
Tips About Community Solar

Community solar (also called community shared solar or community solar gardens) offers Minnesotans the opportunity to benefit from solar energy without installing a system at their home.

As a community solar subscriber, you participate in a solar energy system along with other subscribers. Your share of the electricity generated by the project is credited on your utility bill. Community solar can offer you a variety of benefits—including predictable electricity rates over time, potential utility bill savings and the opportunity to support a clean, sustainable energy resource.

Most community solar projects in Minnesota are owned and operated by electric cooperative utilities, which offer subscriptions to their customers. The largest community solar program is administered by Xcel Energy and regulated by the state, but private solar developers—not the utility—actually own the projects and sell the subscriptions.

Whether to subscribe to a community solar project is an important financial decision that can involve a long-term commitment. Before subscribing to a community solar project, it is important to understand the potential costs, risks and benefits. Carefully review the subscription contract before signing it and, as always, be wary of a high-pressure “buy now or lose out” sales pitch.

The following are 10 questions to ask to help you decide if community solar is right for you.

1. What does it mean to be a subscriber and what am I actually buying?

A subscriber commits to purchasing a portion of the solar energy produced by a shared system, or in rare cases the subscriber purchases a portion of the system itself. Payment can be made upfront for your subscription as a one-time fee that covers the life of the agreement (typically, 20-25 years). Some developers also offer a “pay-as-you-go” plan in which you make monthly payments for the energy produced. In either case, you still get your utility bill credit for the energy output.

Paying upfront provides a precise cost for a subscription, and there may be an opportunity for greater long-term savings. But it may involve more risk because unforeseen events could affect the project’s future energy production. A pay-as-you-go plan requires less or no money down and may reduce a subscriber’s risk if a system under-performs.

In either case, your contract with the solar developer should state whether you or the developer will own the

Renewable Energy Certificate (REC), which represents the legal rights to the environmental benefits from renewable electricity generation and can be bought and sold. Different arrangements may exist, so it is important to know what your contract says about ownership of the certificate.

2. If I participate in a pay-as-you-go plan, will my payment increase over time?

Most pay-as-you-go subscriptions contain a “price escalator.” This means you start with a specific subscription fee that will increase each year, typically based on the price paid per kilowatt-hour (kWh) of solar energy produced. When deciding on a pay-as-you-go subscription, make sure you understand not just the initial monthly fee, but also the annual price escalator and how it will be calculated. The Clean Energy Resource Teams (<http://www.cleanenergyresourceteams.org/>) has a calculator to help you evaluate different price escalation scenarios. (The Commerce Department is not responsible for the calculator and your actual results may vary from the estimates it provides.)

3. What is the duration of my subscription?

Depending on the specific project, your required commitment is often 20-25 years, but in limited instances, may be year-to-year. Before signing any subscription contract, you should be clear about what you are committing to, how subscriptions may be transferred or terminated, who is responsible for this transfer and whether there are penalties for early termination.

4. What happens if I move?

You can often retain your subscription if you move within the same utility service territory (or in Xcel's case, within the same or adjacent county where the community solar project is located). If you are not able to keep your subscription, there may be options to sell it to another eligible subscriber. Make sure you understand the restrictions that may apply if you move, including whether you would be charged an early termination fee or be held responsible for finding someone to take over your subscription.

5. How much solar should I get?

Under Xcel's program, your subscription must not exceed 120% of your average annual electric usage. The typical Minnesota home uses about 800 kWh each month, or 9,600 kWh per year. To fully meet that need requires about 8 kilowatts of solar capacity.

But every home is unique, so before choosing your subscription level, review your previous year's utility bills so you know your actual usage. Also keep in mind that through efficiency or a move to a smaller home, your energy use may go down during the life of your subscription. Check whether the contract will allow you to adjust or re-size your subscription.

6. How does the credit appear on my electricity bill?

There are two options, depending on the specific project and participating utility. With the monetary credit model, your monthly electric bill will show a credit based on the dollar value of your share of the project's energy output. With the energy credit model, your share of the project's energy output is subtracted from the energy usage shown on your monthly bill.

7. How do I tell if a community solar offer is legitimate?

There is no official list of authorized or registered

community solar developers. While there are many reputable developers, you should always—as with any important financial decision—be alert for the red flags of a possible scam. For example: Are you being pressured to make a quick decision or payment before you've been allowed to review the entire contract? Are you being promised an “inside deal”? Is it hard to get detailed information you can follow up on? Are you being promised or “guaranteed” cost savings that seem unrealistic? Does the sales representative claim to work on behalf of a utility without being able to show you their credentials?

8. Is an upfront payment or deposit required?

A developer may ask for an initial payment or deposit. However, you should not make any payment until you have researched the developer and thoroughly reviewed the contract. Be clear about whether, and under what terms, the payment is refundable. It is a red flag if a developer pushes you to make an immediate payment without allowing you reasonable time and opportunity to evaluate the subscription offer.

9. If the project under-performs or the developer goes out of business, will I lose money?

Community solar developers are not regulated by the Minnesota Public Utilities Commission, so it is your responsibility as a consumer to choose wisely. You should research a developer's track record and check references. Confirm that the developer has insurance and warranties for production, maintenance and repairs. Be sure you carefully review your subscriber contract and fully understand all the terms and conditions before signing it. Pay particular attention to your rights and obligations if the developer defaults on the contract or a disaster (such as a fire or tornado) damages or destroys the project.

10. When will the community solar project be built and operational? Is it in the ground? Is it waiting for approvals from local government officials and/or the utility?

Community solar is a new option for utilities and developers in Minnesota. While the installation might take only days or weeks, the necessary prior approvals to build a community solar project can take months or even years, depending on the utility and location. Ask about the possible timeline and make sure it is suitable to you.