

Shedding Light on Solar Electricity



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While much attention is focused on net metering and government incentives for installing solar panels, what is often overlooked is the problem of unfair and deceptive business practices in the solar industry. Too often, promises made to customers have not been kept, relevant facts have been hidden from customers, and customers have been given false information. For these reasons, consumers should be wary and do plenty of independent research before having solar panels installed. To help consumers get the facts they need, state legislators should strengthen consumer protection laws, particularly those that require meaningful disclosure of the costs and benefits of solar.

Buyer (or Lessee) Beware

In recent years, many people have been victimized by unscrupulous solar companies and employees. For example, customers have been falsely promised government rebates, savings on their electric bills, improved home values, and that solar panels would not cause problems with selling their home or refinancing it. The lack of complete and correct information has cost many customers money and caused a lot of frustration.

When homeowners are contemplating having solar panels installed on their homes, they need to consider a nearly-dizzying list of factors: the technology, the costs – both upfront and ongoing – the risks, the incentives, the condition and location of their homes, their neighborhood rules, their energy consumption, their finances, the length of time they plan to keep their home, the zoning laws, the climate, the placement of the system, the quality and stability of the installation company, the necessary permits, the warranties, as well as potential savings and other rewards.

The Mississippi attorney general explained why research is critical for consumers who are considering having solar panels installed.

“Before consumers make a significant investment in a solar system, they should research their options to make sure they are in fact getting cost savings and meeting their goals of environmental sustainability. While there are some exemplary companies, other solar companies are using misleading sales pitches to entice consumers into paying for overpriced PV system agreements or failing to disclose how various subsidies, government programs and rate making practices may affect the future cost of energy for the consumer,” said Attorney General [Jim] Hood. “These companies’ deceptive practices often result in a higher energy

price tag for consumers after installing the system than they had before.”¹

For starters, consumers need to assess their reasons for getting a solar system. Once they have thought through their reasons and decided that they want solar panels installed, they should begin researching to help ensure that they get the right system installed by the right people in the right way at the right price. Under no circumstances should consumers rush into buying or leasing solar panels.

When evaluating which solar technology to use, consumers should look at the technology that is currently available as well as the technology that is on the horizon. Otherwise, they run the risk of being stuck for decades with equipment that could quickly be outdated.

Determining the financial benefits of installing a solar energy system is very complicated. At best, it can only be narrowed to a range because there are so many unknowns. There is no way to know what future electricity rates will be; technological innovations, regulations, or economic factors could cause electricity rates to skyrocket or decline. Similarly, there is no way to know what a household’s future usage of electricity will be; a child might move away or move back in, a relative or friend might move in, illness or relationship problems could force a change in the homeowners’ lifestyle, the homeowners might decide to build a large home addition or install a heated pool, or the homeowners might decide to spend large amounts of time traveling or at a second home.

The stories of two consumers illustrate the point that expected solar savings do not always materialize. A California man saw his electricity bills increase after he had solar panels installed. Only after AARP got involved, did the company make an attempt to correct the problem.²

A Texas man was slightly more lucky: he saw minuscule savings after purchasing solar panels.

The [Global Efficient Energy] salesman talked [Jim] Lord into buying five panels for his roof. He promised at least a 20 percent savings. Lord also paid for a radiant barrier, attic fans and window and door weather stripping. The whole enchilada.

Lord paid the \$18,000 bill with a finance plan that calls for monthly payments of \$300.

¹ <http://www.ago.state.ms.us/releases/attorney-general-jim-hood-advises-consumers-to-know-the-facts-before-investing-in-solar-energy-systems/>

² <http://www.aarp.org/money/scams-fraud/info-2016/solar-panel-deal-gone-bad.html>

After a full year, Lord pulled out his electricity bills from pre-solar and post-solar to compare. He was surprised to see that his savings is only 10 percent, half of what was promised.

In one year, Lord says he saved about \$177.

At that rate, his new system will pay for itself in another ... (pause)
... 93 years.

Don't worry. Lord complained to the company. Global sent out a supervisor who poked around and told Lord that to save the promised 20 percent, he'd need to buy another 12 rooftop panels for a total of 17...

His biggest problem is that he let the salesman pressure him into a quick deal.

"We had to buy them that night," Lord recalls. "It was a one-time-only, on-the-spot offer."

Lord didn't take the time to research the company...

Lord hired lawyer Stephen E. Clark of Dallas, who sent a demand letter to Global requesting that the contract be dissolved.³

Before having solar panels installed, homeowners should check the condition of their roof. If the roofing needs to be replaced, it would be smart to have that done before the solar panels are installed. Homeowners should also be aware that some types of roofing are more problematic than others for installing solar panels. Installing a solar array over composition shingles is relatively easy; installing an array over clay tile or slate is significantly more difficult and could result in roof damage.

Consumers should also think carefully about where they want solar panels installed on their home. While many people might assume that panels should be installed on the south side of their home to generate the maximum amount of power, it might be better for some to install the panels on the west side of their home so that their system will be generating electricity in the late afternoon. Of course, consumers will want to find out how many hours of the day their solar panels will be in the shade.

Consumers might also want to consider using solar panels as roofing for a patio or porch or installing a ground-mounted or pole-mounted array. When the panels are used to cover an outdoor area, then there is less need to worry about the roofing beneath the panels needing

³ <http://www.dallasnews.com/news/watchdog/2016/04/28/watchdog-angry-duncanville-man-saves-177-on-18000-solar-investment>

replacement. When panels are used as porch or patio roofing, air is able to circulate beneath them so they stay cooler and produce electricity more efficiently.

Ground-mounted or pole-mounted panels can be designed to be adjustable so they can be tilted toward the sun. Ground-mounted or pole-mounted panels also avoid some of the headaches that go along with roof-mounted panels, such as leaks at connection points and having to remove the panels to reshingle the roof.

Before signing a contract, consumers should examine whether the contractor has a track record of quality workmanship. Consumers should check out the company's Better Business Bureau rating, check with state regulatory agencies, read online reviews of the company, and talk to former customers, if possible. Consumers should find out if the contractor offers any kind of warranty or guarantee, and if the company will fix any installation problems. Consumers should also research state consumer protection laws.

Had a Georgia woman checked on the background of a contractor, she might have avoided losing thousands of dollars. As it was, she paid a man \$10,000, but he never installed her panels.

Willie Akers eventually pled no contest to theft and agreed to pay back the money. When the homeowner said she had only received \$300, Akers wound up back in jail on a probation violation.⁴

This consumer is not alone. The director of communications for the Arizona attorney general said that his office had been "flooded with complaints statewide for problems involving equipment that was paid for but never installed, equipment that did not work properly, and customers who did not receive promised service."⁵

Consumers should attempt to verify the information supplied by the contractor. If the power company or other contractors contradict what the consumer was told by one contractor, the consumer should be wary.

Consumers should get any promises or projections in writing and ask contractors to explain the calculations and assumptions made when describing the benefits the consumer should expect from solar panels. If the contractor is unable or unwilling to do so, that should raise a red flag.

An Arizona solar company admitted it broke the law and agreed to pay restitution for its misrepresenting benefits and savings, among other things.

Epcon Solar admitted to violating the Arizona Telephone Solicitation Statute, failing to register with the DNC registry, calling consumers on the DNC registry, and misrepresenting themselves as the Arizona Institute of Energy. Epcon Solar also made various other misrepresentations to customers such as

⁴ <http://www.fox5atlanta.com/news/i-team/165041367-story>

⁵ <http://www.azcentral.com/story/money/business/2015/06/23/arizona-judge-voids-hundreds-solar-leases/29145723/>

expected benefits and energy cost savings through Epcon Solar's program, failing to adequately explain lease contracts, refusing to cancel contracts within the statutory period for cancellation, and failing to timely remit refund and customer incentive checks.⁶

Once consumers have decided that they want solar panels installed, they may, depending upon their location, have the option of choosing either to buy or lease a solar array. Buying solar panels requires a significant upfront investment or financing. Leasing typically requires little or no money down, but consumers who choose to lease will miss out on many incentives.

Consumers should check with an accountant or attorney to make sure that they are eligible for any incentives for which the solar company claims they are eligible. The Mississippi attorney general explained why this is the case.

To lure customers into a lease, some of these unscrupulous solar companies often claim that consumers can potentially reduce costly electric bills by utilizing various federal, state and local tax credits and rebates. This can be deceptive, however, since the solar company is usually the entity which receives the tax benefits and incentives.⁷

Before signing a contract, consumers should follow the advice of the Massachusetts attorney general, who warned consumers about solar leasing contracts. “‘The bottom line,’ according to the Attorney General, ‘you have to read the fine print. If you don’t understand it, find someone who does.’”⁸

If they are considering leasing, consumers should inquire about what happens at the end of the lease, what would happen should the leasing company go bankrupt, what would happen if the leasing company were sold, and what would be the process for transferring a lease to a new buyer should the consumer decide to sell their home. Consumers should also be aware that a solar lease could make it more difficult to find a buyer for their home.

Republican state Sen. Debbie Lesko claimed in an op-ed for the Arizona Capitol Times ... that she decided to introduce [legislation] after hearing from a couple who was told that installing solar panels would increase the value of their home by \$25,000, only to find out that potential buyers consider them a liability.

⁶ <https://www.azag.gov/press-release/judgment-obtained-against-solar-installer-accused-scamming-customers>

⁷ <http://www.ago.state.ms.us/releases/attorney-general-jim-hood-advises-consumers-to-know-the-facts-before-investing-in-solar-energy-systems/>

⁸ <http://boston.cbslocal.com/2016/05/12/i-team-hidden-cost-of-solar-panels/>

“A solar company talked them into leasing solar panels for 20 years, even though they are in their 80s,” Lesko pointed out...⁹

An Arizona man believes that his solar lease cost him thousands of dollars when he sold his home. Furthermore, he had to persuade the solar company to allow the eventual homebuyer to assume the solar lease.

Dorian Bishopp blames the solar panels on his roof for costing him almost 10 percent off the value of the home he sold in March...

That’s because instead of owning them he leased the panels from SunPower Corp., requiring the new owner of the house to assume a contract with almost 19 years remaining. He had to shave the asking price for the house in Maricopa, Arizona, to draw in buyers unfamiliar with the financing arrangement...

“We had one offer in five months, and they pulled back as soon as they found out about the solar lease,” he said. “It’s a deterrent, definitely.”

...

The house sold for \$140,000 in March, and the buyer took over the lease with the same rates. Bishopp had initially sought \$155,000, and lowered the price three times.

He had to “price the house lower than houses without solar to get people interested,” said Brian Neugebauer, the real estate agent at Re/Max Excalibur who helped sell the property. Potential buyers, he said, were “scared of the solar lease.”

...

There was one more hurdle: to take over the contract, SunPower had to approve the new leaseholder. The buyer’s credit score was a few points short of the solar company’s minimum, and was initially rejected. Bishopp had to persuade SunPower to reverse its decision.¹⁰

⁹ <http://dailycaller.com/2015/02/14/solar-scams-arizona-moves-to-protect-homeowners/>

¹⁰ <https://www.bloomberg.com/news/articles/2014-06-23/rooftop-solar-leases-scaring-buyers-when-homeowners-sell>

If consumers choose to lease solar panels, they should also inquire about who will be responsible for paying any applicable property taxes on the panels. If leasing or financing solar panels, consumers should find out if they will be responsible for maintaining, repairing, or insuring the solar panels.

Consumers should also be aware that a solar lease may cause them to have difficulty in refinancing their home. A solar company misled a Massachusetts couple about this fact and then refused to lift a finger to help them refinance.

The Bradley's were happy customers until they tried to refinance.

"We were misled from the beginning," Michelle said.

According to the couple, their mortgage company rejected their application because of the language in the lease agreement.

The contract requires any new owner of the home to take over the 20-year lease of the panels. That, according to the Bradley's, was a deal-breaker for their lender.

They asked Vivint to adjust the language in the agreement, but the company refused. Their only way out was to buy the panels outright.

"That's 40 grand," Mike said incredulously. "If I had 40-grand, I wouldn't be leasing the panels in the first place. I would have just bought them and then I wouldn't have any electric bill."

The Bradleys claim they specifically asked about selling or refinancing and the salesperson from Vivint assured them there would be no issue.

"I got screwed...I feel like I was lied to. It's just another scam. I am a victim of a scam," Mike said.¹¹

If choosing to lease or finance solar panels, consumers will want to find out how much the monthly payment will be and what would happen if they were late on a payment or defaulted. With some contracts, a late payment or default could cause the entire remaining balance to come due. With other contracts, a late payment or default could result in a significant hike in the interest rate.

¹¹ <http://boston.cbslocal.com/2016/05/12/i-team-hidden-cost-of-solar-panels/>

Consumers should research whether the equipment and labor charges in the contract are competitive. Before signing a contract, consumers should get additional quotes and talk with other homeowners who have had solar panels installed.

Consumers should check the contract to see who is responsible if the solar panels do not produce their estimated output and inquire if the company provides a performance guarantee for the system. If a guarantee is offered but it is not in writing, consumers should demand the guarantee be provided in writing.

If consumers wish to support American manufacturing jobs, they will need to inquire where solar panels are produced. Although some are manufactured in the United States, many are manufactured in Asia.

Consumers should be aware that solar power has no significant impact on energy independence. The main sources of electricity in the United States are coal, natural gas, nuclear, and hydropower, and the country has an abundance of these resources.

Legislative Fixes

Stories of fraud and misleading marketing have prompted government officials across the country to take steps to protect consumers, but there is more work to be done. To address some of the most egregious problems some solar consumers have been facing, states should consider passing laws to require the following:

- A written copy of the contract and disclosure form must be provided to the customer
- Any monthly payment amounts and any conditions which would cause the payments to increase must be included in contracts.
- Any promised savings must be written into any solar contract.
- Any electricity rates which were used to compute promised savings must be included in the contract. Any significant electricity rate hikes that are expected must be explained.
- Any estimated savings guarantee must be included in the contract.
- Any system performance guarantee must be included in the contract.
- Specific contractual language must be included in solar leases spelling out who is responsible for roof repairs after the panels are installed.
- The process for transferring a solar lease must be included in the contract as well as information on what occurs if there is a change in ownership of the solar company or if it goes out of business.
- Solar lease contracts must include language specifying who can claim any tax credits, rebates, or other incentives.
- Solar lease contracts must include language specifying who is responsible for paying any applicable property taxes.
- The period for rescinding the contract must be included in it.

Conclusion

Consumers have a right to know the facts before they decide to have solar panels installed on their homes. Too many times, unscrupulous solar industry employees have omitted these facts or, intentionally or unintentionally, misled potential customers. That is why state legislators should enact sensible laws that require solar companies to be open and transparent with their potential customers about the advantages and disadvantages of solar panels. Even after legislators address these problems, it will still be necessary for consumers to do their own research to ensure that solar panels are the right choice for them; but until consumer protection laws are strengthened, this research will be even more vital.