

BUSINESS

Solar-Panel Installers Face Clouded Future

Solar-power incentives for homeowners shrink as local utilities pressure state regulators



Workers doing a rooftop installation for SolarCity in Albuquerque, N.M., last month. *PHOTO: SERGIO FLORES/BLOOMBERG NEWS*

By **CASSANDRA SWEET**

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Many U.S. states are considering dialing back solar-power incentives amid growing pressure from local electric utilities, potentially dealing a blow to the companies that install home solar systems around the country.

More than 900,000 homes across the U.S. are equipped with solar panels, with most of those homeowners able to sell any excess electricity their houses generate back to the utility, helping reduce the cost of home solar panels by up to 30%. But the price solar customers get paid for that extra renewable power through so-called net metering is starting to fall, as several states, including Nevada and Hawaii, have slashed their solar

subsidies.

Utilities in Arizona, Colorado, Louisiana, Utah and many other states are currently proposing measures that include changing their net metering programs or raising the monthly fees charged to home solar users for hooking their equipment to the power grid. The utilities argue that the ever-smaller base of traditional power customers shouldn't get stuck paying all the costs of maintaining the grid.

“What is in danger of being overlooked is the harm inflicted on the 96% of our customers who do not have solar,” said Donald Brandt, chairman and chief executive of Arizona Public Service Co., which wants the state regulator to change its solar payment scheme. “This is about a sustainable model for both rooftop solar and the electricity grid, but it's also about basic fairness for customers.”

Overall, two dozen states are weighing changes to their incentives for rooftop solar power and other renewable-energy policies, according to the North Carolina Clean Energy Technology Center, which tracks such policies. Incentive payments have been the backbone of home solar firms' business model.

In Nevada, which ranks eighth in home solar adoption in the U.S., SolarCity Corp. and Sunrun Inc. pulled up stakes in December, laying off hundreds of employees after the state abruptly ended generous incentives for homeowners with solar arrays on their rooftops.

The state's largest utility, NV Energy Inc.—a unit of Warren Buffett's Berkshire Hathaway Inc.—had been richly rewarding homeowners for the excess electricity their rooftop panels generated. Nevada regulators voted to replace that program with one that pays a mere fraction of what homeowners had come to rely on.

“Issues in Nevada and other states were simmering before, but now they're boiling,” said Shawn Kravetz, a fund manager at Esplanade Capital in Boston who invests in solar companies.

This year, home solar power sold back to Nevada's grid will fetch 9 cents per kilowatt-hour for most customers, 19% less than the price paid in 2015. The rate will continue to drop through 2028 to less than 3 cents per kilowatt-hour. Monthly grid-use fees charged to Nevada's home solar customers are also rising, up 40% this year to \$18 on the way to \$39 a month by 2028.

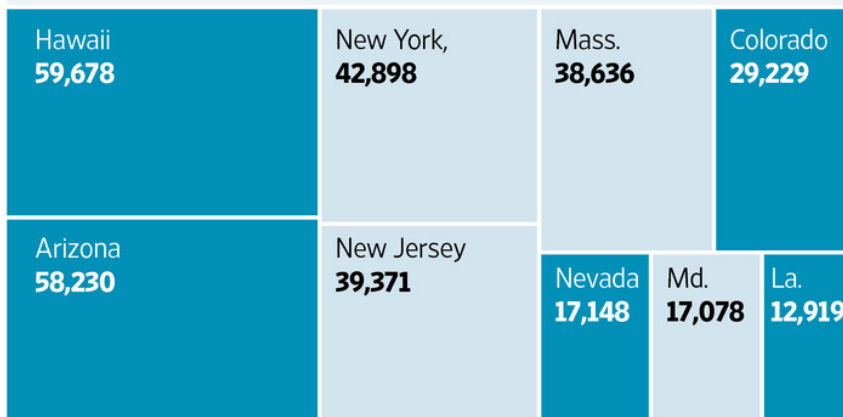
“If there's no savings there, what's the point?” said David Roalsen, who has been saving

Change in the Weather

Home solar systems gained traction in recent years thanks to large state-level payouts to residents who generate more renewable energy than they use. That's changing as states in **dark blue** have cut, or are considering cutting, incentives for homeowners with rooftop panels.

Top 10 states with most home solar installations (87% of total U.S. installations)

California
475,036 installations



Source: GTM Research and the Solar Energy Industries Association
THE WALL STREET JOURNAL.



about \$50 a month on his power bill after installing solar panels on his Las Vegas home in 2014.

Many homeowners lease arrays from solar companies instead of buying the equipment outright. In those cases, SolarCity and its peers collect monthly lease payments from their customers.

U.S. lawmakers gave the solar industry a huge boost at the end of 2015 when they extended federal solar subsidies for five years, reducing the cost of home solar panels by up to another 30%.

Another bright spot for the industry is New York, where

regulators adopted a new set of policies last fall that include paying homeowners high retail power rates for excess electricity coming from their rooftop solar panels.

SolarCity, led by Tesla Motors Inc. and Space Exploration Technologies Corp. chief Elon Musk, is the largest home solar company in America. It has its sights set on California, New York and other Northeastern states and plans to install 1,250 megawatts of solar panels this year, up 44% from 2015.

Even so, the fluid foundation of SolarCity's business model makes it difficult to attract new investors, said Paul Coster, an analyst at J.P. Morgan Chase.

"If you're a cautious conservative investor, you like to see cash flow and profitability in the current period, not in the future," Mr. Coster said.

SolarCity has lost money each year since it went public in December 2012, and the

market shock from the Nevada decision was costly. SolarCity is installing 10% fewer panels in the first quarter than it previously projected. Its stock has dropped about 58% this year, closing at \$22.22 a share Thursday on the Nasdaq Stock Market. U.S. financial markets are closed for Good Friday.

Lyndon Rive, chief executive of SolarCity, said the company will work with utilities and regulators to ensure that the full benefits of solar are considered during policy discussions.

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