

Community Solar Gardens



The Office of the
Minnesota Attorney General
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Many people want to support renewable energy as a way to help the environment. The Minnesota Legislature established an option for customers of Xcel Energy to support community solar, also referred to as “solar gardens” or “solar farms.” While only Xcel was required to develop a community solar program, other utilities are developing their own programs. Some consumers may find that community solar provides a better option for them to support renewable energy than installing solar panels or participating in utility-run programs. Consumers should be vigilant, however, in evaluating any offer to participate in community solar.

What is “Community Solar”?

Community solar allows groups of consumers to purchase “subscriptions” to a central solar facility and receive credit on their electric bills for the energy it produces. Community solar may be viewed as an alternative to “net metering,” in which utility customers have solar panels installed on their own rooftops and use the power they produce while excess energy flows back to the power grid.

With community solar, consumers do not install solar on their rooftops. Instead, a central solar facility is constructed for multiple customers, who each subscribe to a portion of the project. These consumers continue to purchase their electricity from their utility, but receive a credit on their utility bills for the energy that is produced by their portion of the solar facility. The energy is then provided to the utility in exchange for each subscriber’s bill credit. Because it does not require rooftop installation, community solar may be appealing to people who want to support solar, but cannot or do not want to install solar panels at their own homes.

Who is Offering Community Solar Subscriptions?

While some utilities and cooperatives have their own community solar projects, Xcel’s community solar program relies on independent developers who contract to provide the power to Xcel. Xcel agrees to purchase the power from the solar garden and provide a bill credit for subscribers. With some limited exceptions, Xcel does not participate in the construction of the facility or evaluate the contracts between the solar gardens and their subscribers. Instead, consumers enter into contracts with one of these independent developers, so they should carefully research the company they are working with, before signing a contract or paying money.

How Much do Community Solar Subscriptions Cost?

There are a variety of ways that companies structure community solar subscriptions, and new models are constantly being developed. This can make it difficult for consumers to evaluate and compare subscription offers from different companies. In general, depending on the size of the subscription and how it is structured, costs may vary from a single payment for thousands of dollars to monthly payments of a hundred dollars. Solar garden companies may suggest that consumers will save money overall when they consider the credits they will receive on their utility bills. Consumers should carefully evaluate these claims and understand the costs they are committing to pay without considering the potential bill credit. Consumers should also make sure they understand the assumptions the company has made in making projections of potential savings. To the extent these projected savings rely on future energy costs, the assumptions may or may not be reasonable.

How are Community Solar Subscriptions Sold?

Community solar companies have used a variety of tactics to contact consumers and sell subscriptions, including: mass mailings, door-to-door marketing, and advertising on radio, television, and the internet. Consumers should evaluate these marketing pitches with the same scrutiny that they use to evaluate any other advertisement.

What Should Consumers Watch Out For?

Consumers should make sure they fully understand a subscription agreement and carefully consider whether they are willing to commit to its terms. The following are several important aspects of these contracts for consumers to consider:

Cost

Consumers may be required to make up-front payments or sign contracts to pay for their subscriptions in monthly installments. Many of these monthly subscription contracts can have “escalators” that increase the subscription price over time. For instance, a solar garden may offer a consumer a subscription price that increases every year by a set percentage. The solar garden may also suggest that these price increases are smaller than a utility’s typical rate increases and that the consumer will therefore save more money over time. Since utility rate increases must be approved by the Minnesota Public Utilities Commission, consumers should be careful to evaluate any suggestion that utility rates will increase in the future by any set amount.

Length of Subscription

In general, consumers who purchase community solar subscriptions must make long-term commitments, which are typically 25 years. While consumers can be allowed to “break” these commitments before they expire, they must typically pay a penalty to the solar garden company to do so. Cancellation penalties can be expensive. Therefore, consumers who are considering purchasing community solar subscriptions should consider whether they are able to commit to the entire term of these agreements and the penalties they will incur if they must break that commitment.

Production of the Facility

The sun does not always shine in Minnesota. Developers rely on models to estimate the production of their facilities. A solar developer’s claim that its facility will produce a certain amount of energy may not pan out. The Public Utilities Commission has not standardized the method developers use to estimate the production of their facilities. Therefore, consumers should know how the energy production of a solar garden will impact their costs, and whether they think the production estimates are reasonable.

Renewable Energy Credits

Many people want to purchase community solar subscriptions in order to support renewable energy. Consumers should be aware, however, of exactly how far their support goes. Many community solar projects have elected to sell the renewable benefits of their facilities—known as renewable energy credits or “RECs”—to Xcel. If a community solar developer elects to sell the RECs to Xcel, consumers need to know that they are not purchasing or using “renewable” energy. Instead, these RECs can be used by Xcel to meet its renewable energy mandates or, if Xcel has met its mandates, can be sold by Xcel to others. This may lower the need of Xcel or an entity who purchases RECs from Xcel to construct additional renewable facilities.