company to make available to eligible persons, on request, the current shareholder list, including contact information, and any written proposal for an assessment or rate increase. Includes the chief administrative officer of each city, county, and government water agency in or within five miles of the service area within the definition of "eligible person."
- 5) Prohibits a mutual water company from charging duplication fees when records are provided digitally.

EXISTING LAW:

- 1) Authorizes corporations, known as "mutual water companies," organized to provide irrigation water. Requires corporations organized to provide domestic water service to distribute water only to their shareholders. Requires that shares be appurtenant to specified parcels of land, such that ownership of the property generally carries with it ownership of the water company share. (Corporations Code §14300)
- 2) Authorizes a mutual water company that is not a public utility to levy assessments upon its shares, except as provided. (Corporations Code §14303)
- 3) Requires the board of directors of a mutual water company that operates a public water system to allow an eligible person to attend a board meeting if the person provides at least 24 hours' advance written notice of their intent to attend. Authorizes attendance by teleconference if an eligible person is denied attendance for failure to provide notice or because attendance exceeds room capacity and requires the board to provide teleconference participants with copies of documents to be discussed at the meeting, as specified. (Corporations Code §14305)
- 4) Defines, for the purposes of the above requirement, "eligible persons" 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))
- 5) 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)
- 6) Provides that any person, firm, or corporation that owns, controls, operates, or manages a water system and sells or delivers water is a public utility subject to the jurisdiction, control, and regulation of the California Public Utilities Commission (CPUC), except as otherwise provided. (Public Utilities Code §2701)

- 7) Provides that a mutual water company that delivers water at cost to its shareholders or members is not a public utility and is not subject to the jurisdiction, control, or regulation of the CPUC. Authorizes a mutual water company to engage in specified activities, including delivering water at cost to lessees of its shares, without becoming a public utility. Requires certain leases and contracts to be retained for 10 years and made available for CPUC inspection. Defines “cost” to mean without profit. (Public Utilities Code §2705)

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

BACKGROUND:

Mutual Water Companies - Mutual water companies are private corporations, organized as either nonprofit mutual benefit corporations or general corporations, that provide water service only to their shareholders.¹ In mutual water companies that supply domestic water, the share is associated with a specific property, and ownership of the property generally includes the right to receive water service from the company. Mutual water companies originated in California in the 1800s, when shareholders financed and built irrigation channels, pumps, and plumbing to deliver water to their own properties. More than 1,000 of these companies continue to operate in the state today, serving an estimated 1.3 million Californians in rural, suburban, and urban communities throughout the state.²

Unlike investor-owned utilities, mutual water companies are governed by a board of directors elected by shareholders, who fund the operation, maintenance, and improvement of the water system through water charges and assessments.³ The companies vary considerably in size and capacity. Some serve small communities and are managed largely by shareholder-volunteers, while others operate with full-time staff and serve larger communities. Aging infrastructure and limited access to upfront capital for capital improvement projects are among the most common challenges reported by mutual water companies, particularly smaller systems with limited administrative capacity.

Although mutual water companies are generally exempt from regulation by the CPUC, they remain subject to a range of state and federal oversight requirements. 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. Mutual water companies are also subject to the federal Safe Drinking Water Act, which establishes drinking water quality and public health standards for public water systems.

¹ Corporations Code §14300.

² California Association of Mutual Water Companies, *FAQs About Mutual Water Companies* (stating that more than 1,000 mutual water companies operate in California and serve approximately 1.3 million residents, and that such companies are located in urban, suburban, and rural communities and vary in size and staffing).

³ California Association of Mutual Water Companies, *FAQs About Mutual Water Companies* (shareholders elect a board of directors; shareholders fund and oversee the system).

COMMENTS:

- 1) *Author's Statement.* 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 delivering water to shareholders within a designated area. Unlike public water providers, mutual water companies are not automatically subject to standard transparency requirements. That is why legislation was necessary to extend Brown Act-style open meeting, public record, audit, and budget requirements to these entities (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 private providers. As a result, shareholders are not guaranteed advance notice or a clear forum to provide feedback to a mutual water company's board on potential rate increases. In Altadena, approximately 25,000 residents receive water primarily from one of three companies: Lincoln Avenue Water Company, Rubio Cañon Land and Water Association, and Las Flores Water Company. As these companies have sought rate increases to recover financially from the Eaton Fire, they have done so without consistent timelines and outreach to shareholders. For instance, advanced notification and opportunities for public discussion of proposed charges have been unclear and insufficient. SB 1417 addresses this gap. It requires mutual water companies to provide standard shareholder notification and hold a public meeting before applying for a rate increase exceeding 20%. The bill ensures transparency by requiring a written explanation of the request and mandating that meetings be held in accessible locations. SB 1417 guarantees access to key information by requiring companies to provide, upon request, shareholder contact lists and any written rate increase proposal to qualified individuals."
- 2) *The Eaton Fire's Impact on Water Systems.* The January 2025 Eaton Fire killed at least 19 people, forced more than 100,000 residents to evacuate, and destroyed more than 9,000 homes and structures. The fire also affected water systems serving the community, including three mutual water companies in Altadena: Los Flores Water Company, Lincoln Avenue Water Company, and Rubio Canyon Land and Water Association. Rubio Canyon Land and Water Association serves approximately 9,600 residents through more than 3,140 service connections,⁴ while Lincoln Avenue Water Company served more than 16,000 residents before the fire.⁵ These companies had varying levels of insurance coverage to support infrastructure repairs and restoration of service.

The fire affected not only water infrastructure, but also the customer base on which these companies rely to recover costs and fund ongoing operations. Lincoln Avenue Water Company reported losing approximately 58% of its customers and revenue after the fire, while reports indicate that Los Flores Water Company also experienced significant customer losses. These losses highlight some of the challenges mutual water companies may face following a major disaster, including repairing damaged infrastructure and recovering costs while portions of their customer base remain displaced.

⁴ Rubio Canon Land and Water Association; "History"; <https://www.rclwa.org/our-company/history/>

⁵ LAist; "Big decisions are in store for small Altadena water companies and their customers after Eaton Fire"; <https://laist.com/news/climate-environment/small-altadena-water-companies-eaton-fire>

3) *Need for this Bill.* Unlike public water agencies, mutual water companies are not subject to Proposition 218, which establishes notice and public participation requirements before certain rate increases are adopted. Current law requires mutual water companies that operate public water systems to comply with specified open meeting, recordkeeping, and budget requirements, but does not establish uniform requirements for notice and public meetings before significant assessments or water charge increases are considered. The author notes that the Eaton Fire and subsequent recovery efforts raised concerns regarding notice and public participation when mutual water companies consider assessments and water charge increases. Shareholders were not always provided with clear and consistent advance notice regarding when proposed charges would be discussed or adopted, and the timing and visibility of notifications varied among the three companies. The author cites the following examples:

- Los Flores Water Company: Applied a \$3,000 fee for customers that will be assessed over the next five years. The charge appeared to be discussed at October 2025 and January 2026 board meetings addressing wildfire recovery, but shareholders were not provided advance notice that the fee would be considered. A written notice dated March 2026 indicated that the charge had been adopted by the board at its February 5th meeting and would take effect on April 1st, 2026.
- Rubio Cañon Land and Water Association: Proposed an 11% rate increase and a fire recovery fee of up to \$30 per month.⁶ A March 18th notice indicated that the charge would take effect on May 1st and referenced rate adjustments discussed at a February 3rd special meeting, but advance notice that a rate increase would be considered could not be identified.
- Lincoln Avenue Water Company: Adopted a \$15 rate increase that took effect in March 2026 and considered imposing an additional fee.⁷ The advance notice specifically describing the proposed increase could not be identified. A letter was reportedly distributed after the decision was made, and the company's website did not provide additional information regarding a public forum or agenda related to the increase.

The author further notes that many residents affected by the fire were simultaneously facing the costs of rebuilding homes and returning to their community while also being asked to absorb costs associated with restoring local water systems. SB 1417 seeks to establish minimum notice and public meeting requirements before a mutual water company levies an assessment or implements a significant water charge increase. According to the author, these requirements are intended to provide shareholders and other interested persons with advance notice of proposed increases and an opportunity to review and comment on those proposals before they take effect.

⁶ PasadenaStarNews: “Altadena utility customers to see water rate increases in 2026, amid fire recovery”; <https://www.pasadenastarnews.com/2026/02/13/in-the-pipeline-altadena-utility-customers-to-see-water-rate-increases-in-2026-amid-fire-recovery/>

⁷ PasadenaNow; “Another Altadena Water Company Calls Shareholder Meeting to Address Eaton Fire Financial Woes”; <https://pasadenanow.com/main/another-altadena-water-company-calls-shareholder-meeting-to-address-eaton-fire-financial-woes>

- 4) *Who Supported the Increase?* This measure requires a mutual water company proposing to levy an assessment or increase water charges by more than 20% to prepare a written proposal. The proposal must specify the amount of the assessment or water charge increase, explain why the increase is being proposed and how the funds will be used, and identify the board members who voted for the proposal. The author seeks to increase transparency by ensuring that shareholders receive information regarding proposed assessments and rate increases before they are imposed. Such information can help shareholders better understand the basis for proposals that may affect their water costs. However, requiring the written proposal to identify individual board members who voted for the proposal may shift attention from the merits of the proposal to the board members who supported it. *As such, the committee recommends deleting the requirement that the written proposal identify the board members voting in favor of the proposed assessment or water charge increase and instead requiring that the individual votes of board members be recorded in the minutes of the meeting at which the vote was taken.*
- 5) *Access to Public Meetings.* SB 1417 requires a mutual water company to convene a public meeting regarding a proposed assessment or water charge increase in a city or county building that can accommodate at least 100 participants and is located within five miles of the company's service area or serves a county that includes the company's service area. Providing shareholders with adequate space to attend public meetings can help ensure that interested participants are able to observe and participate in discussions regarding proposed assessments and water charge increases that may affect their households. It can also reduce the likelihood that interested shareholders are unable to attend due to space limitations. However, California's more than 1,000 mutual water companies are diverse in their size, structure, and operations. They serve urban, suburban, and rural communities throughout the state. Some are small systems managed by shareholders, while others operate more like municipal water systems with full-time staff. Therefore, the requirement that the meeting be held in a building with capacity for at least 100 participants may not be feasible for all mutual water companies, particularly those serving smaller or rural communities. *Given these reasons, the committee recommends that, if a facility meeting these requirements is not available, the company shall convene the meeting in the largest publicly accessible facility available.* Consistent with the bill, the facility shall otherwise be located in or within five miles of the company's service area or serve a county that includes the company's service area.
- 6) *Notice to Newspapers and Radio Stations.* This measure requires a mutual water company to provide or send a copy of the written proposal and notice of the public meeting at least 45 days before the meeting to all general circulation newspapers and radio stations serving the county in which the mutual water company operates. Providing notice to shareholders regarding proposed assessments and water charge increases can help ensure that affected customers receive information regarding decisions that may affect their water costs. However, requiring notice to all general circulation newspapers and radio stations serving the county may create additional administrative responsibilities and costs for mutual water companies, particularly with limited administrative and financial capacity. *Therefore, the committee recommends providing additional flexibility in how notice is provided. Such notice may be disseminated through a general circulation newspaper, radio station, county-maintained public notice portal, or digital bulletin*

board serving the county in which the mutual water company operates, as well as through company websites or social media, as applicable.

- 7) *Scope of Shareholder Information Rights.* Notices regarding proposed assessments and water charge increases can serve as an important opportunity to inform shareholders of their rights. SB 1417 requires notices regarding proposed assessments and water charge increases to include specified language informing shareholders of certain rights, including the right to vote for the company's board of directors, participate in board meetings, and receive all information regarding the operation of the company and its water system. However, the statement that shareholders have a right to “receive all information regarding the operation of the company and its water system” may create confusion regarding the scope of shareholder inspection rights under existing law. Current law provides shareholders with the right to inspect company books and records, while the bill's reference to “all information” goes beyond the specific rights provided under existing law. *To clarify the scope of shareholder rights, the committee recommends deleting the reference to receiving “all information regarding the operation of the company and its water system” and instead referencing a shareholder's right to inspect the company's books and records pursuant to existing law.*
- 8) *Shareholder Lists and Contact Information.* Current law requires a mutual water company that operates a public water system to make specified records available upon written request to eligible persons, including board meeting agendas and minutes, annual budgets, accounting reports, water quality test records, and annual reports. This bill would expand those disclosure requirements by adding the current shareholder list, including all contact information available to the mutual water company, to the records that must be provided upon request. Unlike the other records that provide information regarding the management and operation of the mutual water company, the shareholder list identifies private individuals who own shares in the corporation and may include personal contact information. Requiring disclosure of that information to any eligible person, including tenants and local officials, raises privacy concerns. *As such, the committee recommends deleting the requirement to disclose the shareholder list and associated contact information upon request.*
- 9) *Shareholder Contact Information in Required Notices.* SB 1417 further requires the Mutual Water Company, when sending notice of a proposed assessment or water charge increase to non-shareholder eligible persons, to inform those recipients that they may obtain the current shareholder list and associated contact information. Non-shareholder eligible persons include tenants, local elected officials, and chief administrative officers of nearby cities and counties. The notice would inform persons who are not shareholders that they may obtain a list identifying individual shareholders and their contact information. Given the similar privacy concerns discussed above, *the committee recommends deleting the corresponding notice language regarding the availability of the shareholder list and associated contact information.*
- 10) *Related Legislation.*

SB 1291 (Gonzalez, 2026) Requires specified actions of mutual water companies and their boards, including providing teleconferencing for certain companies and adopting an annual budget. Status: Held In Senate Committee on Appropriations.

11) *Prior Legislation.*

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

12) *Double Referral.* This bill is double referred. Upon passage in this committee, it will be referred to the Assembly Committee on Privacy and Consumer Protection.

REGISTERED SUPPORT / OPPOSITION:

Support

Los Angeles County
Physicians for Social Responsibility - Los Angeles

Oppose Unless Amended

California Association of Mutual Water Companies
Community Water Systems Alliance

Opposition

None on file.

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