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## Customers tell horror stories of solar company that gets \$422M in tax dollars

Posted By [Tori Richards](#) On February 26, 2014 @ 6:25 am

By Tori Richards | Watchdog.org

We all get them — telemarketing callers pushing home solar-energy systems that will save us from rising electric bills.

Most of us generally hang up. But in 2012, **Jeff Leeds**, who lives in the **Northern California** town of **Half Moon Bay**, listened. His 3,100-square-foot home features 91 incandescent bucket lights, a 180-gallon fish tank, three large refrigerator-freezers and a huge entertainment system. His electric bill was averaging \$350 per month.

The sales pitch Leeds was hearing on the phone sounded ideal: Lease a system from **SolarCity**, the [nation's second-largest](#) [2] solar electrical contractor, for a low monthly fee and reap the rewards of cheap electricity.

"For a \$600 fee up front, I would pay \$182 a month for the next 20 years," Leeds said. "They have a performance guarantee. If I don't make enough electricity, they said, 'No problem, don't worry, we will write you a check.' I thought, 'I'm covered.'"



[1]

SUPER STOCK? CEO Elon Musk at the NASDAQ stock exchange brings SolarCity public in 2012.



[3]

A SIGHT FOR SORE EYES: Jeffrey Leeds is reminded of SolarCity every time he looks at his house.

Tacked on to that would be what the company called a small bill from the local utility company allowing the customer to use the grid and to cover the use of any electricity Leeds drew from the utility rather than from his SolarCity solar panels.

Now, 15 months later, the local utility company has raised its rates and instead of a lower bill, Leeds is pushing \$500 a month with no way out for the next two decades. And he has the eyesore of solar panels that cover most of his roof.

"As a customer, you have no say," Leeds said. "With a solar lease, you are putting the stuff on your roof. You have a signed contract with the devil and you are stuck with the stuff."

SolarCity looked into Leeds' case after receiving a call from **Watchdog.org** and offered this

comment: "Mr. Leeds' system did produce less than we guaranteed last year so he will be compensated for that under his performance guarantee."

Was Leeds' case an aberration?

SolarCity has generated a high number of cases of shoddy installation, said **Gerald Chapman**, building inspector manager for **San Mateo County**, which includes Half Moon Bay.

"SolarCity seems to be the biggest offender," Chapman told Watchdog.org.

By contrast, he said, SolarCity's small business competitors — he called them "the little guy" — "wants to do it right."

"We pride ourselves on installation quality, but if we do make a mistake, we make it right," countered **Jonathan Bass**, SolarCity's vice president of communications. "We are rated A-plus by the **Better Business Bureau**, the highest rating they provide. Our work has been inspected and approved by more U.S. building departments than any other solar provider."

### Who is SolarCity?

The **Obama administration's** 2009 stimulus package created an open trough of cash subsidies, leading to an explosion of solar-energy companies. Some of those — **Solyndra** <sup>[4]</sup> is the most prominent example — went bust spectacularly. But such high-profile failures and reports of widespread abuse have done little to dampen entrepreneurial enthusiasm.

With rebates, tax breaks and the steady climb of electric rates, more and more Americans have been signing on for solar. But retail solar technology remains expensive — upward of \$20,000 per home.

That's where SolarCity comes in.

Founded in California in 2006 by **Elon Musk** <sup>[5]</sup> — **PayPal** and **SpaceX** founder and CEO of **Tesla Motors**, creators of the luxury electric car — SolarCity leverages a unique business model to make solar more affordable. It leases systems to homeowners, typically for a 20-year period.

SolarCity has accepted more than [\\$11 million in federal stimulus funds](#) <sup>[6]</sup> to make its business run. But the real public support appears elsewhere. Because SolarCity technically owns the energy systems it installs, SolarCity — not the homeowner — earns the federal tax break intended as an incentive to go solar. So far the company has earned [\\$411 million in such tax breaks](#) <sup>[7]</sup>. The company also may earn additional income on state subsidies.

If that lease is a financial boon to SolarCity, it may prove problematic for SolarCity consumers. No matter how rapidly solar technology evolves, the SolarCity lease ties each homeowner to technology that is cutting edge only at the signing of the 20-year contract.

"Our approach is to install systems to the highest engineering standards," [SolarCity says on its web site](#) <sup>[8]</sup>. "SolarCity has assembled one of the most experienced clean-energy project design and installation teams in the world."

The marketing has paid off. SolarCity claims some 90,000 customers in 14 states, and says it signs a new customer every five minutes. The company says its customers include **Home Depot**, **Walmart** and the U.S. government.

### SolarCity vs. inspectors

Yet consumer-oriented sites like **Yelp** <sup>[9]</sup> and the [Better Business Bureau](#) <sup>[10]</sup>, the organization that rates SolarCity an A+, feature criticism from unhappy customers whose complaints follow a similar theme — shoddy installation, poor customer service and hidden fees. Many of the postings have an almost panic-stricken tone as the consumers plead for some sort of resolution to their nightmarish scenario.

More often than not, the negative comments attract the attention of SolarCity officials, who post resolutions to the various problems. Many of the consumers complain that they have spent months trying to remedy faulty installation, only to receive either continuous boilerplate responses from customer service or no response at all.

One California man got a front-row seat at the conflict between SolarCity installers and municipal building inspectors who are sent to sign off on the system before it is allowed to operate.

"The city came out during installation and an inspector gave them the codes and requirements," said the consumer, who asked not to be identified. "The city guy told them exactly what he wanted and what was necessary, and they still put in the wrong breakers and the wrong wiring. The inspector came back out and looked at it and said, "You guys put the wrong breakers on — I told you guys what I needed for the code."

The consumer said nearly three weeks went by with no word from SolarCity. He finally called and talked to a manager who said the system had a design problem.

"I said, "What do the designs have to do with the breakers? Why not have the right design from the get-go?" he said.

In all, he claimed, it took four months to finish.

Four months was blazing fast compared to the experience of San Diego lawyer **Andrew Athanassious**. He first talked to SolarCity in June 2013, eager to get a system installed on his massive home before a large September 2013 utility rate hike. Despite a contract, Athanassious said SolarCity later told him his roof was "not the right material" and he'd have to pay an additional \$7,500.

Athanassious is no building contractor, but he said SolarCity's installers should have known what they were getting into.

"It's obvious what kind of roof I have. It's clay tile. It's not like you could think it's anything else," he said.

That was on Aug. 1. Athanassious said SolarCity virtually ignored him for the next two months. He finally agreed to split the cost of the system with SolarCity because they were still the lowest-priced contractor and because finding another solar company would take too much time. SolarCity finally installed the system in October. Unlike Leeds, subsequent electricity costs haven't been a problem. Athanassious' utility bill was \$410 per month and now it's zero. He pays SolarCity \$357 per month for a lease, saving about \$50 a month.

SolarCity responded: "Mr. Athanassious' system did require a roof upgrade, and we sourced it for him at the lowest cost."

But Athanassious has problems that remain. During installation, contractors rewired his swimming pool heater incorrectly when they were working on the home's electric panel. They still haven't fixed that, he said. And SolarCity has started tacking on \$15 per month to Athanassious' bill because he refuses to pay via direct deposit, a surcharge hidden in the contract.

Other consumers have been hit with the \$15 fee as well, and they've complained on **Yelp** and to the **Better Business Bureau**.

"When I signed up, I was led to believe that they had online bill paying," Athanassious said. "When I called them, they said they don't have online payment capability."

### **More problems**

**Stefano Chioetto** of **Denver** has his system installed last February. A building inspector discovered that the installed inverter was incompatible with the utility grid and the system would not operate. For the next 50 days, Chioetto checked with SolarCity on the progress of a replacement part. He said he was given only vague answers like,



[11]

SOMEONE IN DENVER GETS STELLAR TREATMENT: U.S. Sen. Michael Bennet, D-Colo., helps SolarCity installers with a rooftop system on Jan. 15, 2014.

panels of his own. He discovered that SolarCity installed the panels about 18 inches onto the neighbor's side of the roof even though the dividing wall is clearly visible even from the ground, both men said.

"It's very obvious that it's going over a foot and a half," said the neighbor, who did not want to be named. "You can absolutely see the property line without going on the roof."

SolarCity admitted that was a problem.

"Mr. Chioetto had a grid parameter that is unusual in a residential site, and we ultimately found a compatible inverter that could support it, and we are redesigning his system to appease his neighbor and still offer him the same performance," SolarCity said in its emailed statement.

The neighbor decided against using SolarCity because it kept changing terms of the contract by continuing to reduce the amount of electricity that would be produced. Meanwhile, he says, SolarCity hasn't fixed the encroachment.

"They said they are researching modules that are smaller, and it's back-ordered until May," the neighbor said. "I don't know if I believe that."

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[1] Image: [http://watchdog.org/wp-content/blogs.dir/1/files/2014/02/Musk-at-Nasdaq-AP84171227619\\_0.jpg](http://watchdog.org/wp-content/blogs.dir/1/files/2014/02/Musk-at-Nasdaq-AP84171227619_0.jpg)

[2] nation's second-largest: <http://www.solarpowerworldonline.com/top-250-solar-contractors/>

[3] Image: <http://watchdog.org/wp-content/blogs.dir/1/files/2014/02/Solar-City-Leeds-Pic-2.jpg>

[4] Solyndra : <http://en.wikipedia.org/wiki/Solyndra>

[5] Elon Musk: [http://en.wikipedia.org/wiki/Elon\\_Musk](http://en.wikipedia.org/wiki/Elon_Musk)

[6] \$11 million in federal stimulus funds:

<http://www.recovery.gov/arra/Transparency/RecoveryData/Pages/Recipient.aspx?duns=785156410>

[7] \$411 million in such tax breaks: <http://quote.morningstar.com/stock-filing/Quarterly->

**Report/2013/9/30/t.aspx?t=XNAS:SCTY&ft=10-Q&d=91ea1bcddf31efc04556da7970ad5084**

[8] SolarCity says on its web site: <http://www.solarcity.com/media-center/company-profile.aspx>

[9] Yelp: <http://www.yelp.com/biz/solarcity-los-angeles-3>

[10] Better Business Bureau: <http://www.bbb.org/greater-san-francisco/business-reviews/solar-energy-system-design-and-installation/solarcity-corporation-in-san-mateo-ca-187674/complaints>

[11] Image: [http://watchdog.org/wp-content/blogs.dir/1/files/2014/02/SolarCity-solar-panels-AP643889226415\\_01.jpg](http://watchdog.org/wp-content/blogs.dir/1/files/2014/02/SolarCity-solar-panels-AP643889226415_01.jpg)

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