

CONSUMER ACTION NEWS

Secured Credit Card Survey

Non-Profit Org.
U.S. Postage
PAID
San Francisco, CA
Permit #10402

Address Correction Requested

Consumer Action • 717 Market Street, Suite 310 • San Francisco, California 94103 • Winter 1997-1998

New survey of secured credit cards

Build a healthy credit record with a secured bank card

If you have damaged credit, a secured bank credit card may be the fastest, most effective way to re-establish yourself as a good credit risk in the eyes of new creditors. And there are plenty of secured cards to choose from.

In a new survey of secured cards conducted during October and November, Consumer Action (CA) found 21 cards with no application fees. (Most are available nationally.) Interest rates on surveyed cards ranged from 9.72% to 20.05%, and annual fees from \$18 to \$45. (The Secured Credit Card Survey is on page 3.) The last CA survey of secured cards—in 1995—listed 20 cards.

A secured card is a bank credit card backed by money that you deposit and keep in a bank account. That account serves as security for the card. If you don't pay your card bill, the money in your account may be used to cover that debt.

Most secured credit card banks pay interest on these accounts. (Interest rates paid on secured card deposits ranged from no interest to 4.6%.) Depending on the bank, the funds could be in a regular savings, money market or certificate of deposit (CD) account.

Application required

You will be required to fill out an application for a secured card, just as with any bank card. While secured cards may have more lenient standards than regular bank cards in assessing your credit history, secured card applications are not automatically approved just because you are putting down money as security.

Card companies have different requirements. All the banks CA surveyed will accept people who have no credit history—no information on file with one of the major credit bureaus. This makes secured cards a viable option for young adults just entering the

Secured Card Survey at a glance

Secured credit cards surveyed: 21

Cards that consider applicants with bankruptcy: 9

Range of interest rates: 9.72% - 20.05%

Range of annual fees: \$18 - \$45

Range of minimum deposits required: \$100 - \$500

Range of interest paid on deposits: no interest - 4.60%

job and credit markets.

Some cards are easy to get, while others have strict guidelines about income and past credit history. Some will even accept people who have had a bankruptcy as recently as six months or one year before they apply. However, the majority of secured cards require

that bankruptcies have been discharged by a court or are at least 10 years old and have been permanently removed from your credit report.

The majority of secured card issuers surveyed will also consider appli-

continued on page 2

Ready or not, Californians confront electric competition

As of the new year, many Californians will be able for the first time to choose an electric service provider. Until now, power has been provided to homes in each area by a single local utility company.

State law mandates that customers of investor-owned utilities, including Pacific Gas & Electric, San Diego Gas & Electric, Southern California Edison and others, must be able to choose other providers as of 1998. But you can stay with your present company if you want to.

According to the California Public Utilities Commission (CPUC), opening the generation of electricity to competition is being done "to lower your electricity costs."

Generation only

The electric industry is divided into three parts: generation, transmission and distribution. It is the generation of electricity that is being opened to competition in California.

You will have a choice of who will provide your power, but will continue to receive power via your current local utility. (This is similar to the way your long distance telephone company provides service through your local phone company's lines.)

You'll still call the local utility company for service problems and emer-

gency repairs, even if you decide to choose another company as your provider. No new wiring or installation will be necessary if you switch companies.

About 200 companies have registered as electric service providers (ESPs) with the CPUC. At least one of these companies is now mass marketing its services through TV commercials.

Pre-screening customers

Enron, a Long Beach-based company, is also targeting credit-worthy consumers by direct mail. (The company pre-screens consumers through a national consumer credit reporting bureau prior to making the offer, just like credit card companies do.)

State lawmakers addressed the electric deregulation issue earlier this year by passing a measure to map out the transition to a competitive market. The law not only calls for a 10% rate reduction for customers now served by Pacific Gas & Electric, San Diego Gas & Electric and Southern California Edison, but it also approves raising public funds through a bond issue to pay off huge debts owed by these same utilities. (A story about the controversial bond issue is on page 4.)

You will get this 10% automatic reduction in your electric rates for up to

Anatomy of an electric bill

After June, most Californians will see a change in their electric bills. You will begin to receive an itemized—"unbundled"—bill, so that you can see exactly how much you are paying for several types of charges.

If you choose a new company to provide your electricity, you will be given a choice of how you want to be billed.

You can have a separate bill from that company, or you can have its charges listed as part of the bill you will continue to receive from your local utility, such as Pacific Gas & Electric, San Diego Gas & Electric or Southern California Edison.

You can also ask the new provider to consolidate its charges along with the utility's on its own bill.

The charges will be broken down by category, and will probably include:

- Electricity generation.
- High voltage transmission to your local area.
- Delivery of electricity from the transmission system to your home or business.

• Funding for "public purpose" programs such as low income ratepayer assistance and weatherization assistance, research and development of new power services, and use of renewable energy sources, such as solar, hydro-electric and wind power.

• The "competitive transition charge" (CTC) to repay utilities for building generation plants and other facilities. Customers of Pacific Gas & Electric, San Diego Gas & Electric and Southern California Edison have been paying these charges as part of the cost of a kilowatt hour. They represent up to 40% of the 12¢ most Californians pay for each kilowatt hour.

• The "transition trust amount" (TTA) to repay a \$6.4 billion bond issue authorized by the state Legislature to pay off utilities' debts, including cost overruns at the state's nuclear power plants. (This also has been called the "fixed transition amount," or FTA.)

• A credit for 10% of your electricity rates, as required by the state Legislature. ■

four years, even if you choose another company to supply your electricity.

But beyond this automatic reduction, it is unclear exactly how much consumers will save after the industry

becomes competitive on Jan. 1, 1998. But even a fraction of a cent reduction in the cost of a kilowatt hour will save

continued on page 4

How to select a secured card

When shopping for a secured credit card, ask about its basic terms: the annual percentage rate, annual fee, late and cash advance fees, and whether it has a grace period—the time between when you make a purchase and when interest begins to be charged. (If you carry a balance on the card, the grace period does not apply.)

Additional questions:

- Do you accept people with bad credit, or just those with no credit?
- Can I qualify for your card if I have declared bankruptcy in the past?
- Will you report my payment history to all three major credit bureaus?
- Will potential creditors who inspect my report be able to tell that this is a secured card?
- What interest rate is paid on my deposit?
- How long must I leave funds on deposit in order to earn that interest rate?
- Will my line of credit be equal to, less than, or more than my deposit?
- How long will it take for me to become eligible for an unsecured card?

Secured cards

continued from page 1

cants who have had credit problems—although most issuers require that there be no late payments recorded on your credit report in the last six months.

People's Bank will accept *only* applicants with no credit history—not those with poor credit. Eight surveyed banks will not consider people with a past bankruptcy, and six will not accept people with federal tax liens on their credit reports.

CA has long been interested in seeing more secured card choices, because they offer a way for people to build credit and repair past problems.

When CA first examined secured cards in the 1970s, many carried very high costs. A large up-front payment—

called an "application" fee—was usually required. But CA discovered in its 1995 survey that many secured cards are now available without such fees.

"We found many cards without application fees, which was very good news for consumers," said Cher McIntyre, CA's director of advocacy. "So we dropped all the secured cards with application fees from our list. Now there's no reason to pay an application fee when applying for a secured credit card."

Secured cards usually have annual fees. On 17 of the 21 surveyed cards, these fees are \$25 or higher. (Many unsecured cards have no annual fees.)

Interest rates are high

Interest rates tend to be higher, as well. About half of the 21 cards surveyed have annual percentage rates (APRs) of 18% and higher, and the average APR is about 17%. (CA's 1997 survey of 100 unsecured bank credit cards found an average interest rate of about 15%.) Only two of the surveyed cards have interest rates of 10% or lower—Federal Savings Bank of Arizona and United Savings Bank of California—and United requires that applicants have lived in California for at least one year.

"Secured cards may be a good way to establish or re-establish credit," said McIntyre, "but they are an expensive way to pay for credit."

Secured cards should be considered only a "stepping stone," she advised. "Try to graduate to an unsecured card as soon as you can."

The survey revealed that while the majority of cards offer a credit line equal to 100% of the amount you have on deposit, three issuers offer credit lines of from one-and-one-half times (150%) to double (200%) your deposit.

Some banks will increase the card holder's credit line without additional deposits if the person has been on time with all payments for several months.

Others allow card holders to automatically increase the line of credit by simply depositing more money, while some require that a new application be filled out to increase the line of credit.

Deposits up to \$15,000

Although the typical minimum deposit is \$300-\$500, the survey found five issuers that require \$250 or less. Most banks allow deposits—and credit lines—up to a maximum of \$5,000.

American Pacific Bank allows deposits and credit lines of up to \$15,000. Orchard Bank also allows deposits of up to \$15,000, for a maximum credit line of \$17,500 if the applicant is considered credit-worthy. Citizens, Federal Savings and First Premier banks allow deposits and credit lines of up to \$10,000.

The first step in acquiring a secured credit card is to determine which issuers will consider applicants with your particular credit circumstances. Obtain a copy of your credit report from a credit bureau before applying if you think the report might contain current negative information. (See "How to

What is a credit report?

Your credit report is a record of the loans, payments and credit limits you have had over the past seven years. The information is supplied by companies that have given you credit or loaned you money.

Your credit report is important because it helps lenders decide whether to give you credit. It is sometimes used to help potential employers or landlords make decisions on whether to hire you or rent you an apartment.

Credit reporting bureaus, such as Equifax, Experian and Trans Union, compile your report. The

credit bureaus are charged with making sure that users have a legitimate purpose to access your credit report.

Your credit report also has:

- Information about you from public records, such as a bankruptcy or overdue property or income taxes. (Bankruptcy remains on your credit report for 10 years from the time it was first reported.)
- Overdue child support payments.
- The names of everyone who recently asked for a copy of your report.

Your credit report does not have:

- Information about your race, religion, political party, medical history, lifestyle, background or criminal record. ■

check your credit report" at lower left.)

Credit bureaus receive regular reports from companies that issue consumer credit, and list account information for use by other creditors. The information provided to credit bureaus includes payments made on time and late, maximum line of credit, and current balance information.

Most secured card issuers surveyed will report payment information to one or more of the major credit bureaus, helping card holders build a credit history.

Before signing up for a card, make sure that the issuer will not flag your card as a secured card in its reports to the credit bureaus. This could hinder your efforts to rebuild your credit if potential creditors who check your records are able to see that the account is secured. ■

Measure protects Californians from identity theft

Identity theft is a crime in which a crook uses personal information to take over another person's good credit, using it to buy cars, take out loans and open credit card accounts.

It is a widespread and growing problem that the credit industry estimates is costing billions of dollars annually. And for the individual whose good credit is stolen, the crime can mean years of ruined credit, red tape and frustration.

A successful bill by Assemblyman Kevin Murray (D-L.A.) puts tighter controls on information kept by credit reporting bureaus (AB 156). Slated to take effect next July, it requires that:

- People applying for credit accounts in person be required to show three pieces of identification, including a photo ID.

- Credit cards issued in response to direct mail solicitations must be sent to the same address as the offering, unless a change of address has been verified by contacting the person to whom the card is being issued.

- Credit reporting bureaus permanently block any information resulting from fraud if the victim submits a police report charging identity theft.

Point-of-sale fees

In 1996, the California Legislature required that automated teller machines (ATMs) carry electronic alerts or signs warning consumers if a fee would be charged for using the machine. The requirement is now extended to electronic point-of-sale (POS) devices used by many retailers. Since the majority of these machines do not have display screens, the statute authored by Assemblyman Wally Knox (D-L.A.) calls for a special label listing all fees to be displayed on or near the POS machine (AB 1104). ■

ABOUT CONSUMER ACTION

Consumer Action is a non-profit 501(c)(3) advocacy and education organization serving consumers since 1971. CA gives nonlegal advice to consumers, publishes surveys, distributes multilingual educational materials and participates in the legislative and regulatory processes.

CA's free switchboard provides advice and referrals on consumer problems, from 10 a.m. to 2 p.m. weekdays at (415) 777-9635 (Northern California) and (213) 624-8327 (Southern California); TTY answering machine: (415) 777-9456. Chinese, English and Spanish are spoken. Write to: Consumer Action, 717 Market St., Suite 310, San Francisco, CA 94103.

In Southern California, write to Consumer Action at 523 West Sixth St., Suite 1105, Los Angeles, CA 90014.

Staff

Executive Director:
Ken McEldowney

National Consumer Resource Center
Co-directors:

Kathy Li, Anthony Pettinato
Systems Administrator:

A.K. Curtis
Technical Staff: Ande Eklund,
Mail Room Operations:
Michael Brown

Advocacy Department
Director of Advocacy:

Cher McIntyre
Community Consumer Advocates:
Guadalupe Aguilar, Darcy Ting
Hotline Counselor:
Nelson Santiago

Healthy Children Organizing Project

Director: Neil Gendel

Associate Director:

Caroline Mitchell

Support: Malinda McCollum

Editorial Director:
Linda Sherry

(Editor, *Consumer Action News*)

Business Manager:
Michael Heffer

Receptionist/Hotline Counselor:
Barbara Sieh

Support:

Eleanor Lefferts
Eugene Lui

Jessica Manriquez

Printing:

Alonzo Printing Company
(on recycled paper
with soy-based ink)

Copyright © 1998 Consumer Action

How to check your credit report

You can get a free copy of your credit report if you have been turned down for credit, insurance, employment or a rental dwelling because of information supplied by the credit bureau within the past 60 days.

There are three large companies that supply credit reports: Equifax, Experian (formerly TRW) and Trans Union. (See below for addresses and phone numbers.) To get a copy of your credit report, you will be asked provide the credit bureau with:

- Your full name.
- Your date of birth.
- Your Social Security number.
- Your addresses for the past five years, with ZIP codes.
- Your spouse's first name, if you are married.
- Proof of your current residence.

If you have not been turned down for credit, there is a charge to see your credit report, unless you live in Colorado, Georgia, Maryland, Massachusetts or Vermont, where you are allowed at least one free copy of your credit report each year. (A yearly copy will also be free to New Jersey residents as of Jan. 31, 1998.)

Connecticut limits the charge to \$5 for the first copy ordered each year, and \$7.50 for additional copies. Maine caps the charge at \$2 per copy. Residents of all other states must pay \$8 for a copy.

Equifax
1-800-685-1111

Experian
1-888-EXPERIAN
(1-888-397-3742)

Trans Union
1-800-916-8800

Consumer Action Survey of Secured Credit Cards

APR.....Annual Percentage Rate
(Var).....Variable Interest Rate
(Fix).....Fixed Interest Rate

NOTE: Neither CA's surveys nor its interpretation of survey results may be used in advertising or for any other commercial purposes.

Definitions:

Grace Period: The number of days in which a customer can pay off a bill without being charged interest if there is no prior balance.

Annual Percentage Rate: The cost of credit, or finance charge, expressed as an annual percentage of the amount owed. To estimate the monthly finance charge, divide the APR by 12 and then multiply that figure by the balance owed.

Notes:

- a)** Survey conducted during Nov.-Dec. 1997 by N. McAdoo and G. Aguilar.
b) Deposit listed below is the minimum required.
c) Credit limit is expressed as a percentage of the deposit.

Bank/ Phone Number	Availability	Annual Fee	APR	Deposit/ Credit Limit	Additional Information on terms, fees, interest & restrictions
American Pacific Bank (800) 610-1201	Not in ME, VT, WI	\$25	17.4% (Fix)	\$400/100%	Grace period: 25 days. Cash advance fee: 3%/\$5 min. Late fee: 5%/\$10 min. Over credit limit fee: \$15. Deposit earns 2.75% interest. Bankruptcy considered, if discharged.
Bank of America (800) 242-5722	Nationwide	\$18	19.24% (Var)	\$300/100%	Grace period: 25 days. Cash advance fee: 3%/\$2 min. Late fee: \$20. Over credit limit fee: \$20. APR is Prime + 10.9%. Deposit earns 2.02% interest.
Bank of Hoven (800) 777-7735	Not in WI	\$39	19.8% (Fix)	\$300/100%	Grace period: 25 days. Cash advance fee: 3%/\$2 min. Late fee: 10%/\$15 min. Over credit limit fee: 10%/\$15 min. Deposit earns 4.6% interest. Bankruptcy considered.
Bank One (800) 544-4110	Not in NC, MA	\$25	19.9% (Fix)	\$500/100%	Grace period: 25 days. Cash advance fee: 2%/\$20 max. Late fee: \$20. Over credit limit fee: \$20. Deposit earns 4.08% interest. Bankruptcy considered if discharged. No federal tax liens.
Chase Manhattan Bank (800) 482-4273	Nationwide	\$20	17.9% (Fix)	\$300/100%	Grace period: 25 days. Cash advance fee: 2%/\$2 min. Late fee: \$18. Over credit limit fee: \$18. Deposit earns 4% interest. No bankruptcy.
Citibank (800) 743-1332	Nationwide	\$20	17.9% (Fix)	\$300/100%	Grace period: 20-25 days. Cash advance fee: 2%/\$2 min. Late fee: \$25. Over credit limit fee: \$25. Deposit earns 4.07% interest. No bankruptcy or current delinquency.
Citizens Bank (800) 438-9222	Nationwide	\$25	15.65% (Var)	\$300/100%	Grace period: 25 days. Cash advance fee: 2%/\$2 min. Late fee: \$20. Over credit limit fee: \$20. APR is Prime + 7.15%. Deposit earns 1.5% interest. No bankruptcy on credit report.
Community Bank of Parker (800) 779-8472	Not in IA, IL, ME, MI, VT, WI	\$29	15.9% (Fix)	\$300/100%	Grace period: 25 days. Cash advance fee: 2%. Late fee: \$15. No over credit limit fee. Deposit earns 1.5% interest. No bankruptcy on credit report, federal liens or excessive debt.
Federal Savings Bank (800) 285-9090	Nationwide	\$39	9.72% (Var)	\$250/100%	Grace period: 25 days. Cash advance fee: 2%/\$2 min. Late fee: \$15. Over credit limit fee: \$20. APR is Federal Discount Rate + 5%. Deposit earns 2.5% interest. No bankruptcy on credit report.
Fidelity National Bank (800) 753-2900	Nationwide	\$30	17.9% (Fix)	\$500/100%	Grace period: 25 days. Cash advance fee: 4%/\$5 min. Late fee: \$20. Over credit limit fee: \$20. Deposit earns 2.9% interest on balances of \$500-\$1,000.
First Consumers National Bank (800) 937-3795	Not in NC, VT	\$39	18.9% (Var)	\$100/100%-200%*	Grace period: 30 days. Cash advance fee: 2%/\$2.50 min. Late fee: \$20. Over credit limit fee: \$20. APR is Prime + 10.4%. Deposit earns 2.14% interest. *Credit history will be used to set credit limit on card. Bankruptcy considered if discharged. No federal tax liens.
First Premier Bank (800) 987-5521	Not in WI	\$45	18.9% (Fix)	\$400/100%	Grace period: 25 days. Cash advance fee: 3%/\$2 min. Late fee: \$20. Over credit limit fee: \$20. Deposit earns 2.5% interest. Bankruptcy considered if discharged.
Key Bank & Trust (800) 539-5398	Nationwide	\$35	19.4% (Fix)	\$350/150%	Grace period: 25-31 days. Cash advance fee: \$2. Late fee: \$20. Over credit limit fee: \$20. Deposit earns 2% interest on balances of more than \$750. Bankruptcy considered if discharged. No federal liens or excessive debt.
Marine Midland Bank (800) 850-3144	Nationwide	\$35	19.8% (Fix)	\$300/100%	Grace period: 25 days. Cash advance fee: 2%/\$1 min./\$10 max. Late fee: \$20. Over credit limit fee: \$20 if balance is 5% over limit. Deposit earns 2.25% interest.
Orchard Bank (800) 688-6830	Not in WI	\$35	18.9% (Var)	\$200/100%-200%	Grace period: 30 days. Cash advance fee: 3%/\$3 min. Late fee: 5% of payment due/\$10 min. Over credit limit fee: \$18. APR is Prime + 9.9%. Deposit earns 2% interest. Accounts in good standing are eligible for unsecured status in 8 months. Bankruptcy considered if discharged.
People's Bank (800) 426-1114	Nationwide	\$25	16.9% (Fix)	\$500/100%	Grace period: 25 days. Cash advance fee: \$3. Late fee: \$20. Over credit limit fee: \$15. Deposit earns 2.25% interest. No bankruptcy, bad credit or tax liens.
Union Bank (800) 542-6034	CA, OR, WA only	\$25	18.8% (Var)	\$350/100%	Grace period: 25 days. Cash advance fee: 3%/\$3 min. Late fee: 5% of payment due/\$5 min. Over credit limit fee: \$15. APR is Prime + 10.3%. Deposit earns 2% interest. No bankruptcy or delinquency in 12 months prior to application.
Union Planters Bank (800) 582-6231	Nationwide	\$35	18.9% (Fix)	\$500/100%	Grace period: 25 days. Cash advance fee: 2%/\$2 min./\$20 max. Late fee: \$20. Over credit limit fee: \$20. APR is Prime + 10.4%. Deposit earns 1.7% interest.
United Bank of Philadelphia (800) 255-3807	Nationwide	\$35	19.4% (Fix)	\$200/150%	No grace period. Cash advance fee: 2%/\$2 min. Late fee: \$15. Over credit limit fee: \$15. Deposit earns 2% interest on balances of more than \$750. Bankruptcy considered if discharged.
United Savings Bank (415) 929-6084	CA only	\$18	10% (Fix)	\$500/100%	Grace period: 23 days. Cash advance fee: 3%/\$3 min. Late fee: \$7. Over credit limit fee: \$7. Deposit earns 2.15% interest. Restrictions: Must have lived 1 year in CA, been at current job 6 months, and no bankruptcy or late payments.
Wells Fargo Bank (800) 642-4720	Nationwide	\$35	20.05% (Var)	\$500/100%	No grace period. Cash advance fee: 4%/\$3 min. Late fee: \$25. Over credit limit fee: \$25. APR is Prime + 11.55%. Deposit earns 2.2% interest. No bankruptcy in last 12 months or "unsettled liens."

Competition

continued from page 1

you money.

(Nationwide, typical household use is about 836 kilowatt hours of electricity per month, although this figure varies by region and season. The national average for the cost of a kilowatt hour is 8¢, while customers of investor-owned utilities in California pay 12¢-13¢ per kilowatt hour, depending on usage and where they live. About 25%-35% of this amount is for the generation of electricity, according to the CPUC.)

While 200 companies seems like a lot, most electric service providers won't serve individual residential customers. Some are wholesale marketers who gather many retail customers for the purpose of bulk purchases, and some are power brokers who arrange bulk electricity deals for large buyers.

Rate cuts and other incentives

New companies entering the market will probably undercut the local utility company's prices and may also offer other incentives to get you to switch, such as free power for a limited time.

It is expected that consumers and businesses who buy electricity in bulk will save even more. The collective buying power of a group—such as a church, housing development, club, school, or neighborhood—can make it easier to negotiate a better rate.

As with long distance phone service, it is illegal for electricity companies to switch customers of another utility without authorization. This illegal practice is called "slamming"—the same term used when someone takes over your long distance phone service without your permission.

Slamming may become as extensive with electricity deregulation as it has proven to be with the deregulation of long distance carriers. You will probably receive calls from telemarketers and direct mail solicitations trying to sell you power.

Read the fine print

Your best defense is to read everything carefully, especially offers of "free" services and contests. By signing such documents, you may inadvertently authorize your account to be switched to another provider, and get hit with a fee for switching in the process.

New providers may try and talk you into a long-term contract. Because of the rapid changes the industry is expected to go through, it's not a good idea to lock yourself into a contract of more than a year's duration. You also have the right to cancel any contract within three days if you change your mind.

"Have them put everything in writing and send it to you," recommends Tom Farkas, residential energy expert for the Edison Electric Institute.

The new companies are required to give you kilowatt-hour based pricing, but it will reflect only the cost of generating a kilowatt hour of electricity. Beginning in mid-1998, you will receive an itemized bill from the local utility company that will break down your charges individually. (See "Anatomy of an Electric Bill" on page 1.)

Is your supplier registered?

When choosing a supplier, ask if it is registered with the CPUC. The commission's rules require providers to clearly disclose prices and terms so that consumers can effectively compare the services of different companies. Power companies are prohibited from charging hidden fees. All fees, such as for switching your service, must be clearly disclosed.

If you decide to go with a new company, it will fill out a "direct access service request" on your behalf. As a consumer protection, these switches must be verified by an independent third party.

If you are a victim of abusive marketing practices

Electric rate cut of 10% is no bargain

Most Californians will see their electric rates drop about 10% in 1998. But this decrease—related to the sale of bonds to pay off debts of the state's three largest utilities—may be deceptive and short-lived.

Ratepayers in territories served by Pacific Gas & Electric, Southern California Edison and San Diego Gas & Electric now pay a "competitive transition charge" (CTC) as part of the overall cost of a kilowatt hour.

According to Nicolette Toussaint, media director for the consumer group TURN (The Utility Reform Network), these hidden surcharges account for about 40% of the energy costs of customers of investor-owned utilities. These surcharges to help the utilities pay off "uneconomic investments" were authorized by the California Public Utilities Commission (CPUC).

Last summer, state legislators authorized at least \$6.4 billion worth of bonds to be sold and the money used to pay off the utilities' debts up-front. Because ratepayers will pay a low interest rate for the bonds, an initial savings of 10 percent is expected. But the rate break is only guaranteed for about four years, while the indebtedness will last 10 years.

Savings canceled?

TURN estimates that the average customer will get \$6 off monthly bills next year, but will pay \$7 more in surcharges to fund the rate reduction.

The bond issue surcharge—the "transition trust amount" or TTA—will be added to all bills

after the first of the year. The surcharge is to be paid by all ratepayers in territories served by investor-owned utilities, regardless of whether their power comes from the old utility or a new supplier.

The new TTA surcharge includes not only costs of the transition to a competitive market, but also debts attributable to unprofitable business decisions by utilities and cost overruns at California nuclear power plants. In the deregulation of other industries, such transition costs were generally borne by shareholders, not ratepayers.

The rate break is only guaranteed for about four years, while the indebtedness will last 10 years.

Ballot initiative sought

TURN and another California consumer group have filed a ballot initiative to stop utilities from forcing consumers to foot the bill for their debts and to reduce electric rates by 20%. TURN has joined forces in the effort with Californians Against Utility Taxes (CUT), a new group organized by Harvey Rosenfield, the attorney responsible for the Proposition 103 auto insurance rollback measure.

They are now collecting signatures to qualify the initiative for the November 1998 ballot. If passed by voters, the rate reduction would take effect in January 1999 and double the 10% rate reduction slated for the new year.

TURN also filed an appeal on Nov. 24 with the state Supreme Court, seeking to overturn the CPUC's approval of the bond issue, but its petition was denied by the court on Dec. 4. ■

How green is 'green' power?

One kind of electricity is the same as another kind, right? Not necessarily—especially if it's important to you to use power from "renewable" energy sources, such as solar power, wind or water. Power produced in these ways is often labeled "green power."

You may prefer renewable energy to "brown" power produced by burning fossil fuels such as coal or gas, or power produced at a nuclear power plant.

You are sure to see ads and promotions for "green power." Marketers are aware that many consumers prefer environmentally-sound products, and are willing to pay more for them.

According to Nicolette Toussaint of The Utility

Rate Network (TURN), the local utility companies are required to generate some electricity using renewable sources, and all California consumers pay a surcharge to help them do it.

"For now, you're going to get green power all mixed in with brown power," she said. "Buying electricity from renewable sources is really like going on faith for the future—hopefully we'll be creating a long-term demand."

There are currently no standards for labeling green power. There is not even a consensus on how the term should be defined. While many people consider hydro-electric power to be green, dams are often criticized for ruining the environment.

For now, you have your own judgment to help you decide if you are really getting power that is produced in environmentally friendly ways. "You could end up just paying more for brown electricity," cautioned Toussaint. ■

by a electric services provider, call the CPUC's Consumer Affairs Branch at 1-800-649-7570 to find out how to complain.

Low income assistance programs

If you are eligible for the California Alternate Rates for Energy (CARE) program, which gives low income customers a 15% discount from the electricity and gas rates other consumers pay, you should continue to receive this discount on your electricity even if you switch to another electric service provider.

The low income assistance programs will be funded through a "public goods charge" that will be paid by all utility customers, whether they continue to buy electricity from their current utility or one of its competitors.

The CPUC has established the Electric Education Call Center to answer questions about competition. The center also distributes multilingual consumer education materials on deregulation. It can be reached at 1-800-253-0500. ■

JOIN CONSUMER ACTION NOW!

Consumer Action depends on the financial support of individuals. CA members receive a subscription to CA News. New members also receive *How to Complain*. In addition, members have the satisfaction of supporting our advocacy efforts in California and nationally, a free hotline and the distribution of more than one million free educational brochures a year.

- ___ \$25, Regular Membership.
- ___ \$35, Regular Membership (first class mailing).
- ___ \$15, Senior or Student Membership.
- ___ \$10, Low Income Membership.
- ___ \$50, Corporate Subscription (first class mailing, and all CA press releases).
- \$ ___ Donation to CA's Publication's Fund, supporting the free distribution of CA materials to consumers.

Name _____

Address _____

City _____ State _____ ZIP _____

Return to: Consumer Action, 717 Market St., Suite 310, San Francisco, CA 94103. Donations to CA are tax-deductible.