

Date of Hearing: April 15, 2026

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

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

**SUBJECT:** Municipal utility districts: termination of service.

**SUMMARY:** Authorizes a municipal utility district (MUD) providing electrical service to less than 100,000 customers to offer a prepay option for electrical service. Specifically, **this bill:**

- 1) Authorizes a district 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 electronic access to usage and account balance information.
  - c) The MUD issues automated low-balance alerts to the customer before service suspension.
  - d) The customer retains the right to exit the prepay option and return to standard billing pursuant to the policy adopted by the board.
- 2) Provides that existing termination of service notification requirements do not apply to the termination of service for nonpayment of a delinquent account for a customer participating in a prepay option pursuant to 1), above.
- 3) Authorizes a MUD furnishing electrical service to less than 100,000 customers 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.
- 4) Makes numerous technical and clarifying changes.

**EXISTING LAW:**

- 1) Specifies that a MUD furnishing light, heat, water, or power shall not terminate residential service on account of nonpayment of a delinquent account unless the district first gives notice of the delinquency and impending termination, at least 10 days prior to the proposed termination, by means of a notice mailed, postage prepaid, to the customer to whom the service is billed not earlier than 19 days from the date of mailing the district's bill for services, and the 10-day period shall not commence until five days after the mailing of the notice [Public Utilities Code (PUC) § 12823.1].
- 2) Provides that every MUD shall make a reasonable attempt to contact an adult person residing at the premises of the customer by telephone or personal contact, at least 24 hours prior to any termination of service, except that, whenever telephone or personal contact cannot be accomplished, the MUD shall give, by mail, in person, or by posting in a conspicuous location at the premises, a notice of termination of service, at least 48 hours prior to termination (PUC § 12823.1).

- 3) Specifies that every MUD shall make available to its residential customers who are 65 years of age or older, or who are dependent adults, as defined, a third-party notification service, whereby the district will attempt to notify a person designated by the customer to receive notification when the customer's account is past due and subject to termination. The notification shall include information on what is required to prevent termination of service. The residential customer shall make a request for third-party notification on a form provided by the MUD, and shall include the written consent of the designated third party. The third-party notification does not obligate the third party to pay the overdue charges, nor shall it prevent or delay termination of service (PUC § 12823.1).
- 4) Provides that every notice of termination of service pursuant to 1), above, shall include all of the following information (PUC § 12823.1):
  - a) The name and address of the customer whose account is delinquent.
  - b) The amount of the delinquency.
  - c) The date by which payment or arrangements for payment is required in order to avoid termination.
  - d) The procedure by which the customer may initiate a complaint or request an investigation concerning service or charges, except that, if the bill for service contains a description of that procedure, the notice pursuant to 1), above, is not required to contain that information.
  - e) The procedure by which the customer may request amortization of the unpaid charges.
  - f) The procedure for the customer to obtain information on the availability of financial assistance, including private, local, state, or federal sources, if applicable.
  - g) The telephone number of a representative of the district who can provide additional information or institute arrangements for payment.
- 5) Specifies that every notice of termination of service pursuant to 2), above, shall include the items of information in a), b),(c), f), and g) of 4), above (PUC § 12823.1).
- 6) Requires all written notices to be in a clear and legible format (PUC § 12823.1).
- 7) 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 (PUC § 12823.1).
- 8) Specifies that a termination of service shall not be affected without compliance with 1) through 7), above. Any service wrongfully terminated 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 (PUC § 12823.1).

**FISCAL EFFECT:** None.

**COMMENTS:**

- 1) **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. 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. First, the MUD 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 to whom the service is billed no earlier than 19 days from the date of mailing the MUD's bill for services. The 10-day period must not start until 5 days after mailing the notice of termination.

MUDs are also required to make a reasonable attempt to contact an adult residing at the premises of the customer, by telephone or personal contact, at least 24 hours prior to any termination of service. If telephone or personal contact cannot be accomplished, the MUD must give, by mail, in person, or by posting, a notice of termination of service, at least 48 hours prior to termination. For customers who are 65 years of age or older and dependent adults, a MUD must make available a third-party notification service. Each notice must also contain certain information.

- 2) **Prepay Programs.** 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 "pay-as-you-go" prepaid services. 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 on a daily basis.
- 3) **Bill Summary.** This bill allows MUDs that provide service to less than 100,000 customers to offer a prepay option for electrical service. The customer must affirmatively opt into the prepay program with informed written consent and the MUD must provide electronic access to usage and account balance information. The MUD must also issue automated low-balance alerts to the customer before service suspension, and the customer retains the right to exit the prepay option and return to standard billing according to the policy adopted by the board of the MUD. This bill also exempts the MUD from existing notification requirements for termination of service for those that participate in the prepay option. Lastly, this bill allows a MUD providing service to less than 1000,000 customers to offer the option of receiving service termination notices solely by electronic mail, text message, app-based notification, or other electronic method specified by the customer. LMUD is the sponsor of this bill.

4) **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.”

5) **Policy Considerations.** The Committee may wish to consider the following:

- a) **What is a “Prepay Option”.** While prepay programs already exist, there is no current definition in MUD law of what “prepay option” means. In order to ensure clarity of what is meant by prepay option, the Committee may wish to consider if a clear definition should be added to this bill.
- b) **Refunds.** This bill does not currently provide for a process if a customer purchases electricity, but either wants a refund or to transition back to standard service prior to using all of the purchased electricity. Additionally, this bill does not account for the refunds or the management of funds collected from purchases under the prepay program. Does this revenue go into a separate fund until the electricity has actually been provided? Can the MUD spend the revenue prior to the electricity being used by the customer? What happens if this revenue has been expended by the MUD and then the customer wants a refund? Given these questions, the Committee may wish to consider if additional clarity is needed.
- c) **Notification.** 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 premises of the customer 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.

While this bill would require MUDs to provide low-balance alerts, it would otherwise exempt the prepay option from these existing notification requirements. The Committee may wish to consider if electronic low-balance alerts are sufficient notification prior to electricity shutoff, especially for the most vulnerable of customers.

6) **Committee Amendments.** In order to respond to the policy considerations above, the Committee may wish to amend the bill as follows:

**12823.1.** (g) A district ~~furnishing electrical service to less than 100,000 customers~~ may offer customers the option of receiving notices required by this ~~section~~ **section, except for notices pursuant to subdivision (b)**, solely by ~~electronic mail, email~~, text message, app-based notification, or other electronic method as specified by the customer.

**12823.2.** (a) A district furnishing electrical service to ~~less~~ **fewer** than 100,000 customers may offer customers a prepay option for electrical service if all of the following conditions are met:

(1) The customer affirmatively opts into ~~a~~ *the* district-approved prepay ~~program~~ *option* with informed written consent.

*(2) The district provides the customer with all information related to the mechanisms and policies to return to standard billing and provides information on any differences in consumer protection rules between the prepay option and standard billing.*

(3) The district provides electronic access to usage and account balance information.

~~(4) The district issues automated low-balance alerts to the customer before service suspension.~~ *suspension at least 10 days before the forecasted service suspension and again 24 hours before the forecasted service suspension, based on the district's best estimates of the customer's electrical service usage.*

(5) The customer retains the right to exit the prepay option and return to standard billing pursuant to ~~the~~ *a* policy adopted by the board.

*(6) Before the prepay option takes effect, and if the customer has eligibility for an arrearage payment plan offered by the district, the district offers the customer an opportunity to participate in an arrearage payment plan.*

*(7) The prepay option requires the district to refund to the customer any unexpended balance from the customer's account within 10 business days after the customer has terminated electrical service and the district has withdrawn payment for the customer's final bill.*

*(8) (A) The district deposits into a separate fund all revenue collected from customers that have opted into the prepay option.*

*(B) Except as provided in paragraph (7), any amounts that have been deposited into the separate fund that are associated with electrical service that has not been provided shall not be transferred or expended from the separate fund.*

*(9) The district adopts a policy to minimize service disruptions to residential customers who elect to participate in the prepay option and who are 65 years of age or older, customers who are medically vulnerable, and customers who are dependent adults, as defined in Section 15610.23 of the Welfare and Institutions Code.*

(b) Section 12823.1 does not apply to the termination of *electrical* service for nonpayment of a delinquent account for a customer participating in a prepay option pursuant to subdivision (a).

*(c) For purposes of this section, "prepay option" means a payment option offered by a district to its customers pursuant to subdivision (a) that enables the customers to make a payment for a specified amount of electrical service before that service is rendered.*

- 7) **Arguments in Support.** According to LMUD, the sponsors of this bill, "As a Municipal Utility District committed to affordability, transparency, and inclusion, LMUD recognizes the growing demand for flexible billing options. Pre-pay service models are common throughout the electric industry. They allow customers to pay for service in advance, monitor their usage, and avoid deposits, late fees, or untimely suspension of service. These programs are especially beneficial for income-challenged customers and customers seeking greater control over their energy budgets.

"The current language in the Public Utilities Code presents a significant barrier to implementing pre-pay programs. The PUC's mandatory mail notification procedures prior to service suspension are incompatible with the automated, opt-in nature of pre-pay service. LMUD believes that customers who voluntarily choose pre-pay should be exempt from these requirements, provided that LMUD offers clear disclosures, usage tracking, and proactive low-balance alerts.

“This amendment would not only modernize LMUD’s operations—it would also align with California’s broader energy affordability goals, including recent initiatives to reduce costs, expand customer choice, and support equitable access to affordable energy.”

- 8) **Arguments in Opposition.** None on file.
- 9) **Double-referral.** This bill has been double referred to the Assembly Committee on Utilities and Energy.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Lassen Municipal Utility District [SPONSOR]  
Northern California Power Agency

**Opposition**

None on file

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