



Residential Consumer Guide to Solar Power

February 2016



Introduction

Deployment of solar energy systems in the U.S. has grown rapidly over the past decade. Costs have dropped, and new ownership and financing models allow more Americans than ever to choose solar. Solar is now available as a power choice in all fifty states. Going solar is a significant decision, similar in scope to getting a car. You should understand the basics of solar energy, your options to go solar, and what questions to ask solar professionals. You are more likely to be satisfied if you are an informed consumer.

How Solar Works

Today, most residential solar systems are photovoltaic ("PV") systems. PV systems generate electricity through two main components:

- Panels (or modules) that convert sunlight to electricity; and
- Inverter(s) that convert(s) direct current (DC) to alternating current (AC) for use in your home

Generating Electricity

The amount of electricity (measured in kilowatt-hours, or kWh) produced by any solar system depends on two factors:

- The power rating of the system (measured in kilowatts, or kW); and
- The amount of sunlight that the system receives. Calculating the amount of sunlight a solar system receives depends on several factors:
 - The location of your home (for example, homes in Phoenix receive more sunlight on average than Seattle)
 - The orientation of the planned system (the roof angle/pitch, and compass direction impact how much of the sunlight in your area hits the panels)
 - Shading from nearby objects (such as chimneys, trees or neighboring buildings)

Your Ownership Options

Today, Americans have ownership options for solar similar to those for cars. It's important to understand the differences and choose the one that's right for you. The main options available today are listed and explained below:

- Purchase a system with cash or a loan and own both the system and all the power it produces
- Lease a system and own only the power it produces home
- Enter a "power purchase agreement" (PPA) to buy power from a system owned by a solar company at an agreed-upon rate

PURCHASE

Like buying a car, you can purchase a solar system outright with cash or with a loan. When you buy the solar system, you are the owner and benefit from all electricity the system produces. You are usually responsible for system upkeep, although some providers offer maintenance services on purchased systems. In most jurisdictions, you also are the beneficiary of any tax credits or other incentives that promote solar energy.

LEASE

You can lease a solar system for a certain period of time. The solar company owns the system and leases it to you to use it and benefit from the electricity it produces. The solar company is responsible for upkeep. You make monthly payments to the solar company at the agreed upon rate specified in the lease for use of the system. Some solar companies will allow you to lease with no initial costs ("no money down"). Some companies also give you an option to purchase the system after a certain amount of time.

POWER PURCHASE AGREEMENTS (PPA)

Some consumers prefer just to pay for the electricity generated from the system rather than entering into a lease for the system itself. In a power purchase agreement, you agree (i) to allow the solar company to install and own a solar system on your property, and (ii) to purchase the electricity produced by that system for a set rate and agreed-upon terms specified in a contract. Some companies give you an option to purchase the system after a certain amount of time.

Moving Forward

When evaluating your options to go solar, you should always do your homework, talk to friends and neighbors who have chosen solar, use common sense, and be active and engaged in dealing with solar companies. Below are some suggestions on how to become an informed consumer.

KNOW YOUR SITUATION

- *Know your electricity usage.* You should understand how much electricity your home uses. Your utility bill will show your electricity usage in kilowatt-hours (kWh) and the amount you pay for that electricity. Are you planning any changes that will affect your electricity use (such as buying an electric vehicle, planning an addition to your home, or improving your home's energy efficiency)? Discuss your usage with the solar companies you interview to get a system sized for your needs.
- *Know your roof.* Is your roof appropriate for solar? Look at its physical features and discuss with a solar professional. A solar professional can calculate the amount of sunlight expected to reach a planned system over the course of a year. Does it receive a good amount of sunlight or is it mostly shaded? What about the age of the roof? If you plan on replacing it soon, you may want to replace it prior to a rooftop solar installation. In America, roofs facing due north are not good candidates for solar because they don't receive direct sunlight.
- *Know your finances.* Like any major decision for your home, it's wise to understand your finances when shopping for solar systems. Although sunlight is free, buying or leasing solar systems, or paying for electricity under a PPA, are not.

DO YOUR HOMEWORK

- *Get the best deal.* As with any major purchase, make sure to get multiple bids for your solar system. Many Americans will find the market quite competitive, with multiple solar companies competing for your business. Use this guide and other resources, and compare costs and terms from different firms.
- *Research your solar company.* Before entering an agreement with a solar company, do your homework. Ask for references of solar installations in your area and call them. Ask for proof of licensure, and check with your county or state to ensure the firm is in good standing. Ask if they are a member of the Solar Energy Industries Association (SEIA), the national trade association for



solar that requires all its members to abide by a Code of Ethics. You can also check with the local Better Business Bureau and other consumer guides.

- *Understand any tax credits or other incentives.* There is a 30 percent federal tax credit available through 2019, on the total cost of the solar system, but only if you own the system. (The federal credit drops to 26 percent for 2020, and 22 percent for 2021) Other state and local incentives may be available, as well as programs from your local utility. Many can be found on the Database of State Incentives for Renewable Energy (see *Additional Resources*, below).
- *Understand any potential tax implications of credits or incentives.* Remember, only a CPA can give tax advice and only an attorney can give legal advice. When consulting such professionals, choose ones who are experienced with solar.
- *Understand Renewable Energy Certificates (RECs).* RECs or “Green Tags” are tradeable tags representing the renewable qualities of the electricity your solar system generates. RECs were created to encourage and expand the overall growth of renewable energy. In some states, if you own RECs, you can claim you use “green” or “solar” power. Selling or transferring your RECs can help lower the cost of your system, but you may lose the ability to make “green” or similar claims when marketing your home. It’s a complicated topic and solar companies should explain RECs and REC ownership to you if they apply in your state.

UNDERSTAND THE AGREEMENT

- *Understand the terms.* Contracts are legally binding and should be read carefully. Make sure you understand what you are receiving from the solar company and how much you are paying for it. Remember: make sure terms that are important to you are included in the official signed contract documents.
- *Don’t hesitate to ask questions.* The best transactions are ones where the consumer and the contractor both fully understand the deal. Asking questions upfront can avoid misunderstandings later in the process. Below are some of the top questions that consumers ask when entering into a solar transaction.
- *Separate estimates from guarantees.* Many Americans can save money by choosing solar, but savings depend on the cost of the electricity from your solar system compared to cost of electricity from your utility. If a solar company promises savings, or states that electricity costs from your utility will increase in the future by a certain amount, ask them to explain. According to the U.S. Department of Energy, national residential electricity rates increased on average by 3.4 percent annually between 2004 and 2014. Rates in your area may have increased more or less, and may increase more or less going forward. Check with your utility or State utility regulatory office for any planned increases.
- *Fully understand warranties.* Like any other major residential product or service, a solar system typically includes warranties covering parts and labor. There may be separate warranties for major system components, as well as how the system interacts with your roof and its warranty. Ask your solar company to explain what your warranties protect, for how long, and who stands behind them.

Key Questions to Ask Before Entering into an Agreement

For all solar systems:

- What is the total cost of the solar system?
- What is your timeline for this investment? Do you want a short term arrangement or a long-term asset?
- How much do I pay up front, and how much over time, for how long?
- What is the system size?
- How much electricity will the system generate each year? Do you guarantee a minimum amount (a production guarantee)?
- Do system output calculations consider actual installation details of the system?
- Can I expect to save money with this system? If so, how much? Based on what assumptions?
- Is the installation company licensed and insured?
- What will the system look like once installed? Will I receive a system design for my review and approval before installation?
- Will I be required to make any changes to my home (e.g., roofing upgrades)?
- Are there separate warranties for parts and labor?
- What do the warranties cover and what are their durations?
- What type of maintenance or cleaning is required? Are any maintenance services included?
- Who should I contact if I have a question about the system following the installation?
- In many states, laws prevent homeowner associations (HOAs) from restricting rights to install a solar system. What are the rules in my state and can you help me work with my HOA?
- Does your company follow the SEIA Solar Business Code? Do you agree to abide by SEIA's Complaint Resolution Process?

For leases and PPAs only:

- Do you use the *SEIA Residential Lease Disclosure Form*?
- What is the length of the lease or PPA?
- Who receives solar tax incentives and how are they factored into the cost?
- Will my payments increase over time? How does the rate of increase compare to the expected/historic utility rate increases?
- What happens if I wish to end the lease or PPA early?
- Can I purchase the system, either during the agreement or once it ends?
- What are my options when I sell my home?
- Am I free to sell my home or do I need the system owner's permission?
- Are there fees to transfer the PPA or lease agreement to the new homeowner?
- Do I have to pay off the lease when my home is sold?
- Who is responsible for repairs and maintenance on the system?
- Do RECs apply to my transaction? If so, can you explain how RECs work in my situation?
- If I want to sell my home and don't own the RECs, how can I describe my home to potential buyers?



Working Out Differences

As with any other service or product, consumers may encounter issues in dealing with a solar company. In general, solar companies want satisfied customers and are willing to resolve any problems that arise. SEIA and the solar industry are strongly committed to consumer satisfaction and protection.

- First, try to resolve problems directly with your solar company.
- Your contract or lease may have a dispute resolution section and process.
- If you choose a SEIA solar company to work with, SEIA may be able to assist you in resolving your issue.
- If you are still having issues, note that SEIA member companies are bound by the *SEIA Solar Business Code*. If you believe a company has violated the *SEIA Solar Business Code*, you may submit a complaint to SEIA, which can help resolve certain issues.
- You can contact private consumer organizations (e.g., your local Better Business Bureau) about your issue.
- In addition, state and local governments have resources to promote consumer protection. See below for more information.

Additional Resources

- SEIA Consumer Protection Portal – www.seia.org/consumers
- Official SEIA State Chapters – www.seia.org/about/seia/official-state-chapters
- Better Business Bureau (BBB) – www.bbb.org
- Database of State Incentives for Renewable Energy (DSIRE) – www.dsireusa.org
- Interstate Renewable Energy Council – www.irecusa.org
- National Renewable Energy Laboratory (NREL) – www.nrel.gov
- U.S. Department of Energy (DOE) – www.energy.gov
- Your state or local consumer agency – www.usa.gov/directory/stateconsumer/
- Your state attorney general – www.naag.org

Email SEIA with any questions at consumer@seia.org



New Protection Tools for Solar Customers

**NARUC Winter Meetings
February 14, 2016**

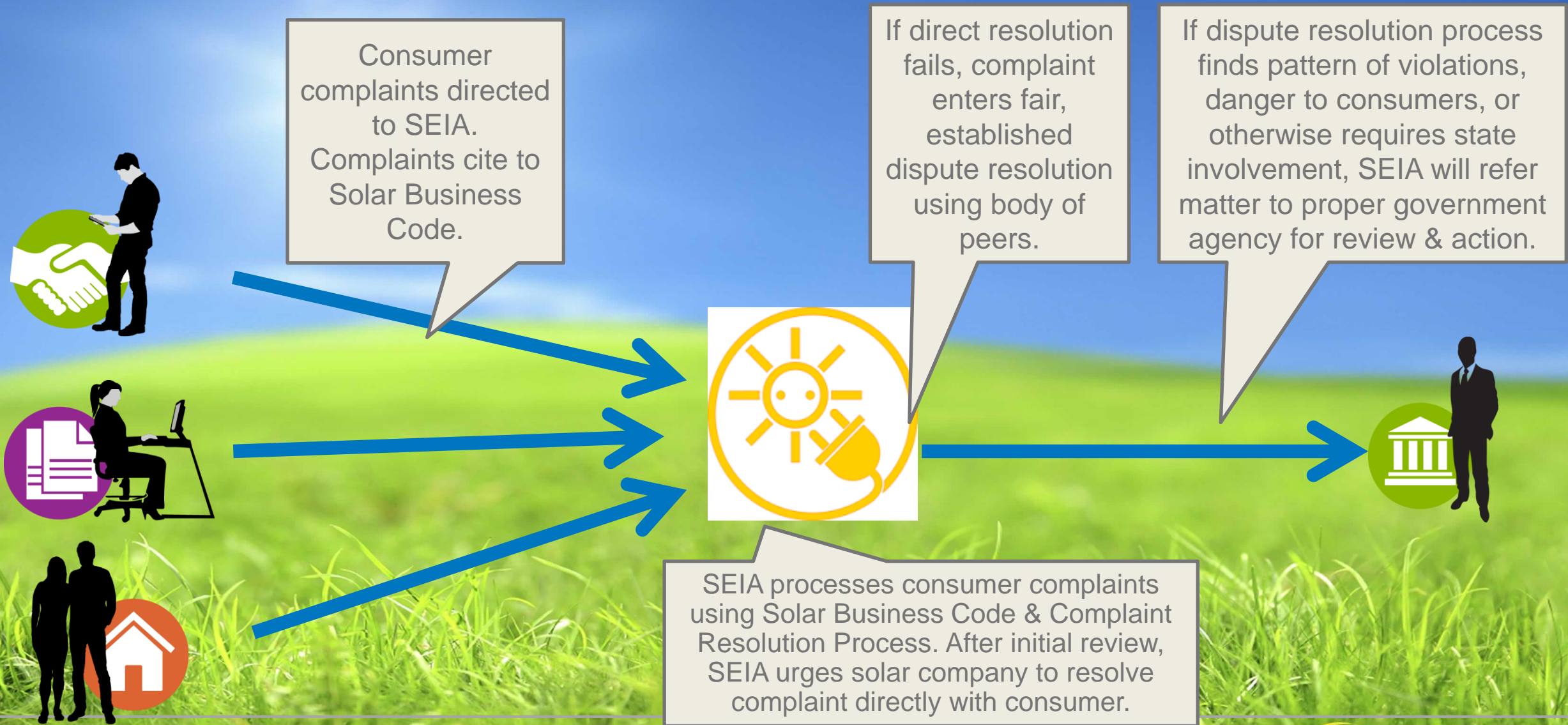
Existing Solar Industry Regulations

Finance	Construction/ Electrical	Technology	Manufacturing
<p>Solar Finance companies are regulated by federal and state finance laws the govern leasing or loans. Also you have specific city laws for in home sales.</p>	<p>Companies that install the solar systems are governed by the state contractors licensing board as well as state electrical boards rules and guidelines.</p>	<p>Solar technology company that design the systems, create applications that allow for customer to monitor energy production are required to abide by privacy and other laws like all other technology companies.</p>	<p>For solar panel manufactures they are subject to US manufacturing regulations:</p>

Existing Solar Industry Regulators

Finance	Construction/ Electrical	Technology	Manufacturing
<ul style="list-style-type: none">• CFPB• Federal Trade Commission• Federal Communications Commission• State Attorney Generals• State Lender Regulators	<ul style="list-style-type: none">• State contractor licensing boards• Local Municipalities Licensing/Permit• State Engineering Licensing Boards• Occupational Safety and Health Administration	<ul style="list-style-type: none">• Federal Trade Commission• Federal Communications Commission• State Attorney Generals	<ul style="list-style-type: none">• Federal Trade Commission• State Attorney Generals• National Electrical Code• Underwriters Laboratories

Consumer Complaint Process



SEIA Consumer Protection Committee

Goal

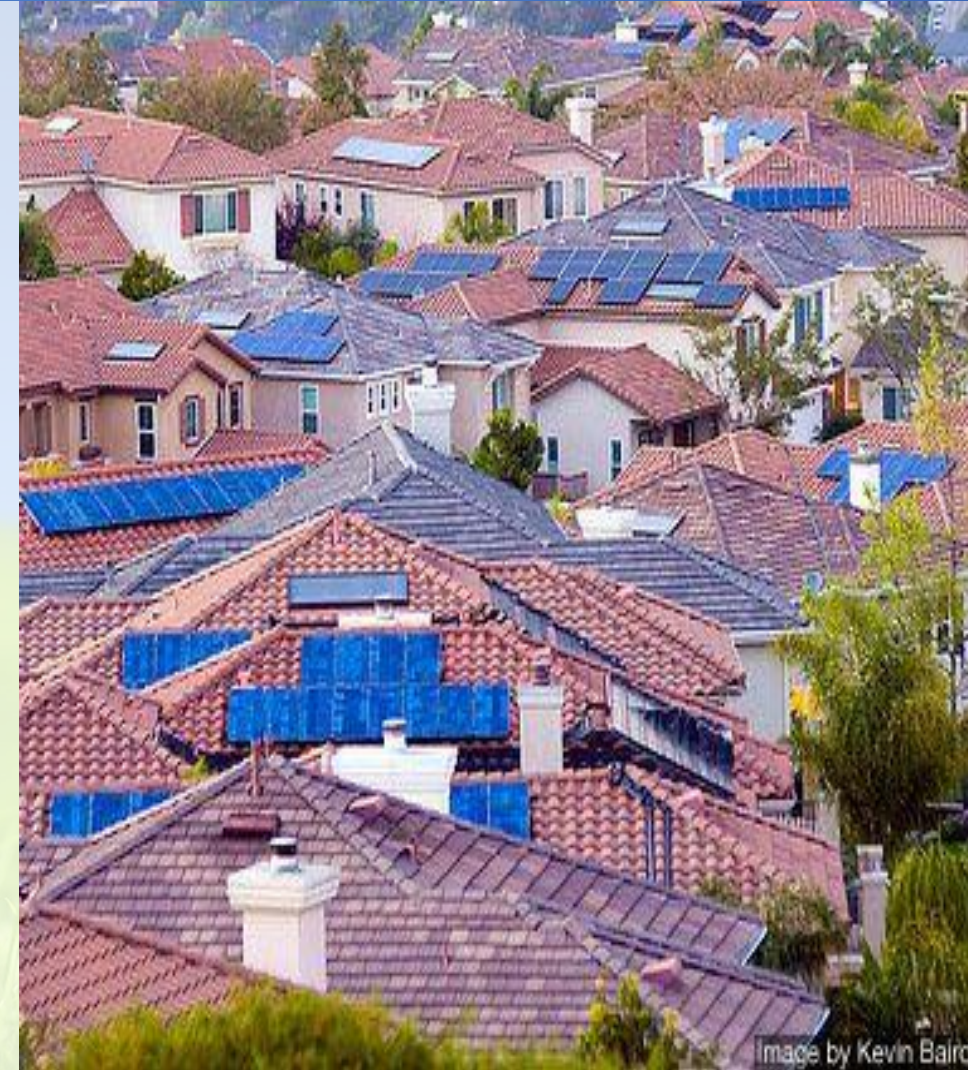
- To improve consumer understanding of the solar transaction

Key Products in Use

- Residential Consumer Guide to Solar Power
- SEIA Solar Business Code & Enforcement
- SEIA/SEFA Standard Contract Templates
- SEIA Solar Lease Disclosure Form

Committee Priorities

- “Robocalling”
- Renewable Energy Certificates (RECs)
- Fully support state efforts to educate consumers and prosecute bad actors



Contact Information



- Tom Kimbis (SEIA)
 - tkimbis@seia.org – (202) 469-3737
- Chet McGensy (SolarCity / SEIA CPC)
 - cmcgensy@solarcity.com – (916) 742-3352
- Questions: consumer@seia.org
- Consumer Protection Portal:
www.seia.org/consumers

Solar Industry Commitment to Consumer Protection



Background on SEIA and Consumer Protection

The Solar Energy Industries Association (SEIA) is the national trade association for the solar industry in America. SEIA was founded in 1974 and has approximately 1,000 member companies doing business in all fifty states and the District of Columbia, the vast majority of which are small businesses.

SEIA and the solar industry are committed to increased consumer protection. For solar to realize its full potential as an American economic engine, and provide Americans with competitive power choices, customers must fully understand solar transactions.

In 2015, SEIA launched a Consumer Protection Committee made up of leading legal experts in solar and consumer law. Through this committee's work, we are educating consumers, industry and government; promoting model contracts and disclosure forms; and upholding a voluntary but enforceable national solar business code - the first of its kind for our industry.



SEIA Solar Business Code

The heart of SEIA's consumer protection work is the voluntary *SEIA Solar Business Code*. The Code was formally adopted by SEIA in 2015 and all SEIA member companies must abide by the Code. Many other non-members are choosing to follow its rules as well.

The Code presents rules on advertising, marketing and consumer interactions and contracts, and reminds companies about state and federal laws and regulations. SEIA recognizes no code can cover every set of circumstances. Experience and market evolution will require changes to the Code and SEIA will regularly review and revise it to stay relevant, effective and fair.

“SEIA's efforts are built around a single tenet: increase consumer understanding of solar transactions”



Complaint Resolution Process

Sometimes issues arise in a solar transaction. SEIA created a Complaint Resolution Process under which anyone – from individual homeowner to solar company – can bring a complaint with SEIA. When receiving a formal complaint, SEIA encourages companies and consumers to directly resolve their issues. If that is not possible, SEIA's Resolution Panels present a more formal complaint review process. Together, consumers and companies now have an industry-level dispute resolution process that also helps educate the greater industry about proper conduct. Inquiries regarding complaints can be sent to consumer@seia.org.



SEIA Residential Consumer Guide to Solar Power

SEIA strongly recommends all solar companies read and use the [*SEIA Residential Consumer Guide to Solar Power*](#), an extensively peer-reviewed guide that provides a key overview of residential solar systems and transactions. The guide reviews types of solar ownership models, including cash purchases and leasing agreements, key contract terms, and how consumers can stay informed.

From analyzing their homes' solar suitability to learning about key terms in a contract, this guide keeps consumers in the know throughout the process of going solar. Included are key questions that consumers should ask of solar companies. There is also a list of options for working out issues with solar companies, including SEIA's Complaint Resolution Process. In 2016, SEIA plans to release guides on community solar projects and solar for small businesses.



Disclosure Forms and Standard Contracts

To aid consumer understanding of solar, SEIA is developing standardized agreement disclosure forms, including the *SEIA Solar Leasing Disclosure Form* released in early 2016. Disclosures give a snapshot of key terms in solar transactions and encourage discussions between consumers and solar companies. Similar forms for cash sales (including loans) and power purchase agreements are under development.

SEIA formally adopted model lease and power purchase agreement (PPA) contracts developed through a working group of law firms and investment professionals. The standardized forms are intended to ease the burden on companies that don't have the ability to draft their own agreements and to ensure that transactions pass muster on consumer protection.



Commitment to Education

SEIA and the solar industry are committed to educating all stakeholders about solar consumer protection issues. SEIA's Consumer Protection Webinar Series provides consumers, government, media and the industry itself a greater understanding about the solar transaction. Recent webinars have covered the SEIA Solar Business Code and SEIA Residential Consumer Guide to Solar Power. SEIA enlists experts to present "deep dives" into laws and regulations governing solar transactions.

Most SEIA-hosted conferences also include consumer protection panels, including *Solar Power International*, the largest solar trade show in America with approximately 20,000 attendees. Panelists include speakers from industry, law firms, government and other organizations with expertise in consumer law and regulation to increase both consumer and industry understanding on solar transactions.

To access these resources and many more,
visit www.seia.org/consumers

For questions and concerns,
email consumer@seia.org

