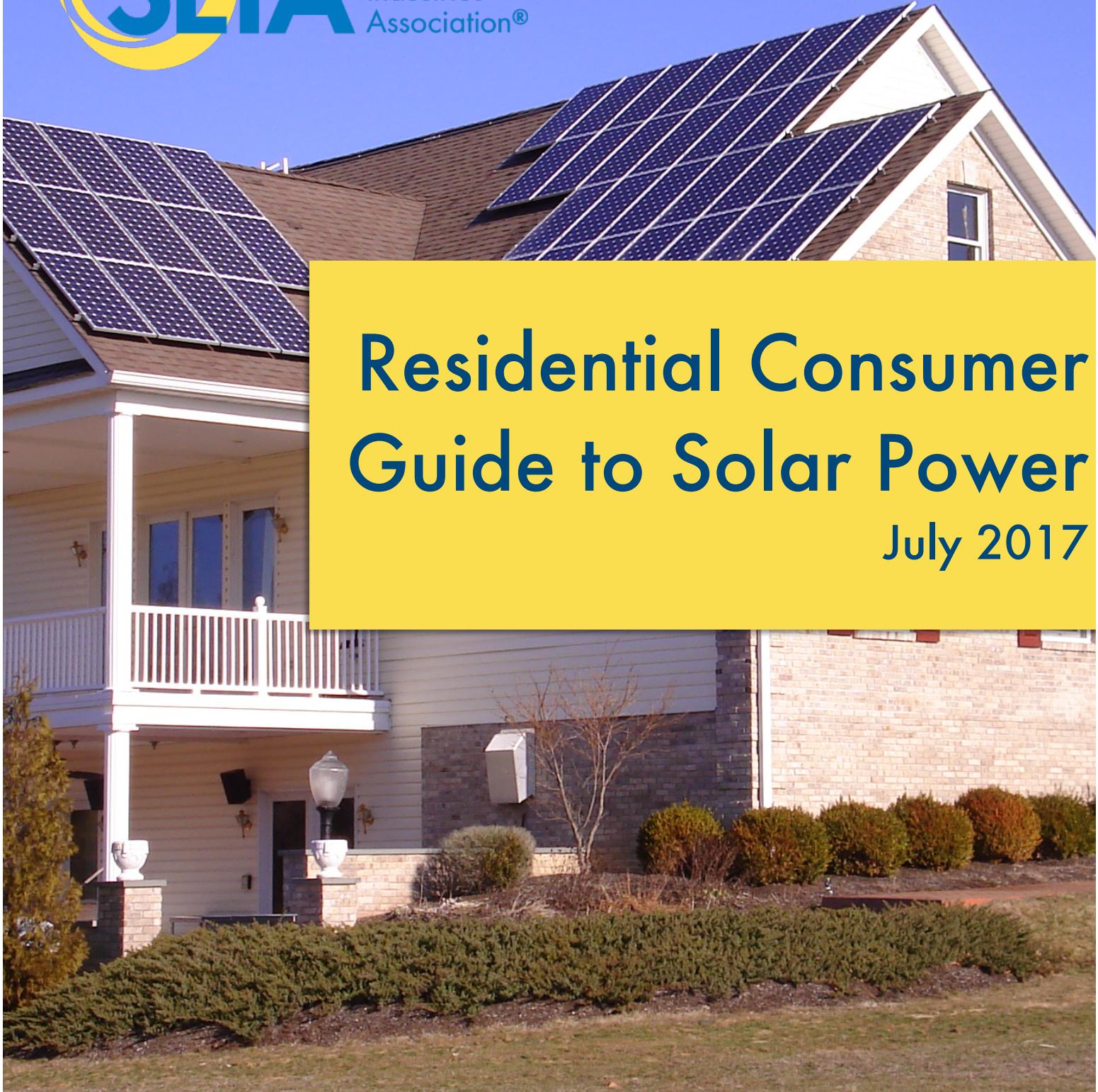




Solar Energy
Industries
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A photograph of a two-story house with a brown shingled roof. Numerous dark blue solar panels are installed across the roofline. The house has light-colored siding, a white porch with a white railing, and a small balcony. The foreground shows a lawn and some shrubs.

Residential Consumer Guide to Solar Power

July 2017

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 and the District of Columbia. Going solar is a significant decision, similar in scope to getting a car. By better understanding the basics of solar energy, your options to go solar, and what questions to ask solar professionals, you can feel confident that you will likely be more satisfied by your solar choice.

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 geographic location of your planned system (for example, homes in Phoenix receive more sunlight on average than Seattle)
 - The orientation of the planned system (the 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, most Americans have options for going solar. It's important to understand the options available to you under the law and the policies of the utility where you live, the differences between or among those options, and to 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

You can purchase a solar system outright with cash or with a loan. When you buy the solar system, you are the owner of the system and benefit from all electricity it 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.

In some states, you can finance your system with Property Assessed Clean Energy (PACE) financing in which you repay what you borrowed through a line-item on your property tax bill. Not all states allow residential PACE programs and, among those that do, each state's PACE program is unique. If you are considering a PACE program, you need to be familiar with how your individual state's PACE program (if it exists) works.

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 specified 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.

Taking Care of Your System

Because PV systems have no moving parts, regular maintenance is straightforward for a consumer. First, make sure the panels are clean by having them washed with demineralized or distilled water about once a year. Second, talk with your solar company about whether you will need to trim nearby branches or do anything with the roof. Third, if your system has monitoring, maintain internet connection and learn how to use your monitoring system. Finally, if your system is not working properly, contact your solar service provider and do not attempt to repair the system yourself.

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 a better 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 or have your solar company coordinate with the

roofing contractor. 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. Keep in mind that incentive programs can change, and some may only be available if you own the system. 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 how you are compensated for excess electricity. Net metering allows residential consumers to send electricity that they do not use back into the electric grid and "spin the meter backwards." Although net metering is widely available, net metering rules are set by the jurisdiction that you live in and can change. Some states or service territories have moved or are looking to move to different programs to compensate you for excess electricity generated by your system, typically at rates lower than what you pay for electricity.
- Understand Renewable Energy Certificates (RECs). RECs or SRECs (Solar Renewable Energy Certificates) are tradeable tags representing the renewable qualities of the electricity your solar system generates and are used to track the use of renewable energy from solar systems. If you own RECs or the RECs are retired on your behalf, you can claim you use "solar" or "renewable" electricity from the system. Selling or transferring your RECs can help lower the cost of your system, but you lose the ability to make "renewable" or similar claims about your home. Check your contract to see who will own the RECs. It's a new topic for residential consumers and solar companies should explain RECs and REC ownership to you.

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. Make sure you understand any assumptions made regarding future utility rates and rate policies. 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, but remember that rates and utility rate policies may change in the future, even if none are currently planned.
- *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.
- *Know what happens if your company goes under.* While the residential solar industry is booming, like any other industry, some companies do go bankrupt. Major components of a system (e.g., solar panels) have warranties backed by their manufacturer, so check the contact information for warranty servicing. In addition, there may be companies in your area that offer maintenance and repair services.

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)?
- Will my system be net-metered? How will I be compensated for excess electricity generated by the system?
- If there is a blackout, what will happen to my system?
- 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)?
- Do you use the relevant SEIA residential disclosure forms? Can you provide a completed copy of the form?
- 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? If not, who should I contact?
- Who should I contact if I have a question about the system following the installation? Who should I contact if my system stops working?
- Who will keep the RECs generated by the system? Will you retire the RECs on my behalf?
- Can you explain how RECs work in my situation? If I don't keep the RECs, is there an option to purchase the RECs? If not, what can I say about my home?
- If I want to sell my home and don't own the RECs, how can I describe my home to potential buyers?
- 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?
- Is residential Property Assessed Clean Energy (PACE) financing available in my state and locality?
- If the company goes under, who should I contact regarding panel and inverter warranties and replacement?

For leases and PPAs only:

- 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 much will it increase?
- 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?
- Will you place a lien on my house? Can you explain the UCC-1 filing to me?
- 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?

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-member 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
- PACENation – www.pacenation.us

Email SEIA with any questions at consumer@seia.org