

---

**SENATE COMMITTEE ON ENERGY, UTILITIES AND  
COMMUNICATIONS**

**Senator Josh Becker, Chair  
2025 - 2026 Regular**

---

<b>Bill No:</b>	AB 428	<b>Hearing Date:</b>	7/7/2025
<b>Author:</b>	Blanca Rubio		
<b>Version:</b>	3/28/2025 Amended		
<b>Urgency:</b>	No	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Nidia Bautista		

**SUBJECT:** Joint powers agreements: water corporations

**DIGEST:** This bill authorizes water corporations to enter joint powers agreements (JPA) with a mutual water company and one or more public agencies for risk insurance pooling with specified conditions to reduce risks.

**ANALYSIS:**

Existing law:

- 1) Establishes and vests the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including water corporations. (Article XII of the California Constitution)
- 2) Authorizes, via the Joint Exercise of Powers Act, two or more public agencies, if authorized by their governing bodies, by agreement to jointly exercise any power common to the contracting parties. (Government Code §6500 *et seq.*)
- 3) Authorizes two or more local public entities, or a mutual water company, as defined, and a public agency, to provide insurance, as specified, by a JPA. (Government Code §990.8)
- 4) Authorizes a mutual water company and a public agency to enter into a JPA for the purposes of risk pooling, as specified. (Government Code §6525)

This bill:

- 1) Authorizes a water corporation, as defined, a mutual water company, and one or more public agencies to provide insurance, as specified, by a JPA.
- 2) Authorizes a water corporation, a mutual water company, and one or more public agencies to enter into a JPA for the purposes of risk pooling, as specified.

- 3) Prohibits the CPUC from allowing a water corporation to join a JPA for insurance coverage if there are no greater benefits to the customers of the water corporation than are provided by the water corporation's current insurance policy.
- 4) Requires the JPA to be 100% reinsured with no joint and severable liability, no assessments, and no financial liability attributable to the participating members, as provided.
- 5) Requires the water corporation to submit an annual information filing to the CPUC and the joint powers agency, if a water corporation enters into a JPA for the purposes of risk pooling.

## Background

*Water providers.* Public water systems that deliver domestic water generally fall into three categories:

- *Local agencies.* State laws grant various local agencies the authority to provide retail water service, and local officials are responsible to their voters for their water rates. Local Agency Formation Commissions (LAFCOs) in each county periodically review the efficacy of the services local agencies provide;
- *Private water companies.* These private entities, formed under statutes governing corporations, respond to investors. The CPUC controls the companies' service areas and their water rates; and
- *Mutual water companies.* These private entities, formed under statutes governing corporations, respond to their shareholders, usually the landowners who receive water service. Mutual water companies can be either for-profit or not-for-profit.

According the Senate Local Government Committee:

State law allows a mutual water company to enter into a joint powers agreement with any public agency to jointly exercise any power common to the contracting parties provided the agreement ensures no participating public agency becomes responsible for the underlying debts or liabilities of the joint powers agency. However, mutual water companies do not have the independent power to offer insurance, so they could not join a JPA for insurance purposes. AB 656 (Cristina Garcia, 2015) addressed this issue by allowing mutual water companies to join a JPA for risk-pooling and providing technical support, continuing education, safety

engineering, and operational and managerial advisory assistance to JPA members to reduce risk liabilities.

Prior to AB 656, mutual water companies had to purchase insurance in the open market. Because the pooling of self-insurance among entities participating in a JPA is not subject to insurance premium taxes, a risk-pooling JPA can generally set lower premiums and offer broader coverage than would be available through the private marketplace. By allowing mutual water companies to realize some of these savings through membership in a mutual water company insurance JPA, AB 656 made residual funding available to help mutual water companies.

*Risk pooling JPAs.* Among the common powers public agencies can exercise jointly through a JPA is the power to insure against specified liabilities. State law allows two or more local public entities to form a JPA to provide insurance authorized by specified statutes. Insurance these JPAs provide is different from traditional insurance. For example, public entities can be co-insured under a master policy and prorate their premiums among the different entities. This pooling of self-insured claims or losses is not subject to state regulation like private insurance. Local agencies can also reinsure liabilities. These JPAs are subject to additional requirements, including that the agreement ensures no participating public agency becomes responsible for the underlying debts or liabilities of the joint powers agency, and indemnifies any participating public agency against those debts and liabilities.

## Comments

*Need for this bill.* According to the author:

California's public water systems fall into three categories: Local Agencies, Water Corporations, and Mutual Water Companies. Rising insurance costs threaten the financial stability of these utilities, making it harder to keep water rates affordable—especially for economically disadvantaged communities. To address this, the Legislature passed AB 656 (C. Garcia) in 2015, allowing mutual water companies and public agencies to form JPAs for insurance risk pooling. However, water corporations were excluded, leaving them vulnerable to skyrocketing insurance costs. These rising expenses directly impact customer rates, disproportionately affecting low-income households.

*Second time is a charm?* AB 2735 (Rubio, 2024) contained similar to provisions to AB 428. While the Legislature passed the measure, Governor Newsom vetoed the bill expressing concerns that the water corporations' participation in the JPA could transfer financial risks of decisions by for-profit entities to public entities. AB 428 seeks to address the Governor's veto by adding a requirement that a JPA with a

water corporation must be 100% reinsured with no joint and several liability, assessments, and no financial liability attributable to the participating members irrespective of whether they are public, nonprofit, or for-profit entities.

Because self-insured claims or losses within a JPA are not subject to regulation under the Insurance Code or premium taxes, the JPA can offer lower premiums and broader coverage than the private market. These cost savings will be passed on directly to ratepayers. In 2024, the Governor vetoed a similar bill, AB 2735 (Rubio), citing concerns about cost shifting. AB 428 addresses these concerns by adopting a fully reinsured risk pool model, ensuring no cost-shifting between public agencies and private utilities. Additionally, the bill eliminates joint and several liability, mitigating financial risks for the JPA. These amendments create a fair, sustainable framework that benefits all participants while helping to stabilize water rates for consumers.

*Impacts to ratepayers of water corporations.* With regards to the risks to customers of water corporations, this bill requires the CPUC to prohibit a water corporation from joining a JPA for insurance coverage if there are no greater benefits to the customers of the water corporation than are provided by the current insurance policy. Additionally, this bill requires water corporations to provide any savings to reduce rates or improve service.

*Dual referral.* This bill passed out of the Senate Local Government Committee on June 18, 2025 with a vote of 7-0.

### **Prior/Related Legislation**

AB 2735 (Rubio) of 2024, would have authorized water corporations to enter a risk-pooling for a JPA. The bill was vetoed by the Governor.

AB 2293 (Mathis, Chapter 710, Statutes of 2024) allowed nonprofits formed to provide health care services to join a joint powers authority or enter into a JPA with one or more public agencies.

AB 656 (Christina Garcia, Chapter 250, Statutes of 2015) allowed a mutual water company and a public agency to enter into a JPA for the provision of insurance and risk-pooling.

AB 1077 (Holden, Chapter 669, Statutes of 2015) made a number of changes to the Mutual Water Company Open Meeting Act, including allowing the use of teleconferencing to provide access for eligible persons to attend meetings, and specifying requirements for executive sessions.

AB 2046 (Gomez) of 2014, would have authorized a JPA to issue bonds and enter into loan agreements for the financing or refinancing of a private project located outside of the state under specified conditions, until January 1, 2021. The bill died in the Senate Appropriations Committee.

AB 240 (Rendon, Chapter 633, Statutes of 2013) increased transparency requirements for mutual water companies by enacting the Mutual Water Company Open Meeting Act.

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: No

**SUPPORT:**

California Association of Mutual Water Companies (Co-Sponsor)  
California Water Association (Co-Sponsor)  
California American Water  
California Rural Water Risk Management Authority  
California State Association of Electrical Workers  
California State Pipe Trades Council  
California Water Service  
Coalition of California Utility Employees  
Golden State Water Company  
Great Oaks Water Company  
Liberty Utilities  
San Gabriel Valley Water Company  
San Jose Water Company  
Suburban Water Systems

**OPPOSITION:**

None received

**ARGUMENTS IN SUPPORT:** California Water Association, co-sponsor of this bill, states:

AB 428 will allow an Investor-Owned Utility (IOU) to participate in a Joint Powers Authority (JPA) for pooled insurance, provided that at least one public agency is a member of the JPA. Because self-insured claims or losses within a JPA are not subject to regulation under the Insurance Code or premium taxes, the JPA can offer lower premiums and broader coverage than the private market. These cost savings will be passed on directly to ratepayers. In 2024, the Governor vetoed a similar bill, AB 2735 (Rubio), citing concerns about cost

shifting. AB 428 addresses these concerns by adopting a fully reinsured risk pool model, ensuring no cost-shifting between public agencies and private utilities. Additionally, the bill eliminates joint and several liability, mitigating financial risks for the JPA. These amendments create a fair, sustainable framework that benefits all participants while helping to stabilize water rates for consumers.

**-- END --**