

Solar Fight Hits Home in A

Rules to require firms to tell potential lessees how much systems will cost over the life of their deal

By CASSANDRA SWEET

Arizona, the epicenter of a nationwide fight between solar companies and utilities, is introducing new rules for firms that offer solar panel leases, which consumers increasingly prefer to buying the rooftop systems outright.

But some solar companies call such rules unnecessary, contending that there have been few complaints. Instead, they say, the regulations are a new effort by traditional utilities to try to stop the spread of residential solar in the state.

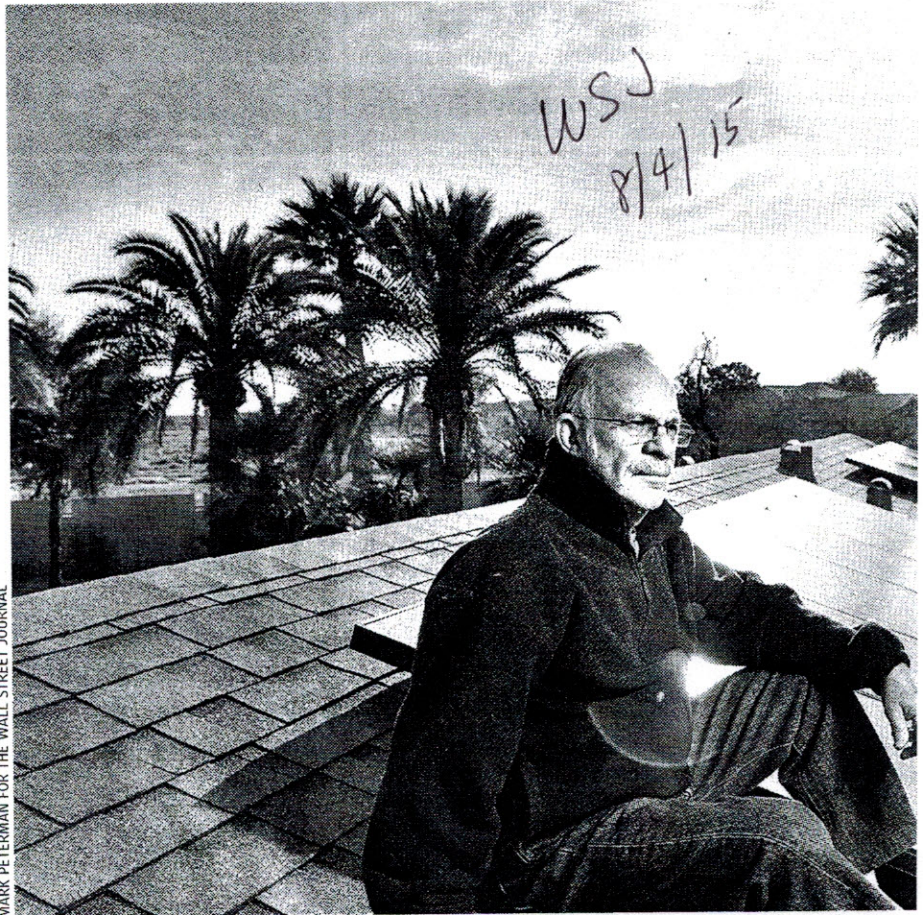
Claims about consumer protection are camouflage for opposition to solar power among utilities and some government officials, said Lyndon Rive, chief executive of SolarCity Corp., which has sued the state and a Phoenix-area utility over measures the company says are meant to deter customers from adopting rooftop systems.

These fights, and proposals from four other Arizona utilities to change their policies in ways that would hurt the solar industry, make Arizona "the most hostile state we operate in," Mr. Rive said. SolarCity operates in 17 other states and the District of Columbia.

Supporters say the rules will protect homeowners from salesmen who may stretch the truth about the cost savings.

"No solar installer should be opposed to this bill or to consumer protection," said Donald Brandt, chairman and CEO of Pinnacle West Capital Corp., the parent company of Arizona Public Service Co., a traditional utility that serves much of the state. "We suspect the issue for some rooftop leasing companies is to avoid scrutiny of their leasing model and the complexity of these consumer leases."

The new rules, which go into effect Jan. 1, require solar companies to tell potential customers how much their systems will cost over the lifetime of their contracts, many of which are as long



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as 20 years. The companies must also guarantee that the panels will perform as promised. Consumers will have at least three days to cancel a contract.

Other states are considering similar rules. A proposal in Nevada would require solar companies to provide cost information and give consumers at least five days to cancel a solar contract.

Leases for solar systems have added new urgency to the fight, because they have made rooftop installations attractive to more consumers. Solar companies now promise that by installing leased panels, homeowners can cut their overall spending on electricity without putting money down.

So, instead of spending \$17,300 to buy an average-size system, customers might sign a 20-year lease with monthly payments that start at \$93 and increase 2.9% a year, totaling nearly \$30,000 over the life of the contract.

Homeowners who buy their systems can get 8a federal tax

credit equal to 30% of the cost. For leases, the investors who own the systems get the tax credits.

Debbie Lesko, a Republican state senator who proposed the rules earlier this year, said she and another legislator have received about 45 letters and dozens of telephone calls this year from consumers unhappy with their solar leases.

A handful of homeowners have complained about SolarCity and other leasing firms to the state Registrar of Contractors, which regulates solar installers. The companies resolved nearly all the complaints.

Homeowners have installed almost 35,000 residential systems in Arizona since 2012, according to GTM Research, making Arizona a top state for solar.

Utilities see the widespread adoption of rooftop sun power as a threat to their business models, while solar firms see opportunity in a market that hasn't changed much over several decades.

The industries have been spar-

ring over how much should pay for excess solar-equipped homes and whether solar should pay special fees for the costs of being on the electric grid.

More than two-thirds installed at U.S. homes were leased, not bought.

Here's how it works: Companies such as Sunrun Inc. and Sun find investors to buy home-panel systems in exchange for the vantage of federal tax breaks on renewable power, with the end of next year. Investors then find homeowners to have panels on their roofs in return for a monthly fee.

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ring over how much utilities should pay for excess power that solar-equipped homes generate and whether solar customers should pay special fees to cover the costs of being connected to the electric grid.

More than two-thirds of panels installed at U.S. homes last year were leased, not bought.

Here's how it works: Solar companies such as SolarCity, Sunrun Inc. and Sungevity Inc. find investors to buy bundles of home-panel systems and take advantage of federal tax credits for renewable power, which expire at the end of next year. The companies then find homeowners willing to have panels installed on their roofs in return for paying a monthly fee.

Homeowners' monthly charges plus utility bills together should be lower than what the customers would pay their utilities without the panels. In some states, including Arizona, solar customers who generate excess electricity can sell it back to the utility for a

relatively high price, adding to the financial benefits.

A small number of customers complain that they aren't saving as much money as promised—or even any money at all.

Paul Braverman, 79, of Litchfield Park, Ariz., near Phoenix, said that when he signed a 20-year solar lease in 2013 he believed he would cut his overall utility payments. Instead, a year after the panels were installed, he said that he was paying roughly \$800 a year more for electricity. His solar company, Sungevity, first said he had been using much more power than in the past.

Data that Arizona Public Service supplied at The Wall Street Journal's request showed that wasn't the case. Sungevity said it made a mistake and has refunded him \$1,600.

If his power bills don't drop next year, Mr. Braverman said, he plans to remove the panels despite potential financial penalties.

It is unclear how many customers are in the same boat.