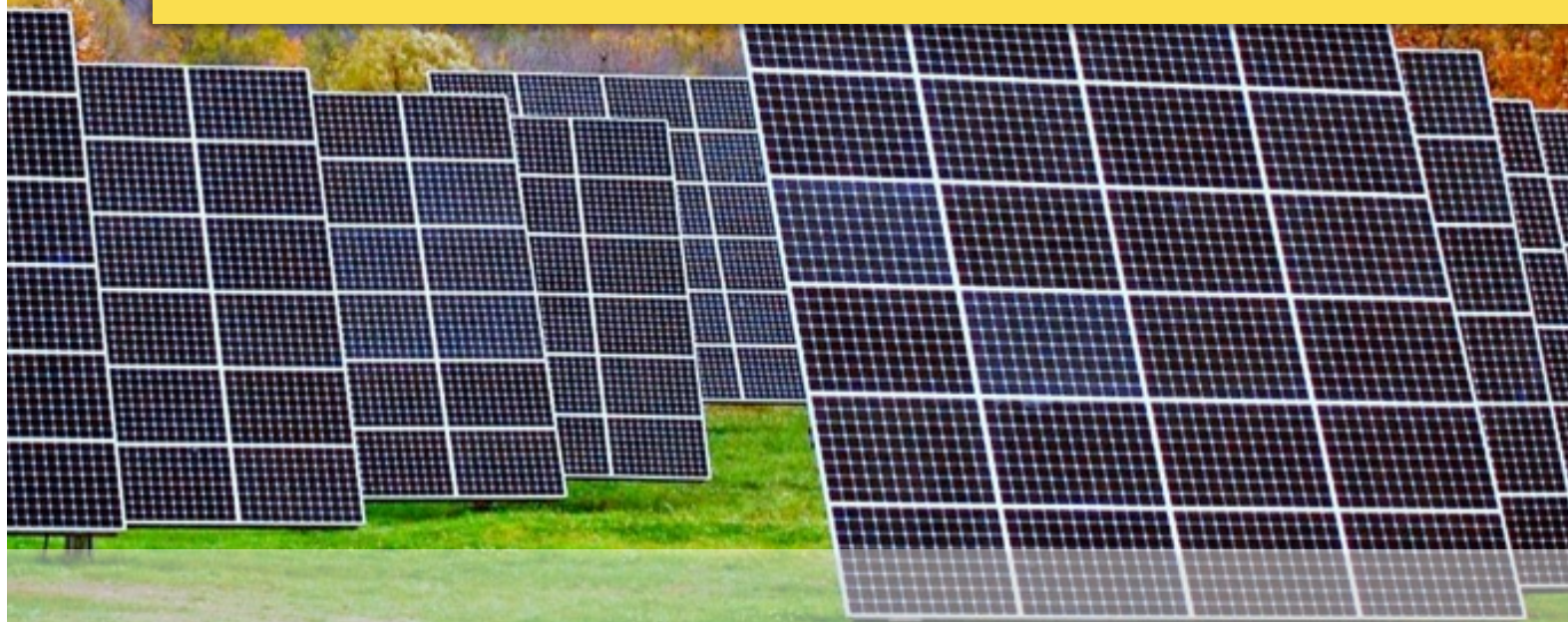




Residential Consumer Guide to Community Solar

July 2016



COALITION FOR
COMMUNITY
**SOLAR
ACCESS**

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 states. The solar industry is creating even more solutions that allow all consumers to produce their own electricity by going solar.

Consumers who rent their homes, live in an apartment, do not have unshaded or otherwise well-oriented roof space, or may not qualify for a lease now have the ability to choose solar in an increasing number of states. Even for consumers who have the roof and property to install a solar system, community solar offers an alternative option for going solar. Some community solar projects allow subscribers to purchase or lease as little as one panel or a small fraction of the power generated from the project. Subscribers' interest can also typically stay with them if they move to a new address within the same utility service territory. Community solar brings more choice to consumers interested in solar.

Entering into a community solar agreement is a significant decision, similar to signing up for a cell phone, and consumers should understand the basics of solar energy, where community solar is available, key terms in agreements, and the right questions to ask solar professionals.

What is Community Solar?

While no single model for community solar exists, community solar here is defined as a solar photovoltaic (PV) project with multiple subscribers that receive credits on their utility bill for their portion of the energy produced by the community solar system. It allows individuals, businesses, and/or other organizations to participate in solar development and receive direct benefits, similar to on-site solar installations.

Community solar is currently enabled by legislation in over a dozen states, but each state program is unique. In addition, some electric cooperatives, municipal utilities, and/or investor-owned utilities offer their own community solar programs. Community solar is growing fast and is anticipated to be a major source of distributed generation over the coming years.

Be an Informed Consumer

When evaluating your options to go with community 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 you use. Your utility bill will show your electricity usage in kilowatt-hours (kWh) and the amount you pay for that electricity. Most American's power bills change throughout the year with the seasons. Also, you should think about if you 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 community solar subscription sized for your needs.

DO YOUR HOMEWORK

- **Get the best deal.** As with any major purchase, make sure to get multiple offers (if possible) before subscribing to a community solar program. Use this guide and other resources, and compare costs and subscription agreement terms. Remember that the lowest cost offer is not always the best offer.
- **Not all non-rooftop solar programs are community solar programs.** In a number of states, utilities offer a green tariff or green pricing program. Green tariff programs can be easily confused for community solar programs. In a green tariff program, a utility will sell you “renewable” electricity at an **extra cost** in addition to your current electricity rates, but you may not necessarily own part of or be directly participating in a specific system. That is very different from a community solar program.
- **Research your solar company.** Before entering an agreement with a solar company, do your homework. Ask for references and call them. Ask if the company is a member of the Solar Energy Industries Association (SEIA), the national trade association for solar that requires all its members to abide by the *SEIA Solar Business Code*, a national code of conduct. You can also ask if they are a member of the Coalition for Community Solar Access, the national trade association specifically for community solar providers, all of which commit to abide by a set of core principles including responsible long-term operation and maintenance of projects for the benefit of participants. Check with the local Better Business Bureau and other consumer guides.
- **Understand how much you will be credited and/or charged on your electricity bill.** Community solar projects typically authorize subscribers to receive credits on their electricity bill for their portion of solar electricity generated by a community solar system. The amount of the credit can vary widely across states because of differences in state law. Before you sign a subscriber agreement, ensure that you understand how much your electricity bill will be credited for energy created by the community solar system, and how much you will continue to pay your utility.
- **Understand any tax credits or other incentives.** There is a 30 percent federal tax credit available through 2019 on the total cost of all solar systems. (The federal credit drops to 26 percent for 2020, and 22 percent for 2021). If you own a portion of the community solar system, then you may be eligible to claim a federal tax credit directly based on your portion of the system. If you do not own but rather simply subscribe to a portion of the system, the tax credit could be claimed by the system owner and help reduce the cost of your subscription. Other state and local incentives may also be available, as well as programs from your local utility. Talk with the community solar company about how incentives may apply to you and the company. Many incentives can be found on the Database of State Incentives for Renewable Energy (see *Additional Resources*, below). You should consult a tax professional with any questions about tax 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 tradable 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 about your own energy usage. It’s a complicated topic 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.
- **Look for key terms in your subscriber agreement.** Key terms that should be included in any community solar agreement include:
 - clear disclosures of all one-time and recurring charges;
 - whether any charges could increase over the course of the agreement, and if so, the amount of the increase and how much advance notice of an increase is provided;
 - terms and conditions for early termination;
 - the process for unsubscribing and associated costs;
 - the process for transferring subscriptions;
 - the method for notifying subscribers about outages;
 - a description of any warranties;
 - a definition for system underperformance and a description of any compensation for underperformance;
 - community solar project operator contact information for questions and complaints; and
 - the process for subscriber notification in the event that system ownership changes hands.
- **Don't hesitate to ask questions.** The best transactions are ones where the consumer and the community solar company both fully understand the deal. Asking questions upfront can avoid misunderstandings later in the process. Below are some of the top questions that consumers should ask when entering into a solar transaction.
- **Understand the basis for savings estimates.** Consumers can experience substantial savings by subscribing to community solar systems, but savings will depend on the cost of your community solar subscription compared to the value of the credit you will receive 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 the basis for their estimates. According to the U.S. Department of Energy, national residential electricity rates increased on average by 3.4 percent annually between 2004 and 2014. However, there is no guarantee that utility rates will rise in specific increments over a period of time. Make sure that solar companies explain the basis for any savings estimates and that estimated rate increases are reasonable and based on reliable evidence.
- **Fully understand warranties, maintenance, and/or production guarantees.** Like any other major product or service, a community solar system requires maintenance over time to keep performing well. Your subscription may guarantee a certain level of performance over time. If you own your portion of the system, it may be covered by warranties or a maintenance agreement. Ask your solar company to explain if any warranties, maintenance, or production guarantees are in place, what they cover, for how long, and who stands behind them.

Key Questions to Ask Before Entering an Agreement

- Is there a minimum amount of the project that I have to buy? Is there a maximum amount?
- Do I have to buy solar in certain increments?
- What is the total cost?

- Do you offer different payment plans?
- What is the length of the agreement? Is there a minimum or maximum length?
- How much do I pay upfront, each month, for how long, and in total? If the project is not built, how much of my upfront payment do I get back?
- Who receives solar tax incentives and how are they factored into the cost? What about other rebates or incentives?
- Will my payments increase over time? How does the rate of increase compare to the expected/historic utility rate increases?
- What am I actually purchasing: an ownership in the system; an interest in generation from the system; and/or some other product or service?
- Does the project need a minimum number of subscribers before it is built?
- Is there a waitlist to subscribe to the project?
- Can I increase my portion of the project? If not, can I subscribe to another project in addition to my current portion?
- Do you have the necessary permits/approvals to build the project?
- Is the project on a waitlist to go online? If so, when should I expect the system to be operational?
- What is the total system size and my portion of the system?
- How much electricity will the system generate each month and in each year? Do you guarantee a minimum amount (a production guarantee)? What happens if there is an unplanned outage for maintenance? Are these generation estimates based on actual installation details of the system?
- Can I monitor the output of the system and my portion of the system? How will I be compensated for my portion of the system's output?
- Can I expect to save money with this system? If so, how much? Based on what assumptions?
- Is the solar company in good standing and does it have a good business reputation?
- What type of solar equipment will be used for the project and are the equipment's manufacturers in good financial standing?
- Who should I contact if I have a question about the system following the installation?
- What are my options if I plan to move? Can I keep my subscription if I stay in the same utility territory?
- Can I sell or transfer my subscription to the solar project?
- What happens if I wish to end the agreement early?
- Does your company follow the SEIA Solar Business Code? Do you agree to abide by SEIA's Complaint Resolution Process?
- What are all the recurring and nonrecurring charges? Have all nonrecurring and recurring charges been clearly disclosed?
- Can you explain how RECs apply to my transaction/situation?
- I want to sell or transfer my subscription and don't own the RECs, how can I describe my interest to interested persons?

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. Visit the SEIA Consumer Protection Portal listed below.
- 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
- Coalition for Community Solar Access – www.communitysolaraccess.org
- 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