



THE California Consumer

SUMMER 2015

THE NEWSLETTER OF THE CONSUMER FEDERATION OF CALIFORNIA



Toxic Chemicals In Children's Products?

CFC sponsored SB 763 (Leno) to give parents the right to know whether the products they surround their children with are loaded with flame-retardant chemicals that are both ineffective and dangerous. Already OK'd in the Senate, the bill is now in the Assembly.

SB 660 Would End Backroom Deals That Rob Utility Ratepayers

Consumer Federation of California (CFC) supports Senate Bill 660 (Leno-Hueso), a long-overdue reform that would put a stop to the scandalous record of backroom deal-making between the California Public Utilities Commission (CPUC) and the utilities it regulates.

The Senate approved SB 660 June 2, with all Democrats voting Aye and Republicans Joel Anderson (Alpine), Anthony Cannella (Ceres) and John M.W. Moorlach (Irvine) joining them. Now in the Assembly, the measure seeks to rein in the power of an imperial CPUC presidency, establish rules to disqualify commissioners from participating in proceedings where they have a real or perceived bias, and strengthen reporting of private meetings ("ex parte" communications) between utility lobbyists and key CPUC decision-makers.

By any measure, the CPUC is a mess:

- The U.S. Department of Justice and California Attorney General have opened criminal investigations of the agency. State investigators raided offices of CPUC and Southern California Edison in June, seeking information on an agreement to decommission the closed San Onofre nuclear plant, with ratepayers shouldering \$3.3 billion of the costs compared to the utilities' \$1.4 billion share. Arrangements were negotiated on the sly a half a world away by a jet-setting CPUC President and an executive of Southern California Edison.
- Investigators had previously raided the homes of former CPUC President Michael Peevey and a former Pacific Gas & Electric Co. (PG&E) executive in February, seizing computers and other materials reportedly tied to years of what a search warrant

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2015 LEGISLATIVE SUMMARY

Here's a partial list of key bills Consumer Federation of California (CFC) is working on this session. Find updated information and resources on all these bills at bit.ly/CFCsummerupdate

Co-Sponsored Bill OK'd in Senate

SB 763 (Leno) would require labels on certain children's products disclosing whether a product contains toxic but ineffective flame-retardant chemicals. See photo and caption at left.

Other CFC-Backed Bills Moving On

These other CFC-supported bills were also approved in their house of origin:

SB 3 (Leno, D-San Francisco) raising the state's minimum wage to \$11 per hour in 2016 and \$13 in July 2017, with automatic adjustments beginning in 2019.

SB 178 (Leno, D-San Francisco) requiring search warrants for police to obtain information from smartphones and other electronic devices.

SB 501 (Wieckowski, D-Fremont) restricting the amount of disposable earnings of low- or moderate-income earners subject to garnishment for debt.

AB 265: (Holden, D-Pasadena) restricting "buy-here-pay-here" car dealers from immobilizing a vehicle when a buyer is behind on payments.

Bad Bills CFC Helped Defeat

SB 26 (Hernandez, D-Azusa) would have declared legislative intent to establish a California Health Care Cost and Quality Database. Held in Senate Appropriations Committee. CFC sought enhanced patient privacy protections.

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called “ex parte communications, judge-shopping, bribery, obstruction of justice or due administration of laws, favors or preferential treatment,” including efforts to cut a deal over a \$1.3 billion rate-setting case.

- Some 65,000 emails, released under court order, document a pattern of pettiness, collusion and possible criminal activity between CPUC and PG&E over a five-year period. Among the concerns is evidence of “judge-shopping” to ensure that regulatory cases go to administra-

tive law judges who are sympathetic to utility interests.

The required email release is tied to the fatal explosion of a PG&E natural gas pipeline in the Bay Area community of San Bruno in 2010 and its aftermath. As an Office of Legislative Counsel analysis of SB 660 noted:

“Eight people died, dozens were injured, 38 houses were destroyed and many more were damaged. The investigations by the National Transportation Safety Board (NTSB) and an independent review panel appointed by the

CPUC found that PG&E mismanaged their pipeline over decades, failed to adequately test the strength of the pipeline and, more generally, valued profits over safety. These same investigations also noted the CPUC’s inadequate oversight of PG&E.”

Find updated information and more resources – including a link to tell your Assembly Member to vote for SB 660 – at <http://bit.ly/CPUCreform>

CFC Defeats Business Bid To Secretly Record Calls

Secret phone recording remains a crime under California law thanks to the hard work of a broad coalition of consumer, privacy, labor and other groups to defeat Assembly Bill 925 (Low).

AB 925 would have allowed businesses to secretly record consumer calls involving cell or cordless phones. But CFC and its allies argued that a consumer is entitled to know whether a call may be recorded before divulging any information.

It’s easy enough to comply with existing law, and nearly all businesses do. The familiar pre-recorded statement that “this call may be recorded” is all it takes. A consumer hearing the message can hang up, or consent by continuing the call.

As a unanimous California Supreme Court recognized, secret recording would give a business an ace up its sleeve, one that it plays only when it’s to its own advantage.

“Companies may utilize such undisclosed recording to further their economic interests – perhaps in selectively disclosing recordings when disclosure serves the company’s interest, but not volunteering the recordings’ existence (or quickly destroying them) when they would be detri-

mental to the company,” the court decided in *Kearney v. Salomon Smith Barney, Inc.* (2006) 39 Cal. 4th 95 at 124-25.

Debt collectors, credit card issuers, Las Vegas casinos and many other businesses have been held accountable in court under California law for making secret phone recordings. In one case, an out-of-state insurer secretly recorded its calls with the wife of a California retail store employee who complained about coverage for a medical procedure, and played the calls back to the worker’s boss, getting him in trouble on the job.

The Assembly Privacy and Consumer Protection Committee approved AB 925 after adopting amendments reducing the duration of the secret calls. The 25-member coalition that CFC organized then persuaded the Assembly Appropriations Committee to defeat the bill.



2015 LEGISLATIVE SUMMARY

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AB 287 (Gordon, D-Menlo Park) would have immunized used-car dealers for selling unrepaired vehicles that are under a factory recall.

AB 739 (Irwin, D-Thousand Oaks) encouraged communication of data breach and cybersecurity threat information, but it also would have provided sweeping immunity provisions for private-sector data breaches.

CFC-Backed Bills Defeated

SB 648 (Mendoza) improving seniors’ assisted-care referrals: CFC sponsored this bill to require registration of private agencies that refer seniors to residential care facilities for the elderly, which provide assistance with such daily living activities as meals, bathing and grooming; it would also have required disclosure of payments the referral agency receives from assisted-living facilities.

AB 886 (Chau) limiting the personally identifiable passenger information that Uber and other ride-summoning services can collect or share. CFC sponsored AB 886.

Lawmakers return from Summer Recess Aug. 17. The last day for final passage of any bill is Sept. 11. The Governor has 12 days after receipt of a bill to sign or veto it, or 30 days in the case of bills approved at the end of the legislative session.

CFC Honors Consumer Advocates

Consumer Federation of California (CFC) hosted its annual Legislative Reception in April to honor the work of some of the state's most influential consumer rights champions. In the photo at right, Senate President pro Tem Kevin de León (D-Los Angeles), shows his enthusiastic appreciation as CFC Executive Director Richard Holober presents him with his Legislator Of The Year award. Other recipients included:

Assembly Member Richard Bloom (D-Santa Monica), who carried AB 2667, the 2014 CFC-sponsored bill that increased consumer privacy protections for rent-to-own computers.

State Senator Holly Mitchell (D-Los Angeles) for carrying CFC-sponsored SB 1256, the 2014 CFC-sponsored bill

that cracks down on medical loans for procedures not covered by insurance.

Now-retired ACLU Legislative Advocate Valerie Small-Navarro, who received CFC's Albin Gruhn Consumer Warrior Award.

Frank Fox, a Los Angeles-area attorney who received CFC's 2015 Consumer Champion award for his work on behalf of seniors, students at private for-profit colleges, and customers of rent-to-own stores.



Consumerist.com, an independent source of consumer news and information published by a subsidiary of Consumer Reports, recognized as CFC's Consumer Journalist of the Year.

CFC Advocates On Privacy & Safety In CPUC Rulemaking Procedures

Since 2006, Consumer Federation of California (CFC) has intervened in regulatory procedures of the California Public Utilities Commission (CPUC). Our efforts there are illustrated by these recent developments.

Biomethane, a gas emitted in the decay of waste materials, is a naturally occurring renewable fuel that can help diversify energy sources. It could be added to the energy grid via natural gas transmission pipelines, but the prospect raises questions about safety, air quality, costs and other concerns. CFC participated in CPUC's rulemaking process that resulted in the creation of biogas cleaning standards and rules for safe injection into pipelines.

"CFC asserted the need for safe connections and clean gas, and that costs of testing or implementation should not be passed onto ratepayers but instead be borne by biomethane producers that distribute their product through utility pipeline interconnections," CFC Regulatory Attorney Nicole Johnson said.

On another energy front, the development of so-called "smart meters" to measure an individual ratepayer's energy usage is paralleled at a larger level by development of a "smart grid" throughout a utility system, which can help foster efficiency and conservation in electricity distribution. But the technology can also be abused.

"CFC supported the implementation of data privacy rules. Energy data contains a great deal of information on consumers' daily lives. Access to that data by third parties can reveal personal habits and routines that could be exploited for marketing purposes or hacked by criminals," Johnson said. "Reverse engineering can reveal when you do things, where you were at a given moment, how often you perform certain tasks, and when you are away from your home. A person's life is 'mappable' at the push of a button with the right data access. Limiting that access is CFC's goal."

As a result of the rulemaking process, the CPUC adopted strong privacy protections strictly limiting access to utility customer electrical consumption data.

CFC Complaint Against GEICO For Insurance, Civil Rights Violations Before Department Of Insurance

The California Department of Insurance (CDI) has invoked a conciliation process following receipt of CFC's petition seeking enforcement against GEICO for alleged violations of California insurance and civil rights laws.

CFC filed a petition with the Department of Insurance in February following our extensive testing of GEICO's widely advertised online rate quote program.

CFC alleges that GEICO discriminates against women and unmarried drivers who are also not college graduates, employed as professionals or executives, and who are not currently insured by falsely quoting as its "Lowest Limits" coverages that are as much as 1000% higher than the state's mandated minimum coverages for good drivers. CFC alleges that these practices violate the Unruh Civil

Rights Act and voter-approved rate regulation under Proposition 103.

GEICO is the nation's second-largest auto insurer, with one million auto policyholders in California who pay over a billion dollars per year for their coverage. Discussions among CDI, CFC and GEICO are underway in an effort to resolve the complaint.

ABOUT US

The Consumer Federation of California (CFC) is a non-profit advocacy organization. Since 1960, CFC has been a powerful voice for consumer rights, campaigning for state and federal laws that place consumer protection ahead of corporate profit. Each year, CFC testifies before the California legislature on dozens of bills that affect millions of our state's consumers and appears before state agencies in support of consumer regulations.

Contributions are not tax deductible.



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Financial Relief For Victims Of Private, For-Profit College Closure

Consumer Federation of California (CFC) supports Assembly Bill 573 (Medina-McCarty), which offers much-needed relief to some 13,000 California students left in debt and with little to show for their hard work when private, for-profit colleges shut down – typically due to poor graduation and job placement rates and questionable business practices.

One of the biggest, Orange County-based Corinthian Colleges Inc., had operated nearly two dozen Heald College, Everest College and Wyoming Technical Institute (Wyotech) campuses around the state. Corinthian abruptly shuttered its 24 California campuses and six more elsewhere in the U.S. last April following a series of state and federal enforcement actions. It's a symptom of a larger issue: for-profit schools that exploit students for their federally guaranteed student loans and other financial assistance, often without providing a quality education that will lead to rewarding careers.

“Students who were enrolled in these campuses at or near the point of closure have had their dreams dashed, unable to complete the programs they borrowed loans to attend. In many cases, given widespread concerns about the quality of Corinthian-owned institutions, the credits earned at the closed schools will not transfer to more reputable colleges.”

“Students who were enrolled in these campuses at or near the point of closure have had their dreams dashed, unable to complete the programs they borrowed loans to attend,” states a letter of support for AB 573 from a dozen organizations including CFC. “In many cases, given widespread concerns about the quality of Corinthian-owned institutions, the credits earned at the closed schools will not transfer to more reputable colleges.”

AB 573 would give all former Corinthian students access to legal, financial and academic counseling to help them deal with the bureaucratic obstacles they face, such as retrieving their Corinthian

student records and obtaining affidavits to qualify for assistance from the State Tuition Recovery Fund. AB 573 would also authorize outreach efforts to identify eligible students, and it would facilitate and encourage the transfer of academic credits earned at Corinthian Colleges to the California Community Colleges system.

An urgency measure requiring two-thirds approval in the Legislature, AB 573 has already been passed unanimously in the Assembly and two Senate committees; it's now in the Senate Appropriations Committee. It will take effect immediately if it reaches Governor Jerry Brown's desk and he signs it.