energy democracy

Namasté Solar
A profile in cooperative ownership

CSI CENTER FOR SOCIAL INCLUSION
energy
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Founded in 2005, Namasté Solar is an employee-owned cooperative based in Boulder, Colorado, that has installed over 3,100 solar electric systems in the United States (as of May 2015). Namasté Solar’s success has caught the attention of clean energy advocates and policy makers as public interest in a green economy that reduces the nation’s reliance on environmentally harmful fossil fuels has become widespread.¹ Our interest in profiling Namasté Solar is twofold. We want to share with our partners the story of the company’s unique evolution into a democratically-run employee-owned cooperative. We also want to lift up an effort toward Energy Democracy that successfully leverages private investment without undermining the values of community control.

This Profile is not meant to be a comprehensive history of Namasté Solar or a “how-to” guide. Rather, we hope that it provides community leaders interested in developing clean energy projects a sense of the opportunity to cultivate successful and democratic businesses using the employee-owned cooperative model. In our exploration of Namasté Solar, we found four key takeaways:

1. Employee-owned energy service cooperatives are viable and can be key tools in shifting communities toward Energy Democracy.

2. The co-operative model provides a structure, but democracy is a product of choice, sustained by commitment to openness, distributed leadership, and equity.

3. Accepting external capital does not have to undermine employee ownership, and the movement to divest from fossil fuels is a promising source of financing.

4. In the effort to build cooperative energy businesses, public policy matters.

¹ www.greentechmedia.com/articles/read/namaste-solar-becomes-poster-child-for-economic-recovery-5741
EMPLOYEE-OWNED ENERGY SERVICES COOPERATIVES ARE VIABLE AND CAN BE KEY TOOLS IN SHIFTING COMMUNITIES TOWARD ENERGY DEMOCRACY.

“Our employee-owned and democratic business model has played a huge role in our success over the last decade. While the industry has changed in significant ways since Namasté Solar was founded, our mission has always been the same, to propagate the responsible use of solar energy; pioneer conscientious businesses practices, and create holistic wealth for ourselves and our community.”

– Blake Jones, co-founder and CEO

There are approximately 300 employee-owned cooperatives in the United States operating in a diverse range of industries including service, retail, manufacturing, education, and energy. They have nearly 3,500 employee-owners and generate about $400 million in annual revenues.

In the energy sector, the largest employee-owned company is Namasté Solar. When they formed the company, co-founders Blake Jones, Ray Tuomey, and Wes Kennedy sought to challenge skeptics who assumed that solar could not gain traction as a viable energy source and, therefore, was not a realistic means to decrease U.S. dependence on fossil fuels. For Jones, Namasté Solar was also an opportunity to create a company that operated differently from conventional energy companies where interest in profit supersedes commitment to workers and the environment. In contrast, Namasté Solar’s founders envisioned a socially and environmentally conscientious company that benefited all of its stakeholders equitably and valued, among other principles, distributed leadership, co-ownership, honest communication, and accountability.

Their timing could not have been better. Driven by the passage of Colorado’s Renewable Energy Standard and the federal Solar Investment Tax Credit, demand for Namasté Solar’s services skyrocketed. In the four year period after the company was founded, Namasté Solar’s revenue grew by more than 2000%.

Namasté Solar’s accomplishments include:

- Leading Colorado’s solar energy market with more than 3,100 solar systems – over 37 megawatts – installed on homes, businesses and community institutions;
- Growing from three employees to 110, 70% of whom are employee-owners or on track to become owners;
- Partnering with the City of Denver Housing Authority to install solar PV systems on 660 affordable housing units;
- Distributing 10% of annual after-tax profits back to the community through grants, sponsorships, and in-kind donations, totaling more than $850,000 through 2014;
- Partnering with local community colleges to provide hands-on installation training for prospective energy service professionals;
- Working with Colorado state officials and clean energy advocates to advance solar-friendly policy strategies at state and local level in Colorado;

3 Id.
7 Id.
• Receiving numerous awards for its democratic model including Outside Magazine’s Best Places to Work (2013-2014) and WorldBlu’s Most Democratic Workplace (2010-2014);

• Ranking #56 in Inc. Magazine’s Inc. 500 list of fastest growing companies (2009).

Namasté Solar’s success shows how a cooperative energy business can provide communities with affordable clean energy, build community wealth by offering opportunities for business ownership, and set a standard for social responsibility combined with profitability that other businesses might emulate.
THE CO-OPERATIVE MODEL PROVIDES A STRUCTURE, BUT INTERNAL DEMOCRACY IS A PRODUCT OF CHOICE, SUSTAINED BY A COMMITMENT TO OPENNESS, DISTRIBUTED LEADERSHIP AND EQUITY.

“There’s a common misconception that all cooperatives have to vote on every single decision in a democratic manner. That’s not true. It’s a choice.”

– Amanda Bybee, Vice President

Like other cooperative entities, Namasté Solar’s values are influenced by the Seven Cooperative Principles, created by the International Co-operative Alliance (ICA), a nonprofit association established to advance the co-operative social enterprise model. The Principles provide a framework for co-operative development and operations. Federal tax laws and Colorado’s Cooperative Statute primarily address Namasté Solar’s governance structure. Still, cooperatives have a lot of flexibility at the operational level and are on their own to determine how, or even whether, to create truly democratic workplaces.

Namasté Solar has put considerable effort into developing democratic practices. The evolution of its decision-making processes and leadership structures may help guide others considering the employee ownership model.

In the early days, the company’s decisions were made by consensus at daily meetings attended by all staff. Governance and operational policies required universal approval. As the company grew to about 15 or 20 employees, the consensus approach and daily meetings proved impractical. A consent-based system was put into place where a decision simply required that no one disapprove. In this system, staff members could abstain rather than actively agree on every decision. With further growth, Namasté Solar switched to making decisions by majority or super-majority vote depending on the issue. Over time, daily meetings of all the employee-owners became weekly, then monthly, and are now bimonthly. While changes like these are necessary to accommodate growth, Namasté Solar continually develops mechanisms to maintain openness, inclusion, and fairness.

Namasté Solar actually began with its own version of employee ownership, which allowed for differences in stock ownership, but all decisions were still made on a one-person, one-vote basis. Legally, however, the company could have been forced to count stockholders’ votes based on the amount of stock they owned. Over time, the potential for a significant imbalance grew between long-term employees, who had the opportunity to purchase stocks at lower prices in the early years, and newer employees, who would have to invest considerably more for equal voice.

Namasté Solar made the transition to an employee-owned cooperative in 2011 and corrected this imbalance by creating different categories of stock. Each employee-owner now holds one share of stock that carries voting privileges. Early employee-investors retain additional shares in a class of preferred stock that reaps financial benefits but has no voting power.

A key principle for Namasté Solar is that all employees have an active voice on operational issues, not just governance issues like voting for the board of directors. This is accomplished in large part through a structure of teams organized by job role (e.g., sales, finance, legal and installation) and committees organized by topic, which

11 Interview
13 www.namastesolar.com/about-us/employee-owned-cooperative
any interested employee may join. Each team or committee is established by a charter explaining its purpose and authority. A team may, for example, make budget decisions pertaining to its specific area of work. Employee-owners, as a body, approve the charters, which come up for renewal every other year. Teams also hire their own leaders who, if appointed by the CEO, may serve as a voting member on the company’s Strategy Committee. The Strategy Committee is responsible for overall strategic planning. Though voting in the Strategy Committee is restricted to its appointed members, any staff member can participate in its meetings and provide feedback.

Not all employees are owners, but there is a clearly defined process for becoming an employee-owner. New hires may serve a year-long candidacy with a training curriculum that’s designed to introduce them to the co-op’s values, mission, and operations. A candidate has an employee-owner mentor to help guide them through the process. During this period, candidates have access to all company information that owners have and can participate in meetings though they do not have voting rights. Around the ten-month mark, candidates can submit an application stating their reasons for seeking an ownership share and their commitment to Namasté Solar’s values.

If approved by the vote of current employee-owners, the new owner invests $5,000 for one share in the company. Those with limited resources can get a four-year loan to pay for their share.

LEADERSHIP INSIGHT

“We want to help people who don’t have access to capital but we also want it to be a significant financial commitment. That is part of sharing the complete experience of being small business owners. You can’t just share the decision-making and rewards. You have to share the risk and responsibility, too.”

– Blake Jones

At Namasté Solar, employee-owners are afforded a level of openness rarely seen at other businesses in the energy industry. For example, while employee compensation is set by the General Manager, the company’s compensation structure and individual salary amounts are transparent. Namasté Solar also capped the salary of the highest-earning employee at no more than six times the lowest paid employee.

With careful planning through open and honest communication, communities can create cooperatives like Namasté Solar with democratic and effective workplaces.

LEADERSHIP INSIGHT

CSI: What advice would you give to someone looking to start an energy services company that has democratic decision-making structures?

“Write it all down, make decision-making explicit and have that structure in place early on to clearly show where certain decisions are made and by whom. When decision making evolves organically like ours did, it can cause strife. People get frustrated when they don’t know where to go with a specific question. I think it’s prudent for new groups to really put the thought in early. And then expect that it will evolve over time.”

– Amanda Bybee


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Accepting external capital does not have to undermine employee ownership, and the movement to divest from fossil fuels is a promising source of financing.

“We started the company thinking we could never bring in external investors because it might compromise the way we run the company. Later, we decided we could bring in external investors if we found the right ones and didn’t give up governance or control.”

—Blake Jones, 2011

In 2008, as demand for solar accelerated in Colorado, the company was faced with questions of capacity and long-term sustainability that led some of its employee-owners to seriously consider offers from private-equity firms eager to buy out the company and expand its operations. Before then, Namasté Solar relied solely on sales of shares to its employee-owners and reinvestment of a vast majority of its profits to finance the company. Demand for its business challenged that approach. Through open deliberations in a series of meetings, Namasté Solar’s employee-owners opted not to sell because they did not want to jeopardize their way of doing business.

Still interested in finding a way to accept capital that would not relinquish control to outside investors, Namasté Solar sought guidance from Equal Exchange, a Massachusetts-based, employee-owned coffee company that sells fair-trade products. Founded in 1986 to counter the trend of multinational corporate dominance of the agricultural sector, Equal Exchange seeks to build long-term trade partnerships that are economically just and environmentally sound while supporting the interests of local farmers and farmworkers.

Facing growing demand and the need for more capital, Equal Exchange adopted the employee-owned cooperative model, which provides the option of selling a class of stock to outside parties without giving them voting rights. Equal Exchange used this model to protect its mission while tapping the interests of wealthy individuals and businesses seeking to brand themselves as socially responsible. By the time Namasté Solar reached out, Equal Exchange had raised more than $9 million in preferred stock sales and cemented its mission for social impact through a “no-exit” clause in the company’s bylaws. The “no-exit” clauses ensures that net profits from the sale of Equal Exchange to a for-profit, private-company, should that happen, are given to another fair trade organization. The clause also assures outside investors that their investments prioritize social impact over profit.

Equal Exchange’s success offered further proof that the cooperative approach could be a feasible strategy for Namasté Solar. In 2011, Namasté Solar completed its transition into an employee-owned cooperative. In doing so, the company created a class of preferred stock available to external backers who commit to invest for a minimum of five years and agree to a targeted dividend of 6.5%. Like Equal Exchange, Namasté Solar’s preferred stock targets the socially responsible investing community. Owners of the company’s preferred stock are not given any of the voting rights afforded to employee-owners and the company has adopted operational practices and policies that concretize its commitment to public benefit.

Certainly, Namasté Solar and Equal Exchange serve as models for leaders looking for ways to transition their established investor-owned businesses into employee-owned
enterprises. However, as the number of community-based organizations interested in creating social- and environmental-justice oriented business enterprises to drive community-driven educational and economic opportunity increases, the growing movement to get institutions like colleges and universities, churches, and state pension funds to divest from fossil fuels could provide communities dedicated to Energy Democracy a growing source of investment for clean energy enterprises.
IN THE EFFORT TO BUILD COOPERATIVE ENERGY BUSINESSES, PUBLIC POLICY MATTERS.

“Public policy has been critical in helping the U.S. solar industry grow over the last 15 years. In the near future (5-10 years, depending on the region), we expect that the industry will achieve self-sufficiency without the need for incentives. This will ultimately be part of the success story of solar – that it was able to utilize public policy to accelerate this shift, but within a relatively condensed period of time, achieved an economy of scale and no longer relies on incentives to compete in the marketplace. This will be a great day, opening the door for everyone to access solar for their homes and businesses.”

– Amanda Bybee, Vice President

Namasté Solar’s success has not occurred in a vacuum. Public policy supportive of renewable energy investment has played a role in creating the environment for the company to thrive. Below, we provide a brief introduction to some of the ways policymakers can help individuals, communities and cooperative businesses work together to generate local renewable energy. In doing so, we acknowledge that these polices are neither prescriptive nor permanent and, in many cases, might best serve as context and blueprints for new strategies that can help advance an Energy Democracy.

FEDERAL

The Federal Solar Energy Investment Tax Credit, adopted in 2008, allows commercial and residential consumers to write off 30% of the cost of installing a solar system. The credit has been vital in making solar adoption a reality for the communities that Namasté Solar serves, but is set to expire in 2016. Whether the credit will be extended is uncertain and remains a major cause of concern for clean energy advocates and companies like Namasté Solar.

STATE AND LOCAL

A Renewable Portfolio Standards (RPS), adopted by state legislatures, require utilities to get a certain portion of their electricity from renewable sources. Established by ballot initiative in 2004, Colorado’s RPS now mandates that utilities secure 30% of their energy from renewable sources by 2020. The RPS also requires at least 3% of this energy come from small scale systems that are not affiliated with a central power plant and 1.5% from clean energy generators that are owned by community members. Colorado’s RPS fueled an estimated 15,000 solar installations statewide by the end of 2013, more than 2,000 of which were completed by Namasté Solar.

B Financing Mechanisms may be created or mandated by state or local governments to make solar more affordable for homeowners and businesses. These include:

1. Property-Assessed Clean Energy (PACE) programs, which make loans to homeowners or businesses to install renewable energy systems. The loans are repaid by a 15- to 20-year assessment on the improved property. If the owner sells the business or home, the assessment stays with the property, with responsibility passing to the next owner until the debt is paid. In 2008, the Colorado legislature approved the Climate Smart Loan Program, which allowed counties to implement their own PACE programs. Namasté participated in the program, helping shepherd participants through both the installation and the necessary paperwork.

18 Interview
19 www.nrel.gov/tech_deploy-ment/state_local_govern-ments/basics_portfolio_stand-ards.html
20 www.solarpowerworldonline.com/2012/12/contractors-corner-namaste-solar-boulder-colo
2. Net metering enables renewable energy producers to receive credit from their utility company on their energy bills for the clean energy they produce and supply to energy grids that is in excess of their actual energy need.\textsuperscript{31}

3. Feed-in tariffs, which are long-term contracts between a utility and its customers who install renewable energy systems. FITs set payments for the excess energy produced, providing customers a guaranteed rate of return on their investment in generating capacity.\textsuperscript{32}

4. Renewable Energy Credits (RECs) allow producers of renewable energy to receive a guaranteed rate of payment from another party who takes credit for the clean energy generated by the producer’s system.\textsuperscript{33}

C Community Solar Garden policies create opportunities for those who lack space on their own rooftops, do not own property, or can’t afford their own solar panels to become owners of shared solar installations. The Colorado Community Solar Gardens Act (CCSGA) adopted in 2010 requires the Public Utilities Commission to include community solar gardens in the state’s renewable energy plans and mandates that low-income people comprise at least five percent of subscribers to a community solar project.\textsuperscript{34} Spurred by the CCSGA, Xcel, the state’s largest utility, invited nonprofit organizations, schools, and other community groups working in partnership with installers to propose solar garden projects.\textsuperscript{35} Developers of the selected projects are paid a set amount of money based on the kilowatt-hours the garden generates.\textsuperscript{36} Subscribers, including those with low-incomes who can subscribe for as little as $10, receive credits on their energy bills for their share of the garden at a rate determined by the utility that considers generation and transmissions costs.\textsuperscript{37}

D Streamlined permitting and inspection processes can make it much easier for residents and businesses to install solar. In Colorado, the Solar Friendly Communities Initiative encourages cities and counties to adopt 12 Best Practices, such as standardized permit forms and expedited review for small rooftop systems.\textsuperscript{38} Because this substantially reduces costs, installers, including Namasté Solar, offer a $500 discount to anyone installing a solar system in a certified Solar Friendly Community.

\textsuperscript{31} theenergycollective.com/rosana-francescato/232561/net-metering-net-positive

\textsuperscript{32} www.eia.gov/todayinenergy/detail.cfm?id=11471

\textsuperscript{33} www.epa.gov/greenpower/gpmarket/rec.htm

\textsuperscript{34} blogs.denverpost.com/thebalancesheet/2012/08/28/solar-gardens-bloom-colorado-rooftop-farm-field-parking-lot/6100

\textsuperscript{35} Id.

\textsuperscript{36} www.denverpost.com/business/ci_22073777/solar-gardens-nourished-by-xcel-incentives-set-bloom

\textsuperscript{37} Id.

\textsuperscript{38} www.solarcommunities.org
Climate change presents an unprecedented challenge that impacts us all. Rising sea levels, more violent storms, and increasing droughts are bound to devastate communities, disrupt our food system, and destabilize local economies. With the 10th anniversary of Hurricane Katrina, we are reminded that while we are all affected by climate change, communities of color and low-income communities are often at the frontlines of climate-related natural disaster and exploitative dirty energy practices that compromise health and desecrate environments.

We need solutions now. The good news is we have them in the growth of an Energy Democracy fueled by investments in clean energy. Communities across the country from Boulder, Colorado to Buffalo, New York, and Oakland, California to Berea, Kentucky, are showing us that a democratic, equitable, and participatory economy and energy future is a viable and critical path towards sustainability.

Models like Namasté Solar help us understand what it means to be owners in the new energy economy – where we can all benefit from a cleaner planet and a stronger local economy.

Namasté Solar’s success also shows how employee-owned cooperatives can be a strategy for divestment from fossil fuels and building community wealth, which are key priorities for communities of color and low-income communities. By elevating examples of Energy Democracy and highlighting the policies that support them, CSI hopes to provide community leaders and policymakers with a sense of what’s possible.
Co-op Law.org
www.co-oplaw.org

Co-op Law.org is a collaborative legal resource library created by the Sustainable Economies Law Center (SELC) and the Green-Collar Communities Clinic (GC3). It offers a wide range of materials, including general legal resources, state-by-state information on co-op law, worker co-op handbooks and sample documents.

The Democracy Collaborative
www.democracycollaborative.org
www.community-wealth.org

The Democracy Collaborative is a national leader in equitable, inclusive and sustainable development through its Community Wealth Building Initiative. This initiative sustains a wide range of Advisory, Research and Field Building activities designed to transform the practice of community/economic development in the United States. Community-Wealth.org is a project of The Democracy Collaborative committed to advancing a new understanding of democracy for the 21st century.

The Democracy at Work Institute
www.institute.usworker.coop/tools

The Democracy at Work Institute expands the promise of cooperative business ownership to reach those communities most directly affected by social and economic inequality. It seeks to ensure that further growth in the worker cooperative movement is “both rooted in worker cooperatives themselves and reaches out to new communities of worker-owners.”

The International Cooperative Alliance
www.ica.coop/en/international-co-operative-alliance

The International Co-operative Alliance is a non-profit international association established in 1895 to advance the co-operative social enterprise model. The Alliance is the apex organization for co-operatives worldwide, representing 284 co-operative federations and organizations across 95 countries (as of January 2015). The members of the Alliance are national level co-operative federations, individual co-operative organizations and government offices concerned with co-operatives.

The US Federation of Worker-Cooperatives
www.usworker.coop/usfwc-resources

USFWC, along with its affiliated organization the Democracy at Work Institute, is the hub for worker cooperatives, professionals who serve them and the organizations that support them. They maintain a large library of models and working documents from worker cooperatives, as well as academic and practitioner research.
Center for Social Inclusion catalyzes local communities, government, and other public and private institutions to dismantle structural racial inequity. We craft and apply strategies and tools to transform our nation’s policies and practices to create equitable outcomes for all.

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