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CONSUMERS

## Rays for Rent

*In some places, leasing solar panels can make more sense than installing a system yourself*

By REBECCA SMITH

*(Please see Corrections & Amplifications item below.)*

Stewart Templer loves the shiny new solar panels on the roof of his 1,875-square-foot ranch-style home in Surprise, Ariz.—especially since they didn't cost him anything. He's leasing the system from SolarCity Corp. under a 15-year contract.



Andy DeLisle/Wonderful Machine for The Wall Street Journal

Stewart and Jackie Templer at their Arizona home, with the solar panels they are leasing.

The system, installed in May, has helped the retired physical-education teacher and his wife cut their monthly electricity cost by nearly 35%. Instead of paying the local utility an average of \$130 a month, he says, they write a monthly check to SolarCity for \$68 and pay \$15 to \$20 to the utility for the extra juice they need, such as at night when the panels aren't producing electricity.

The leasing cost for their five-kilowatt system will tick upward in coming years, but won't exceed \$102 a month, Mr. Templer says.

"Anybody who lives in this area who doesn't do what we've done is crazy," says Mr. Templer, who is 72. "The sun is out 300 days a year here, so why not use it?"

### *A Popular Arrangement*

Lease arrangements like the Templers' are a rapidly growing part of the solar market. They enable homeowners and businesses to get the benefits of solar power without having to spring for the full cost of the expensive systems, which easily can run \$20,000 to \$50,000. The risk: Solar-equipment costs may continue to fall and the government may heap on more subsidies down the road—which could make a long-term lease more expensive than buying a solar system outright in future years.

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agrees to pay the leasing company a predetermined price for the electricity the system produces; the rate is pegged to be at least 10% lower than prevailing electricity prices in that area. Customers buy any additional power needed from the local utility at the going rate.

In a typical lease arrangement, the leasing company and its investors cover the cost of installing rooftop solar panels, and pocket the lucrative tax credits and public subsidies available for new alternative-energy installations. The homeowner

Currently, leases run 15 to 20 years, and the lease agreement transfers to the new owner if the property is sold. A SolarCity spokesman says he doesn't know of any cases in which a house has been sold and the new owner hasn't assumed the lease. When leases end, the company assumes owners will either renew for five-year periods, at prices to be negotiated then, or the company will remove its equipment free of charge.



Anheuser Busch embraces solar power at their Newark, NJ brewery. Steve Gelsi reports.

If a customer breaks a lease, the company says it would pursue normal collection methods for all the payments remaining on the lease. It also would retrieve the solar panels from the home in default. So consumers can't just walk away from contracts without penalty.

No national statistics are available, but a study by California officials of its market found that residential lease-type arrangements grew by 155% last year, helped by falling equipment costs. That outpaced growth of 50% in the total residential solar market. The analysis found that 40% of

California's solar capacity now is owned by third-party investors—not the people on whose property the systems are located.

Despite the growth so far, only a handful of companies, such as SolarCity, are offering leases. SolarCity, based in Foster City, Calif., operates in five states—California, Arizona, Oregon, Colorado and Texas. These states offer the magic combination of factors allowing the company to compete effectively against utilities: a good sun resource, high prices for local grid power and substantial local subsidies for solar power.

Lyndon Rive, SolarCity's president and chief executive, says that 80% of its 8,000 customers use lease agreements, with either a fixed monthly payment or power-purchase agreements, or PPAs, in which they pay for each kilowatt-hour of electricity used, at a slight discount to local rates.

SolarCity says a five-kilowatt home system in California will produce 625 kilowatt-hours of electricity a month, enough to meet the daytime need of most homes. The consumer might pay 22 cents to 28 cents a kilowatt-hour—about \$138 to \$175 a month—depending on the ease of installation and the value of local incentives, or slightly less than the top tier of utility prices.

For instance, Kathy Breed, who works in the environmental-stewardship department of Union Bank, recently put a 7.2-kilowatt solar system on her 3,000-square-foot home in Escondido, Calif. It would have cost \$48,000 to buy, she says, but instead she's able to lease it for \$130 a month on a 10-year contract. The price she pays will rise 3% a year but won't exceed \$200 a month. She had been paying \$200 to \$250 a month for regular utilities, with the highest bills in the summer.

With the solar system, "during the summer, I don't have a utility bill," she says, adding she's "absolutely happy" with the arrangement. Her system makes more than she needs in the day, and she gets a credit that covers the cost of power consumed off the grid at night.

### *Outside the Home*

Solar-leasing deals can range in size from household rooftop systems to more elaborate arrangements. Kaiser Permanente, the big nonprofit health-care organization, recently agreed to put 15 megawatts of solar panels on 15 hospitals in California. Citigroup financed the deal and collected the public subsidies, including a 30% federal tax credit, as the equity investor working alongside developer Recurrent Energy.

John Kouletsis, Kaiser's director of strategy and planning, says Kaiser will make payments totaling \$95.6 million over 20 years. Initially, it's a break-even proposition, but he says he believes Kaiser will save money over time, as grid costs increase. And he says there's another reason to act.

"At Kaiser, we've always been about public health and the prevention of illness," says Mr. Kouletsis. Pollution from coal- and gas-fired power plants can cause respiratory problems, including asthma, and other illnesses.

Cities are cashing in, too. Lancaster, a high-desert city northeast of Los Angeles, recently signed a deal with SolarCity for 2.5 megawatts of electricity under a power purchase agreement. In some cases, it's getting a "two-fer," with panels making electricity and providing shade for city parking lots. The price Lancaster is paying—10 cents a kilowatt-hour for a 15-year term—is 37% less than what the city had been paying its local utility.

Robert Neal, public-works director, says Lancaster has so much sunshine that panels are 25% to 30% more productive than typical for U.S. installations. "Businesses are struggling here, and unemployment is high," says Mr. Neal. "So there's real value for the city to enter into contracts so it knows what the cost of power will be in coming years."

### **Corrections & Amplifications**

SolarCity Corp. operates in Arizona, California, Colorado, Oregon and Texas. An earlier version of this article incorrectly said the company also operates in Hawaii, Massachusetts, New Jersey and New York.

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