



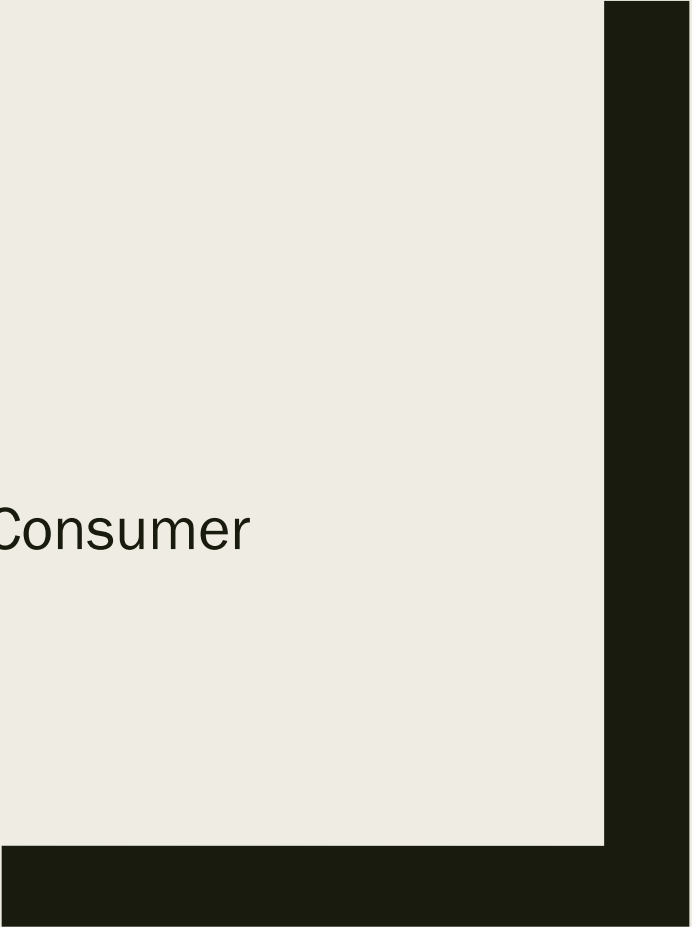
REIA'S  
RECOMMENDATIONS  
TO LEGISLATIVE  
COMMITTEE





# HISTORY

Introduction of the Distributed Generation Consumer  
Protection Law



# PNM: Customer Complaints and application overload

- PNM came to REIA for help regarding the number of customer complaints
  - *I thought my solar was going to be free*
  - *Why hasn't my solar been turned on?*
  - *Flooded with applications for projects that never get built*
- REIA's response
  - *The industry has spent years building a good reputation and the companies still operational locally relied on referral business*
  - *Experienced the slow response time for applications*
  - *The sorts of businesses causing the problems were not members of REIA*
  - *When the consumer protection bill was proposed, REIA offered to help*

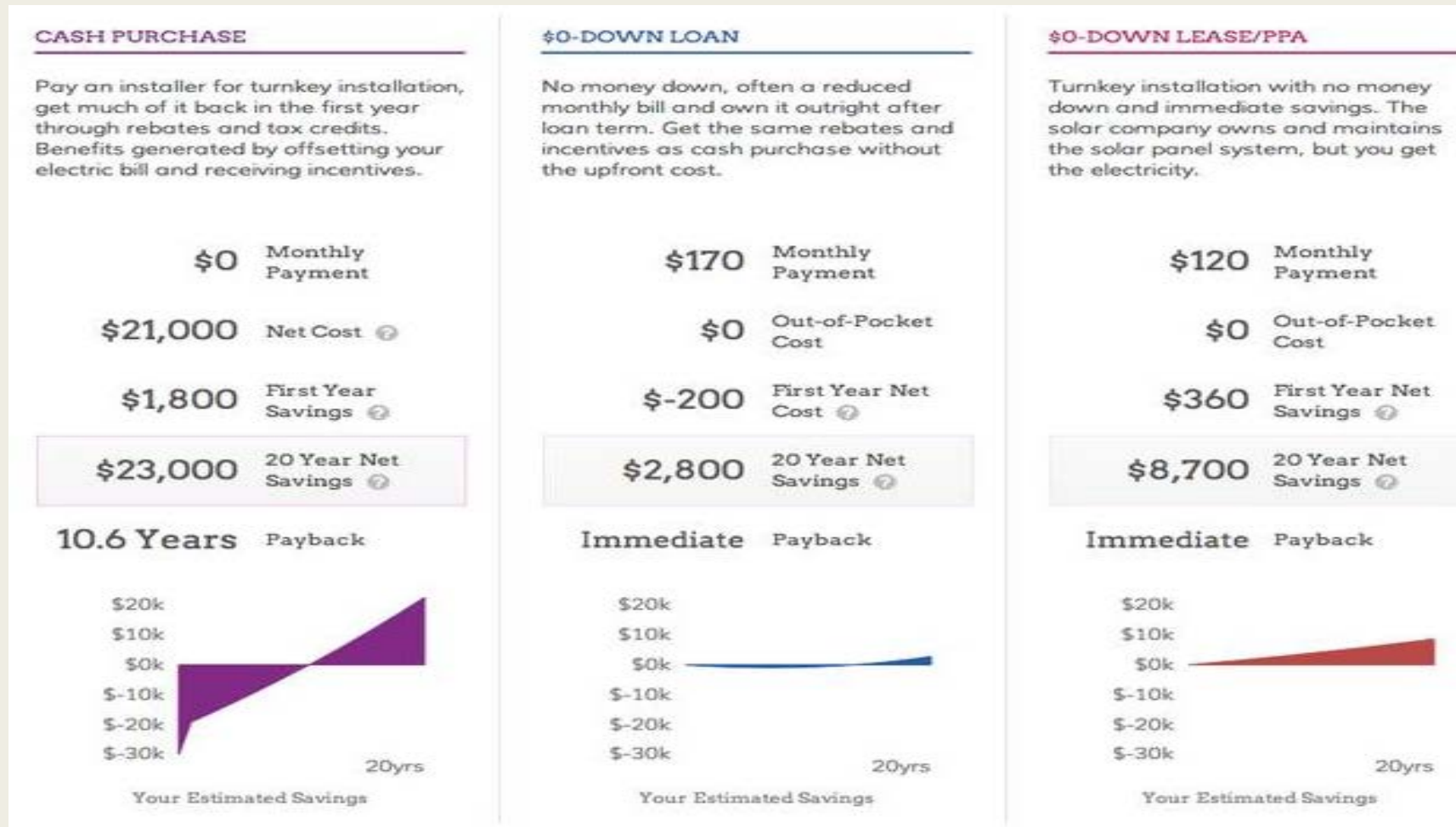
# Consumer Protection Legislation Contention

- ALEC Solar Laws
  - *Legislative templates designed to slow down the growth of solar companies*
  - *Imposes undue regulations on solar industry*
  - *PNM introduced bill, which made some stakeholders suspicious*
- REIA's response
  - *Work closely with PNM to recommend a bill that would maintain integrity in the industry and protect customers from false marketing and financial schemes*
  - *Members of REIA already included most of the disclosures required in the law*
  - *REIA members build cash systems and have met unfair competition from misleading marketing tactics.*

# THE PROBLEM

- Regular financing has only recently become available to cash buyers
- Large cash down necessary for systems only available to people with large savings and tax liability
- Aggressive door to door marketing by commissions only paid sales people
- Misleading marketing information (free solar, comparisons of “pay-off)
- Lack of disclosure to homeowners about long-term financing terms
- Lack of disclosure about restrictions for transfer
- Lack of disclosure about pay-off penalties

# Marketing can be deceiving: This is not ROI



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# FINANCING SOLAR

The difference between owning and leasing your solar  
system

# TO OWN OR NOT TO OWN?

## Consumer owned solar

- The consumer owns the system
- Customer gets the 30% tax credit
- Pays cash or gets a loan through credit union or bank
- Loan can be secured or unsecured
- Solar is an asset

## Third-Party owned solar or long-term loans

- A third-party owns the solar
  - *Tax credits get passed through to “investors,” usually large banks that front the installation costs*
- Lease or loan contracts can last up to 20 years and do not work like unsecured or security homeowner loans
- Requires no down payment, or upfront cash from customers
- Payments often based on current electric bills
- Solar is a liability



# Loan vs. Lease/ Long-term loanSolar Comparison (SUPER Simplified)

## Out of pocket expense

- \$23,000 EPC Cost
- - \$6,900 Federal Tax Credit
- \$16,100 Financed Cost
- @ \$170 / month
- **SYSTEM IS PAID OFF IN 8 YEARS**

## Out of pocket expense

- \$23,000 EPC Cost
- NO Federal Tax Credit
- @ \$120 / month for 20 years
- **SYSTEM COSTS \$28,800**
- (This **does not** include escalators, meaning 20 years of payments can almost double the cost of a system).

# Homes with solar sell faster?


## It depends ...

### Owned system—YES

- Just like a kitchen remodel, solar can make your home more attractive to buyers
- Whether you bought the system or got a loan, your system belongs to the home
- New homeowners enjoy the reduced cost of energy

### Leased/ Long-term loan system--NO

- Unlike an investment in your home, a lease is a contract that lasts 20 years.
- A home buyer will have to assume the terms of the lease
- This has resulted in delays in sale to “approve” new owner, payouts and other nightmares
- **AKA: You're STUCK**



# DISTRIBUTED GENERATION DISCLOSURE ACT

SB0210

Passed 2017 Legislative Session



# DISTRIBUTED GENERATION DISCLOSURES for EVERY PROPOSAL

- Consumer has a right to cancel contract in 3 business days
- Consumer has right to know whether the array will be owned by the consumer or owned by a third party (lease)
- Consumer has the right to know the size, estimated production, production decreases, and overall degradation over the life of the array and estimates must be based on third party source like PV WATTS.
- Consumer has a right to know what assumptions (with sources) savings have been calculated
- Whether or not the system has a performance guarantee and/or remedies
- Additional fees (system removal, late fees, maintenance fees, other) if applicable
- Interconnection time period and requirements (PNM source)
- All permits obtained, inspections made according to local requirements

# DISTRIBUTED GENERATION FINANCIAL DISCLOSURES for CASH SYSTEMS

- Expected change in assessed real property taxes for commercial installations
- Owned Systems dollar amount:
  - *Purchase price*
  - *Gross receipts tax*
  - *Federal tax initiate*
- Financing information: Not applicable for cash systems
  - *Cash systems financed by customer should be covered by financial intuition, installation companies should not be required to provide this information in contract*
    - Total amount financed
    - Payment frequency
    - Payment amount
    - Due Date
    - Annual percentage amount

# DISTRIBUTED GENERATION FINANCIAL DISCLOSURES according to type as addendum to contract & proposal

- Third-Party Owned Systems dollar amount:
  - *Monthly purchase agreement payment*
  - *Annual escalation of payment*
  - *Total lease or power purchase payment*
  - *Total number of payments due*
  - *Payment frequency (weekly, monthly, annually)*
  - *Payment amount*
  - *Payment due date*
  - *Costs for termination or transferring agreement*
  - *Transferability of warranty obligations to subsequent buyers or lessees*
  - *Modification or transfer allowances*
  - *Warranty or maintenance obligations*

# REIA'S PLANNED ACTION

- Working with AG office to provide a draft that will work for industry
- Define the difference between customer owned system and financed system
- Final process allows companies that build customer owned systems to follow simpler disclosure form without financial disclosures
- Basing recommended draft on current proposals with additions of universal disclosures
- Recommending additional paperwork to be filled out by companies offering long-term loans, leases, or PPAs.

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# REIA'S ETHICAL CODE OF CONDUCT

Membership agreement



**ARTICLE 1.** Members agree to abide by the REIA-NM Bylaws.

**ARTICLE 2.** Members conduct their businesses in a manner compatible with public health and safety; and to comply at all times with applicable local, state and federal laws, ordinances, regulations and codes.

**ARTICLE 3.** Members conduct all marketing operations in accordance with applicable local, state and federal laws.

**ARTICLE 4.** Members agree to promptly fulfill contract obligations; to offer a reasonable warranty on products and services; and to honor such warranty in a reasonable time.

**ARTICLE 5.** Members present accurate information in advertisements and representations, and to only make verifiable performance claims that are realistic and verifiable.

**ARTICLE 6.** Members shall be free to set prices for products and services as they deem appropriate. Members give their customers accurate written statements regarding prices for products and services.

**ARTICLE 7.** Members refrain from misrepresenting competitors' products, services or methods of doing business.

**ARTICLE 8.** Members protect the public against fraud, misrepresentation and unethical practices in the renewable energy industries.

**ARTICLE 9.** A member charged with an ethics violation will be reviewed by the Ethics Committee of REIA-NM.

Please visit our website [www.reia-nm.org](http://www.reia-nm.org)  
or contact executive director  
Rachel Hillier  
executivedirector.reia@gmail.com

