

# MINNESOTA'S SOLAR GARDENS



The Status and Benefits  
of Community Solar

MAY 2019



<b>EXECUTIVE SUMMARY</b>	<b>3</b>
Box I: How does community solar work?	4
<b>THE GOALS AND GENESIS OF THE CSG PROGRAM</b>	<b>5</b>
Box II: The Value of Solar	6
<b>CURRENT STATUS</b>	<b>7</b>
Utility Scale Solar	7
Customer-Sited Solar	8
Box III: Community Solar Makes Good Pollinator Habitat, Boosts Crop Yields	9
Community Solar	11
<b>THE BENEFITS OF COMMUNITY SOLAR</b>	<b>16</b>
Jobs	16
Choice, Competition, and Participation	17
Landowner and Local Government Revenues	18
Social Benefits: The Environment, Public Health, and Equity	19
Technical Benefits to the Grid	21
<b>OPPORTUNITIES AND BARRIERS TO FURTHER GROWTH</b>	<b>22</b>
Increasing Flexibility to Improve Economics	22
Extending the Benefits to Low-Income Subscribers	23
Other Ideas to Improve Community Solar	24
<b>CONCLUSION</b>	<b>25</b>
Box IV: Online Data Tool Available	25

Report written by Bentham Paulos of PaulosAnalysis.com

Layout and design by José Fernandez.

Cover photo: Prairie Restorations Inc. manages more than 3,000 acres of low-growing flowering meadows on solar farms. Photo by Rob Davis, Fresh Energy.

# EXECUTIVE SUMMARY

Minnesota is the national leader in community solar, with 208 projects around the state, more than a third of all community solar projects in the US. The Community Solar Garden policy is the best in the nation, making it easy to develop and subscribe to solar power.

Community solar allows residents, businesses, and non-profit organizations to invest in solar power even if their own home or building is not suited to hosting solar panels, or if they are renters. Customers can subscribe to the output of a “solar garden” located somewhere else, and get the power counted toward their monthly electricity consumption through a credit on their utility bill.

This innovation has made it easy to go solar, and has led to an explosion of growth as customers leap at the chance to save money and save the planet at the same time. With this growth has come big benefits to consumers, workers, landowners, and local government, as well as helping to clean up the environment and protect public health.

- **Customers:** More than 14,000 Minnesota customers have signed up for community solar, to save money, create local economic development and jobs, and to protect the environment. That includes almost 12,000 households and 2,000 business, non-profit, and public-sector customers. Public sector customers, like schools, city facilities, and hospitals, account for almost half of the non-residential subscriptions.
- **Workers:** Community solar employed over 4,000 workers in Minnesota in 2018, including many family-wage construction jobs. “Solar installer” was the fastest growing job category in the country.
- **Landowners:** Community solar projects currently pay about \$5 million a year to landowners for leases and royalty payments. Counting all projects operating or currently under construction, about 354 landowners will receive a total of \$182 million in leases and royalties over the next 25 years.

- **Local Governments:** Community solar projects will pay over \$1 million this year to counties and towns through the state Solar Production Tax Credit, plus increased property tax revenues likely to exceed \$2 million per year.
- **Environment and Public Health:** Community solar systems cut global warming emissions by almost a million tons per year, plus over 400 tons of sulfur and nitrogen oxide emissions that harm public health and the environment.

As a modular technology, solar power can be developed in many ways, from small systems on the roofs of buildings, to mid-sized community solar gardens, to huge solar power plants. To fully tap the benefits of solar power we will need all of these options. While opponents of community solar tout the lower cost of much larger, utility-scale solar projects, they are missing two key benefits of community solar.

First, community solar is not just a way to deliver electrons, it is a way to build community and share the wealth. Community solar allows for more “energy democracy,” where individuals, non-profits, and businesses can invest and build wealth, rather than ceding control of this 21st century technology to big corporations and Wall Street investors. Community solar can be seen as a way to strengthen small businesses and the middle class, the backbone of a free society.

Second, community solar delivers technical benefits to the grid that big solar can't. Because it is distributed around local low-voltage power grids, it delivers power to directly to local consumers, improving efficiency and helping to avoid the need for more grid infrastructure.

That's why the state utility commission has found, time and again, that the value of power from community and distributed solar is higher than big central-station plants. Utilities and other stakeholders participated fully in those proceedings and their input has been taken into consideration.

Third, community solar introduces a new form of competition, which can spur technical and business innovation. While traditional monopoly utilities provide reliable power at a reasonable cost, they have never been strong at innovation or marketing, since it is not part of their business model. Private companies are better able to develop and market innovative products that meet customer needs. By forcing community solar marketers to compete with each other, customers will benefit.

But the Community Solar Garden program could be improved. Currently gardens must be built in the same or adjacent county as the subscriber. Since most customers are in the Twin Cities, this has resulted in many projects clustered around the Metro Region, rather than spread around the state where they could provide the most benefits to the grid, and financial benefits to more landowners and county governments. Also, there are no provisions in the program to help low-income customers participate, or to direct development and jobs to disadvantaged communities.

To meet Governor Walz's goals of a transitioning to a completely clean energy system, through the "One Minnesota Path to Clean Energy" plan, Minnesota will need a lot of solar, along with wind power, energy efficiency, and other clean sources. There will be plenty of opportunities for big companies and big banks to participate in solar energy. But policymakers should make sure that the rest of us are not left out of the transition. We need to keep the community in community solar.

#### BOX 1

### How does community solar work?

Minnesota has made it relatively easy to develop and market community solar projects, and very easy for subscribers to sign up. As a result, Minnesota has the most successful community solar policy in the country.

To start the process, a community solar developer must find a project site in Xcel Energy's service territory (or the service territory of another utility that allows for community solar) and apply for utility approval. The developer works out an arrangement with a landowner, applies for permits, and does an engineering analysis to show how they will interconnect to the grid. Once the application meets all criteria, the utility will approve the project under a standard form agreement. For many municipal and cooperative utilities, the utility itself owns and markets the community solar.

The next step is to sign up a sufficient number of customers to fully subscribe the community solar project. In Minnesota, some early projects offered an up-front subscription model where the subscriber buys up to 25 years of output with a one-time payment and breaks even after a certain number of years. But the market quickly transitioned to a "pay as you go" model where a subscriber pays a monthly fee. That rate can be pegged below the estimated bill credit rate, to allow for cost savings, starting in the first month. Sometimes the two options are mixed. Either way, a customer is officially renting the solar panels from the developer.

Once the community solar garden is up and running, the subscriber receives a credit on their bill for the energy generated. Under Minnesota statute, the bill credit value is determined by the state utility commission, using either the subscriber's class-average retail rate or the "value of solar" tariff. (See sidebar on *The Value of Solar*). Each developer has their own subscription price and terms, and customers can shop around for the best offer.

# THE GOALS AND GENESIS OF THE CSG PROGRAM

Solar power can be deployed in many ways. Since solar panels are modular, they can be put on everything from watches to space stations. They can be put on the roof of a home or business, mounted on racks in a field, or be deployed in huge numbers to make large power plants.

Each of these deployment pathways has implications for who can participate, who can invest, and who can benefit from solar power.

Minnesota has made a policy commitment to make the benefits of solar available to all Minnesotans, not just shareholders of large utilities. Minnesota was the first state in the country to adopt “net metering,” a billing method that makes it easy for customers to install solar. And while utilities in many states have attacked net metering, Minnesota has stayed true to its vision of making solar widely accessible.

But in other regards, Minnesota was lagging in solar power. Minnesota had emerged as a national leader on wind energy and energy efficiency, but was doing little to promote solar.<sup>1</sup> Spurred on by the Clean Energy Jobs campaign, the legislature adopted major clean energy legislation in 2013 that gave a big boost to all forms of solar power.<sup>2</sup>

One aspect of the bill was aimed at the problem that not all homes and businesses can or want to put solar panels on their roof or property. Apartment renters and office tenants, for example, don't own their roof. Many urban buildings are shaded with trees, or have roofs facing the wrong direction.

To remove this barrier, lawmakers created the Community Solar Garden (CSG) policy, as part of the legislation. Analogous to community gardens for food, the CSG program allows Xcel Energy customers to subscribe to part of the energy output of a larger solar project located

somewhere in their community. Subscribing customers can choose solar to provide some or all of their monthly electricity consumption, at a price that is comparable to – and sometimes less than – regular power.

The community solar law was adopted in 2013, with implementing rules finalized in December 2014 by the state Public Service Commission. Initially there was no limit to the number of projects that could be located next to each other, and developers proposed some very large projects. In response, the Commission limited “co-located” projects to five megawatts, but further constrained it in 2015 to one megawatt. Projects must be built in the same or adjacent county as the customers they serve, and must serve a minimum of five customers each.

A key part of the rulemaking was determining how to value the generation, in order to transfer the value to the subscriber. The legislation gave Xcel the option of using the retail price or a tariff based on the calculated value of solar. After a lengthy proceeding, in which utilities and others provided extensive data and analysis, those values were set and are updated annually. (See the sidebar on *The Value of Solar*).

Community solar has proven to be incredibly popular with customers, with landowners who host the solar systems, with the workers who install the panels, and with the communities that benefit from the economic development. Minnesota has by far the most community solar of any state, and leads the Midwest in solar power.

1 Ross Abbey and Brian Ross, *Market Transformation Pathways for Grid-Connected Rooftop Solar PV in Minnesota*, produced on behalf of the Minnesota Solar Challenge Program by Fresh Energy, 2013, <https://www.osti.gov/servlets/purl/1225367>

2 Bob Eleff, Legislative Analyst, Research Department, Minnesota House of Representatives, *Information Brief: Xcel Energy's Community Solar Garden Program*, October 2017, <https://www.house.leg.state.mn.us/hrd/pubs/solargarden.pdf>

**BOX II****THE VALUE OF SOLAR**

The fact that community solar delivers a wide range of benefits was a fundamental part of the design of the Community Solar Garden policy.

CSG introduced a new, albeit limited, form of competition to Minnesota's otherwise regulated monopoly utility system. In the past, either the utility owned the power plant or they bought power from another generation company on behalf of their customers. Now with CSGs, customers are able to come together to support a community-scale solar plant through an independent developer and receive direct economic benefits for the electricity produced. The customer continues to purchase their electricity use from the utility at the full retail price.

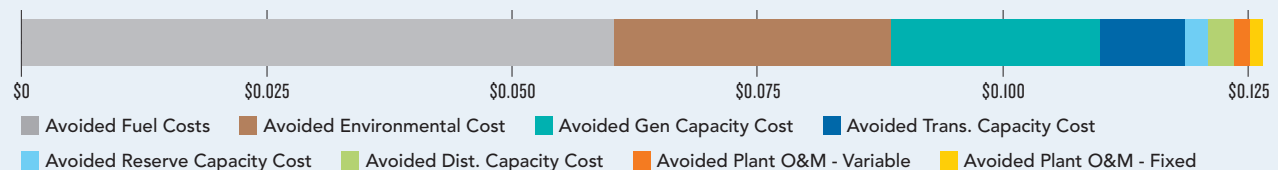
But this raised a question: How much should the utility compensate subscribers for the electricity it receives from the community solar garden, and how predictable should that compensation be over the 25-year project life?

The 2013 law stipulated that the power generated would be credited to the customer at the customer's applicable retail rate (ARR) or at the "value" of solar.<sup>3</sup> To calculate the value, and create a "value of solar tariff" or VOS tariff, regulators went through an extensive research process.

The state Department of Commerce developed a methodology that counted the costs associated with a typical gas-fired power plant that would be avoided by using solar power, such as the value of energy and its delivery, generation capacity, transmission capacity, transmission and distribution line losses, and environmental value, as shown in the figure. The Department was also permitted to consider the cost or benefit of solar operation to the utility, credit for locally manufactured or assembled energy systems, and systems installed at high-value locations on the grid.

*continued on next page*

### A Sample Value of Solar Calculation



While the law applies only to Xcel Energy, many other Minnesota utilities have created their own community solar programs, especially rural electric cooperatives. Many coops give their members the ability to buy panels in coop-owned solar installations, and subtract the energy generated from their bill.

The growth of solar power in the North Star state has made the vision of a zero-emission power system viable. Solar is a key part of Governor Tim Walz's "One Minnesota Path to Clean Energy" plan announced March 4.<sup>4</sup> The plan would require all utilities to go carbon-free by 2050, while giving each utility the flexibility on how to reach the standard. Xcel Energy and 3M are just two major Minnesota institutions that have already made such a commitment.

<sup>3</sup> Minnesota Statutes, 216B.164 Cogeneration And Small Power Production, <https://www.revisor.mn.gov/statutes/cite/216B.164>

<sup>4</sup> Minnesota Department of Commerce, Press release: "Walz, Flanagan propose plan to achieve 100 percent clean energy in Minnesota by 2050," March 4, 2019. <https://mn.gov/commerce/media/news/?id=17-374074>

# CURRENT STATUS

**Solar power is not new to Minnesota, but it has only recently reached a considerable scale, due in large part to the Community Solar Garden policy.**

The CSG policy was well-timed, since solar costs have plunged worldwide as the technology matures. The installed cost of solar has fallen 70 percent in the past decade, according to the Solar Energy Industries Association, with almost 2 million systems installed in the US. The industry now employs almost a quarter million workers, many more than work in the coal industry, for example.<sup>6</sup>

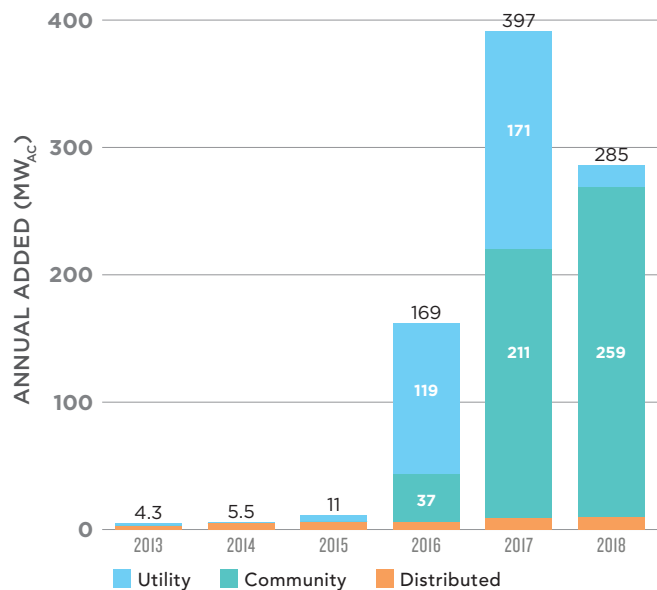
Solar installed on the customer-side of the meter to produce power on site is expected to be competitive with retail power prices in 42 states by 2020, depending on state prices and policies, according to consulting firm GTM Research.<sup>7</sup>

As a result of this commercial maturity, the US installed 10,600 megawatts (MW) of solar PV capacity in 2018 to reach 64,200 MW overall, enough to power 12.3 million American homes. Total capacity is expected to more than double over the next five years, with more than 15,000 MW installed annually.<sup>8</sup>

As a result of this commercial maturity, the US installed 10,600 megawatts (MW) of solar PV capacity in 2018 to reach 64,200 MW overall, enough to power 12.3 million American homes. Total capacity is expected to more than double over the next five years, with more than 15,000 MW installed annually.<sup>9</sup> Minnesota ranks first for community solar, hitting 513 MW in February 2019. Another 200 MW of projects are in the design and construction phase.<sup>10</sup>

Much of the community solar was installed in the last two years, as shown in Figure 1. Last year, Minnesota installed 285 MW of solar, 259 MW of which was spread among more than 100 community solar plants.

**Figure 1** Minnesota's Annual Solar Installations



Source: MN Department of Commerce

## Utility Scale Solar

Utilities are also buying power from large solar projects, under the requirements of the state Renewable Portfolio Standard (RPS). The RPS requires that investor-owned utilities (Xcel and Minnesota Power) get 1.5 percent of their energy from solar power by the end of 2020. It also requires that 10 percent of the solar capacity must be from systems that are 40 kW or less.<sup>11</sup>

6 SEIA, "Solar State by State," accessed March 29, 2019, <https://www.seia.org/states-map>

7 Mike Munsell, Greentech Media, "GTM Research: 20 US States at Grid Parity for Residential Solar," February 10, 2016, <https://www.greentechmedia.com/articles/read/gtm-research-20-us-states-at-grid-parity-for-residential-solar#gs.2vbgs1>

8 SEIA, Solar Market Insight, accessed March 29, 2019, <https://www.seia.org/us-solar-market-insight>

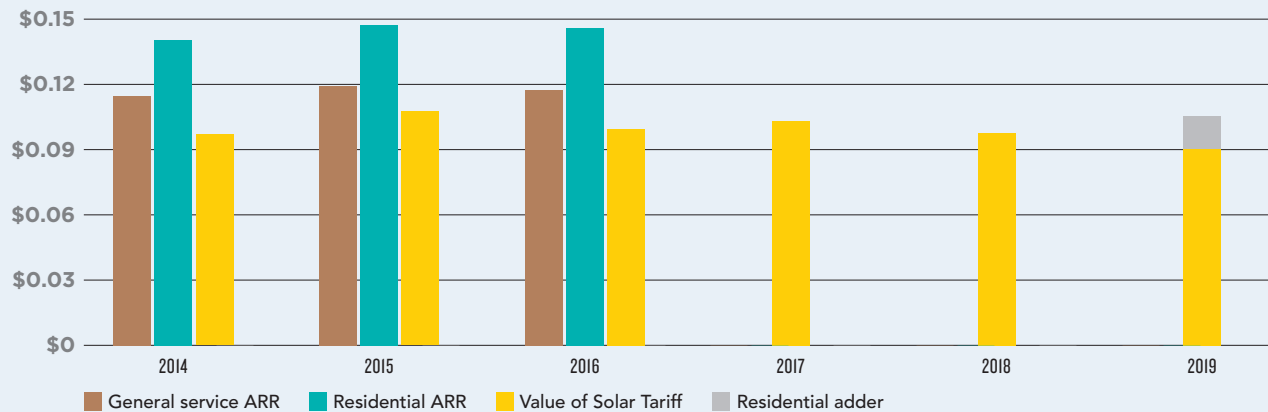
9 Solar Foundation, Solar Jobs Census 2018: Minnesota fact sheet, <https://www.thesolarfoundation.org/solar-jobs-census/factsheet-2018-mn/>

10 Institute for Local Self Reliance, <https://ilsr.org/minnesotas-community-solar-program/>

11 Database of State Incentives for Renewable Energy (DSIRE). Accessed March 2019. <http://programs.dsireusa.org/system/program/detail/2401>

## BOX II

## Subscriber Rate (1st Year)



Source: Minnesota Department of Commerce

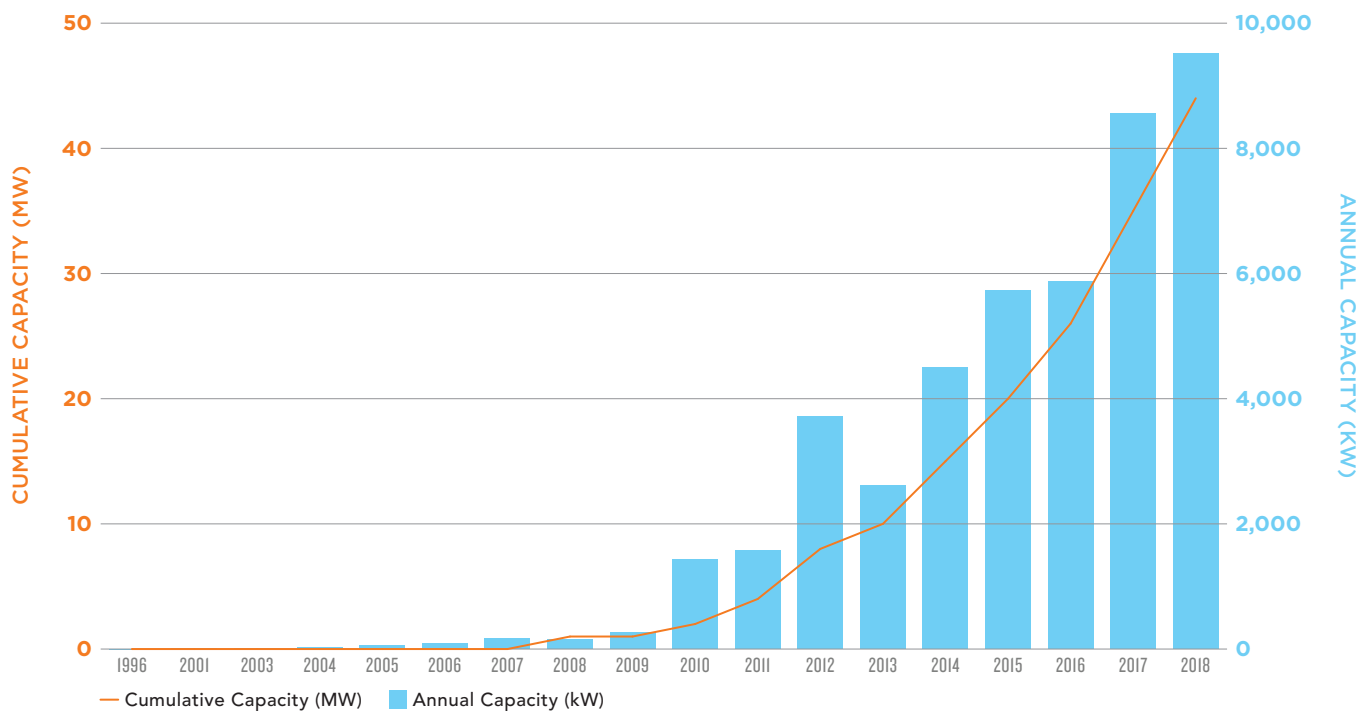
In late 2016, the Minnesota PUC ordered Xcel to transition from compensating subscribers of new solar gardens at the customer's retail rate to the VOS tariff, which lowered the compensation to subscribers. Moreover, the VOS has declined over time, dropping 10 percent between 2018 and 2019.

Xcel files a new VOS tariff each year, taking into account changes in fuel prices and other factors. Under ARR, the bill-credit rate varies by customer class and project size, while the VOS bill credit rate is the same for all subscribers and project sizes, and increases with inflation each year for 25 years. For projects that start in 2019, the first year bill credit value is 9.04 cents per kWh (in 2019 dollars), increasing to 11.05 cents in year 10 (in 2029 dollars). A typical residential retail rate is currently about 11.8 cents per kWh.

Ownership of the renewable energy certificates (RECs) from the solar garden passes to Xcel Energy in return for compensating the subscriber for the plant's avoided environmental costs, including the social cost of carbon. Xcel can use the RECs to show compliance with the state solar energy standard, or to monetize the value for the benefit of its ratepayers.

Because the VOS rate is not intended as an incentive, the rate does not vary depending on the subscriber's customer class, meaning there's little economic logic for CSGs to serve small many residential customers (instead of simply serving five large customers). To address this concern, in November 2018 the Commission increased the rate for residential subscribers by 1.5 cents per kilowatt-hour for new subscriptions in 2019 and 2020.<sup>5</sup>

<sup>5</sup> Minnesota PUC Order in Docket No. 13-867 (ordering the creation of a residential rate adder), November 16, 2018.

**Figure 2** Distributed Solar Growth

Source: MN Department of Commerce

A significant number of utility scale systems, selling power to Xcel and Minnesota Power, were installed in 2016 and 2017, but the number dropped off in 2018. There are currently seven large generation projects in the state, with the biggest being the 100 MW North Star Solar installation in Chisago County, which produces enough electricity for about 20,000 homes. North Star is currently the largest solar project in the Midwest.<sup>12</sup>

While the number of current utility-scale installations is modest, it is likely to rise significantly. In fact, the Mid-continent Independent System Operator (MISO), which manages the Midwestern grid, counts 30,188 MW of solar projects that have applied for interconnection to the high-voltage transmission grid, as of March 2019.<sup>13</sup> Minnesota has 26 projects in the queue, totaling almost 3000 MW. Not all of these projects will be built, but the queue shows a great deal of interest from developers.

## Customer-sited Solar

Minnesota is also home to a growing number of smaller “distributed” solar installations, on the customer’s side of the meter. As of the end of 2017, there were almost 4600 distributed solar systems of less than 40 kW in size, adding up to about 53 MW of total capacity.<sup>14</sup>

Although solar installations date back to 1996, almost 80 percent of the systems at the end of 2017 were installed in 2017. About two-thirds of small systems statewide were in Xcel’s service territory, along with much of the recent growth. Rural electric coops and municipal utilities collectively hosted 1078 small solar systems, adding up to 13.8 MW.

Newer figures from Xcel show that an additional 854 systems were installed in Xcel’s territory in 2018, boosting the number up to 3900 customers generating 44 MW of power, as shown in Figure 2. Data from other utilities is pending, but at current growth rates the total number of distributed solar customers could top 7500 by the end of 2019.

<sup>12</sup> Community Energy, Inc., North Star Solar, <https://www.communityenergyinc.com/projects/north-star-solar>

<sup>13</sup> MISO, Generator Interconnection Queue, accessed March 22, 2019 at [https://www.misoenergy.org/planning/generator-interconnection/GI\\_Queue/](https://www.misoenergy.org/planning/generator-interconnection/GI_Queue/)

<sup>14</sup> Minnesota Department of Commerce, Annual Distributed Generation Reports, “MN Utility Reported DG through 12/31/2018 (released 3/1/2019),” <https://mn.gov/puc/energy/distributed-energy/data/>.

**BOX III****Community Solar Makes Good Pollinator Habitat, Boosts Crop Yields**

Solar projects require roughly 7 to 10 acres of land per megawatt, meaning that the just-over 1000 megawatts of projects installed to date occupy over 7,000 acres of land in the state.

While that's less than 0.03 percent of Minnesota's 26 million acres of farmland, solar will have to grow six-fold to reach the current statutory target of 10 percent of state electricity demand by 2030.

Minnesota community solar developers and researchers have discovered that the land used by solar can do double duty, hosting meadows that provide a home for pollinators, like bees and butterflies. Spurred on by customers like the City of Minneapolis, developers started including "pollinator friendly" plantings with their projects.

In 2016, the Minnesota Board of Water and Soil Resources, with cooperation from the Department of Natural Resources, established the country's first standard for pollinator-friendly solar development. While this work was underway, the Legislature passed a statute that encourages solar developers to follow the standard.

More than 4,000 acres of commercial solar projects were installed in 2016 and 2017, and over half of them include pollinator habitat. Community solar marketers have found that pollinator friendly projects are an important selling point for subscribers, and they have become a point of competition.

These flowering solar farms are also hosting honey production from local beekeepers. Dustin and Grace Vanasse supply their Bare Honey brand from a bee apiary at a solar garden. They in turn provide the honey used to make Solarama Crush, a "hazy IPA" brewed by 56 Brewing, and for Solar Sweet Farm Cider, made by Milk & Honey Ciders in St. Joseph. Both 56 Brewing and Milk & Honey Ciders are powered by solar gardens.<sup>15</sup>



Dustin Vanasse of Bare Honey.  
Photo Courtesy: Dennis Schroeder/NREL InSPIRE

New research by the Yale School of Forestry & Environmental Studies has found that these solar meadows provide a number of benefits, including boosting crop yields in nearby fields. They also improve ground water, provide habitat for songbirds and gamebirds, reduce erosion, and even boost solar power output by cooling the panels.

Minnesota's leadership on this issue has caused other states to follow suit. Illinois passed legislation in 2018 creating voluntary standards, as have half a dozen other states.

If Minnesota met the remainder of its 2030 solar installation target with pollinator-friendly projects, the study estimates environmental co-benefits ranging from \$30-515 million, depending on the composition of surrounding farmland.

<sup>15</sup> Fresh Energy, "Solarama Crush launch event: a hit for the bees and beer," March 21, 2019, <https://fresh-energy.org/solarama-crush-launch-event-a-hit-for-the-bees-and-beer/>



Ilan Klages-Mundt is the co-founder of Insight Brewing.

## Community Solar

By far the largest kind of solar deployment in Minnesota is community solar, which has emerged rapidly over the past two years. Community solar is now offered by 30 utilities in Minnesota, with Xcel Energy customers accounting for the largest share of subscribers.

As of the end of 2018, there are 208 projects serving about 14,000 subscribers with 514 megawatts (MW) of community solar in Minnesota. The number of subscribers doubled between the beginning and end of 2018.

As shown in the figure, most subscribers are residential customers. Although the data is unclear, it is likely that many of these are renters. Minnesota-based companies like Minnesota Solar Connection and Sherman Associates are teaming up to provide community solar to thousands of individually-metered residential renters across the Twin Cities metro.<sup>16</sup>

Commercial, industrial, and public sector customers (called general service customers) account for 85 percent of

the power sold through the CSG program. Just over 1000 general service customers have subscribed to 527 MW of new solar in Minnesota (a number of projects are still under construction). Public sector general service customers, especially schools, city facilities and hospitals, were estimated to account for at least 44 percent of non-residential CSG capacity, or at least 200 MW, as of January 2019.<sup>17</sup>

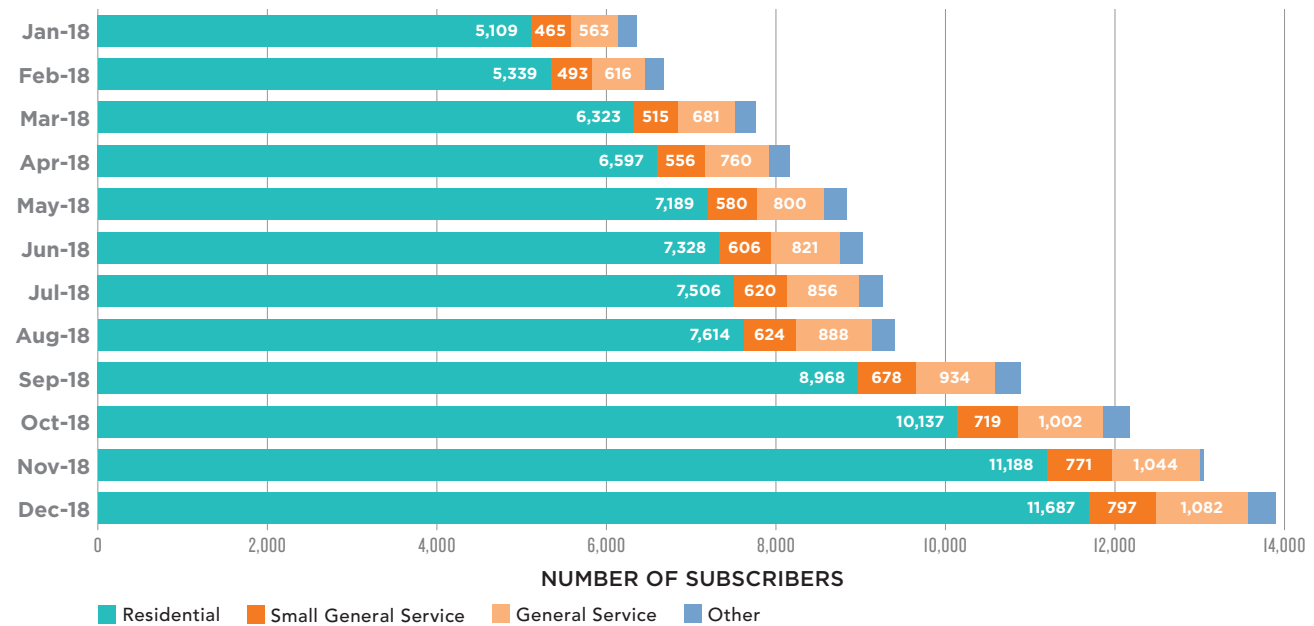
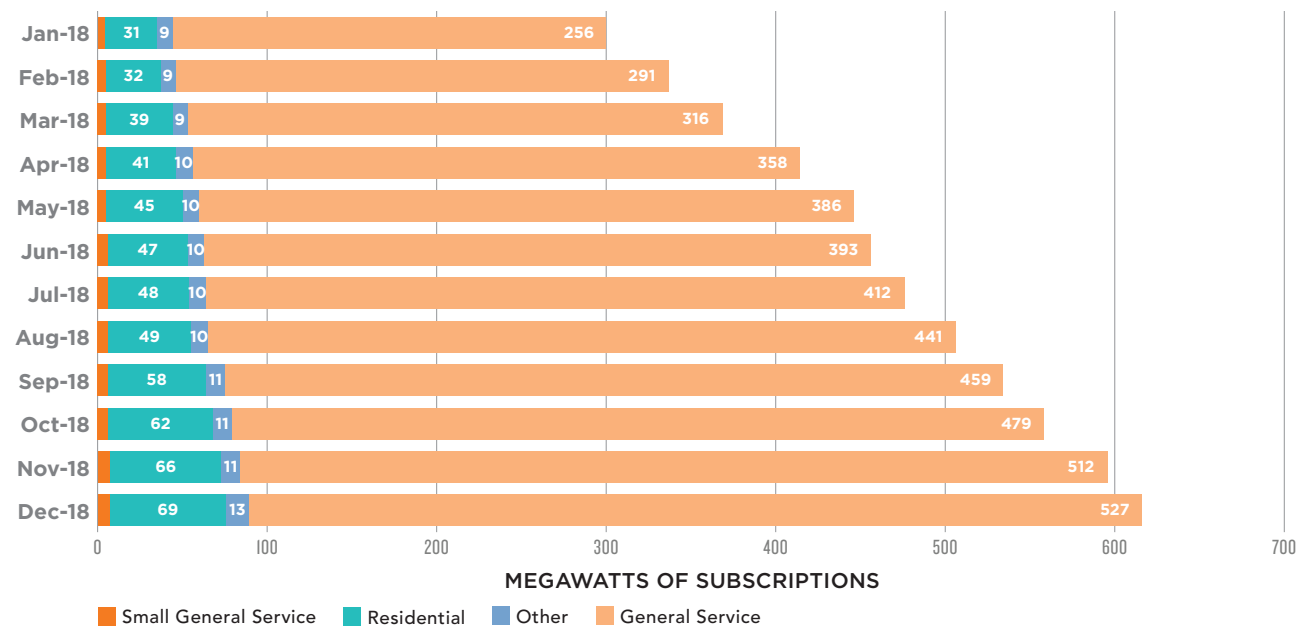
Strong interest from commercial customers is part of a global business trend toward corporate sustainability. Rocky Mountain Institute reports that the 276 corporate members of their Business Renewables Center have supported the development of over 15,000 megawatts of new renewable energy over the past five years.<sup>18</sup> IT companies like Apple, Google, and Facebook have led the way, powering the massive data centers that make the internet run. But other major corporations, including Walmart, GM, AT&T, and even oil giant Exxon-Mobil have made major renewable energy purchases.

Minnesota-based companies are part of that movement, from local coffee shops to Fortune 500 companies. Target plans to put rooftop solar panels on 500 stores by 2020

<sup>16</sup> Sherman Associates, "Solar Garden - Carver County," accessed April 25, 2019, <https://www.sherman-associates.com/properties/solar-garden-carver-county/case-study/>

<sup>17</sup> Xcel Energy 2018 Annual S\*RC Program Report (April 1, 2019) in Docket. No. 13-867, page 21.

<sup>18</sup> Rocky Mountain Institute (RMI), Business Renewables Center, accessed April 17, 2019, <https://businessrenewables.org/>

**Figure 4a** Community Solar Garden Subscribers, 2018**Figure 4b** Community Solar Garden Subscribers in Megawatts

Source: Institute for Local Self Reliance analysis of Xcel Energy reports. Note: Subscriptions exceed current supply due to time lag in development.



Dodge Middle School in Farmington. Source: Farmington School District

on the way to being powered by 100 percent renewable energy overall.<sup>19</sup> In February, 3M committed to sourcing 100 percent of their electricity from renewables, with an interim target of 50 percent by 2025. As a first step, they agreed to fully power their St. Paul global headquarters – a 409-acre campus with about 12,000 employees across 30 buildings and research labs – with energy from Xcel wind farms near Pipestone, plus other wind and solar sources.<sup>20</sup> Even US Bank Stadium, home of the Minnesota Vikings, is fully powered by wind energy through purchase of renewable energy credits.<sup>21</sup>

Ecolab was the first big Minnesota company to sign up for community solar, subscribing to 5 MW of power from

solar gardens in 2015. The company later went 100 percent renewable for their North American operations through a 100 MW contract with a new wind farm in Texas, cutting overall corporate emissions by 25 percent.<sup>22</sup> Ecolab employs 48,000 workers worldwide.

Now many big names have signed up, including Land O'Lakes, Macy's and US Bank. Andersen Windows currently subscribes to 26 solar gardens that, as of August 2018, supplied 6.5 megawatts of electricity for their Cottage Grove factory that makes Renewal replacement windows and doors—about 103 percent of that plant's electrical usage. This reflects about \$49,000 of net cost savings for the company since January 2018.<sup>23</sup>

19 Target, "sustainable operations," accessed March 28, 2019, <https://corporate.target.com/corporate-responsibility/planet/sustainable-operations>

20 3M, Press release: "3M Announces 100% Global Renewable Electricity Goal with Headquarters Campus Converting to all Renewables Immediately," February 28, 2019, <https://news.3m.com/press-release/company-english/3m-announces-100-global-renewable-electricity-goal-headquarters-campus>

21 US Bank Stadium, "Sustainability," accessed April 17, 2019, <https://www.usbankstadium.com/stadium-info/sustainability>

22 Ecolab, Press release: "Ecolab Investing in Renewable Power Project with Clearway Energy Group," December 18, 2018, <https://www.ecolab.com/news/2018/12/ecolab-investing-in-renewable-power-project-with-clearway-energy-group>

23 Andersen Windows and Doors, Press release: "Renewal by Andersen Subscribed to 100 Percent Solar Energy," December 2018, <https://www.andersenwindows.com/about/newsroom/2018-12-12-11-19-renewal-by-andersen-sources-100-percent-solar-energy-at-minnesota-plant/>

Renewal by Andersen President Paul Delahunt says “Community subscriptions and joint agreements mean that it isn’t just the giant companies like Google or Facebook who can play a role in the renewable energy movement—small and mid-size companies can make a difference, too.”

Smaller businesses too are attracted to community solar. Ilan Klages-Mundt is the co-founder of Insight Brewing, where 40 employees brew 10,000 barrels of craft beer each year in their Northeast Minneapolis brewery and taproom.

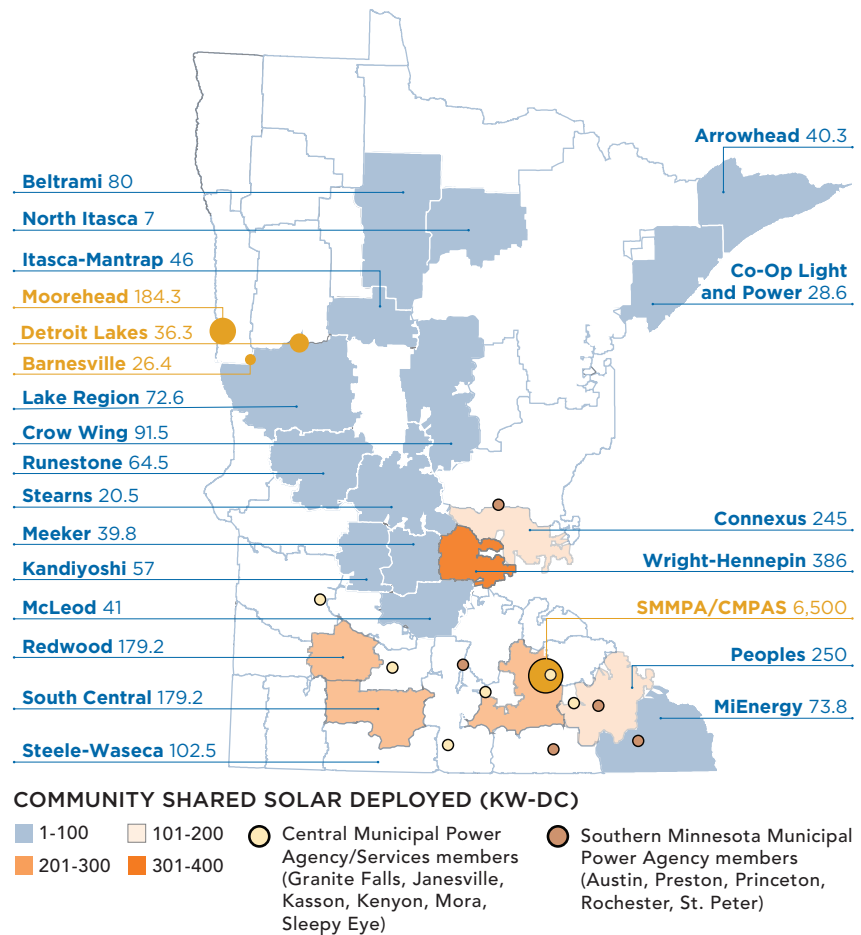
“When we opened the brewery in 2014 we cared about sustainability, but we didn’t have the capital available,” he says. “IPS Solar let us go solar with no money down, and with a reduced utility bill. It just makes sense. So we signed up to be the first Minnesota brewery to commit to going 100 percent solar.”

Insight has 61 solar panels on their roof, to show their commitment, but get most of their solar power from a bigger offsite system in Carver County. Due to rapid expansion of their business, they haven’t made it to 100 percent yet, and need to buy more. But because solar gardens must be in the same or adjacent county as the customer, IPS has struggled to find new sites that could supply the brewery.

Klages-Mundt points to the strong support from their customers for their switch to solar. But he says all need to play their part. “We need our elected officials to be the leaders,” he told WCCO-TV in 2017.<sup>24</sup> “If they are not doing it, who are the leaders who are going to step up? For us it came down to business leaders.”

The public sector is also an active supporter of community solar. The Metropolitan Council organized a collaborative of 31 local governments and public

**Figure 5** Municipal and Cooperative Utilities Offering Community Solar



Source: Gabriel Chan, et al., Barriers and Opportunities for Distributed Energy Resources in Minnesota's Municipal Utilities and Electric Cooperatives, February 2019, <https://bit.ly/2lBxdOa>

agencies to subscribe to 33 megawatts of community solar projects across a seven-county region.<sup>25</sup>

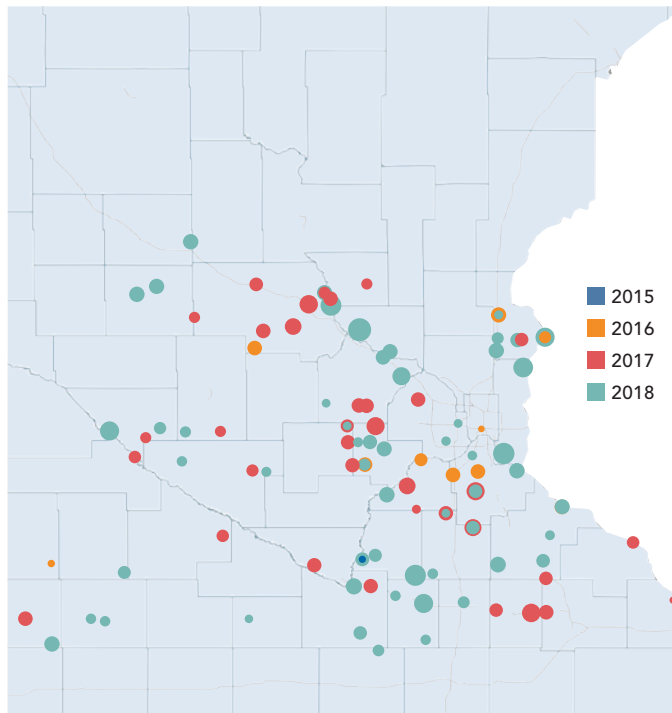
“The result is financial savings for local taxpayers and ratepayers, reduced air emissions from fossil fuels, and advancements in solar production in Minnesota,” according to Met Council Project Manager Jason Willett. “It’s just a big win all the way around.”

Schools are also benefiting from community solar. Farmington is home to the largest school solar project, with 2,200 panels on the roof of Dodge Middle School, generating 60 percent of the school’s electricity needs. More installations are on other schools and mounted on school grounds, so

<sup>24</sup> WCCO-TV, “Northeast Minneapolis Brewery Going Solar With Beer,” February 6, 2017, <https://minnesota.cbslocal.com/2017/02/06/insight-brewing-solar-power/>

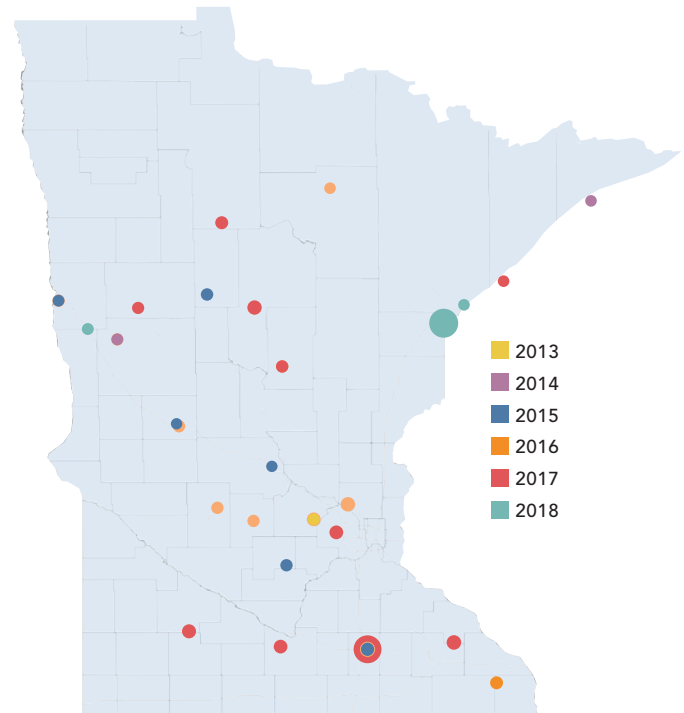
<sup>25</sup> Metropolitan Council, Press release: “Regional Collaboration Delivers Sustainable Energy,” November 22, 2017, <https://metro council.org/News-Events/Communities/Newsletters/Regional-collaboration-delivers-sustainable-energy.aspx>

**Figure 6** Community Solar Projects Serving Xcel Customers



Size of circle reflects the size of the solar garden, ranging from 3.6 to 5,000 kilowatts. Some circles reflect multiple projects at one location. An interactive version is available online at <https://tabsoft.co/2PqYtC1>

**Figure 7** Public Utilities with Community Solar Projects



they can be visible to students and part of the educational curriculum. In all, the district expects to save \$2.7 million over 25 years, which can be spent on classrooms instead.<sup>26</sup>

Jon Kramer, CEO of Sundial Solar, the installer on the Farmington project, cites the educational and financial benefits to the district. “They want kids to develop an appreciation of clean energy,” he said. “And they’re going to save money, and that’s an important aspect, because schools are struggling for money and this is a noble cause that pays a dividend.”

Interest in community solar from business and public sector customers has been so strong that it has been hard to interest community solar developers in marketing to residential subscribers, despite strong demand from households. Almost 12,000 residential customers have signed up for community solar, and the potential is much greater. But faced with the relatively higher cost of outreach, education,

and administration for residential customers, and the ease of signing up corporate and public customers, residential customers have been a lower priority.

To encourage more participation by households, in October the Minnesota PUC added a temporary two-year incentive of 1.5¢ per kilowatt-hour to cover the higher costs of marketing to and serving new residential subscribers.

As of year end 2018, there were 208 individual CSG projects adding up to 514 megawatts of capacity, including 169 projects serving Xcel Energy customers, 37 from rural coops and municipal utilities, and two from Minnesota Power.

While community solar projects are located throughout Greater Minnesota, the majority are clustered around the Twin Cities. Regulations require projects to be built in the same or adjacent county as the subscriber, and the majority of subscribers are Xcel Energy customers in and around the Metro region.

<sup>26</sup> Frank Jossi, Midwest Energy News, “Investment in solar grows dramatically in Minnesota schools,” November 14, 2017, <https://energynews.us/2017/11/14/midwest/investment-in-solar-grows-dramatically-in-minnesotas-k-12-schools/>. Deanna Weniger, Farmington Independent, “Solar panels coming to four Farmington schools,” July 4, 2016, <https://www.farmingtonindependent.com/news/4064408-solar-panels-coming-four-farmington-schools>

# THE BENEFITS OF COMMUNITY SOLAR

Solar power delivers many benefits – to consumers, to workers, to landowners and local governments, to the electricity system, and to the planet. The Community Solar Gardens approach extends those benefits to people who wouldn't be able to capture them otherwise.

## Jobs

The rapid growth of community solar has been a major source of job creation in Minnesota.

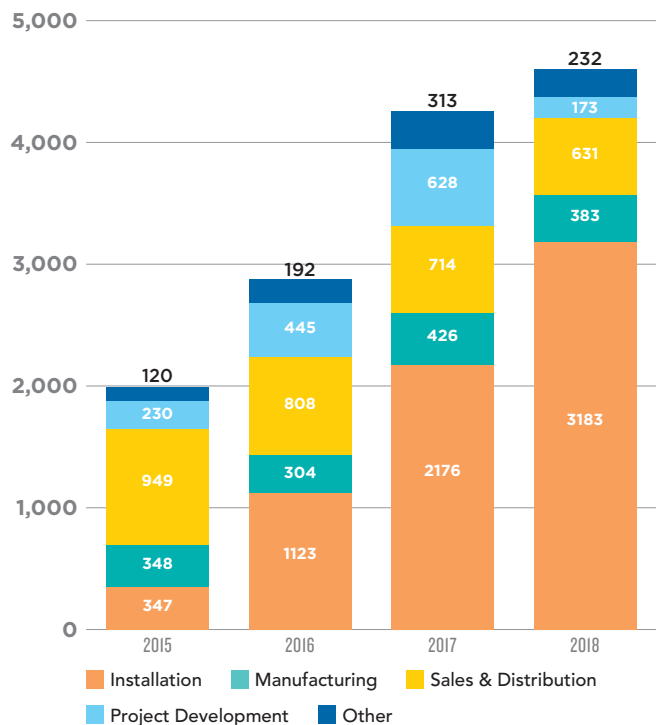
Minnesota ranks 13th in solar jobs per capita, according to the Solar Foundation's annual census, with 4,602 jobs counted last year.<sup>27</sup> "Solar Installer" is now the fastest growing job in the state, growing from 347 in 2015 to almost 3,200 three years later. Installation jobs accounted for 70 percent of all solar jobs last year. Another study, Clean Jobs Midwest, counted 4,917 solar jobs in Minnesota in 2018, up nine percent from the previous year -- bucking the overall national trend, where solar jobs declined by three percent.<sup>28</sup>

Since most of the solar installations have been clustered around the Twin Cities metro area, most jobs are there as well. The solar census counted 3,512 jobs in Hennepin county, with Stearns and Ramsey counties counting another 365 and 213 respectively.<sup>29</sup>

Community solar, by far the largest type of solar development in the state, counted for over 4,000 of these jobs. Rooftop solar projects counted for about 370 jobs while utility-scale development activity is currently very low, due to a lack of procurement by Xcel and other utilities.

MnSEIA, the Minnesota Solar Energy Industries Association, counts 128 business members, including 12 manufacturers, 25 developers, and 40 installation companies.<sup>30</sup> The list includes major engineering and construction firms

**Figure 5** Minnesota Solar Jobs By Category



Source: Solar Foundation

that are headquartered in Minnesota, including Blattner, Mortenson, and Egan, who collectively employ 7,800 workers around the world. Three local chapters of the IBEW union are also members as are Stearns Bank of St. Cloud and other financial and legal companies.

<sup>27</sup> Solar Foundation, Solar Jobs Census 2018: Minnesota data, <https://www.solarstates.org/#state/minnesota/counties/solar-jobs/2018>

<sup>28</sup> Clean Energy Trust, Environmental Entrepreneurs (E2), and BW Research, Clean Jobs Midwest study, Minnesota page, accessed April 9, 2019, <https://www.cleanjobsmidwest.com/state/minnesota>

<sup>29</sup> The Solar Census sometimes counts jobs by the location of the headquarters of a firm, rather than by the home address of the worker or the exact location of the work. The Twin Cities is often the location of corporate headquarters. Also, solar construction jobs are somewhat itinerant, making the location of the "job" inexact.

<sup>30</sup> Minnesota Solar Energy Industries Association (MnSEIA), <https://www.mnseia.org>

While solar manufacturing is dominated globally by Chinese companies, Minnesota has worked hard to support local production. A panel manufacturing plant in Mountain Iron (in the Iron Range) was reopened in 2018 by Heliene, a Canadian company, hiring 120 workers with a \$5 million annual payroll. The company reports that 60 percent of the panels they manufactured previously in Canada were sold in Minnesota, primarily for community solar gardens. Heliene is also aiming to supply the newly emerging Illinois community solar market, which was modeled in part on Minnesota's system.<sup>31</sup>

## Choice, Competition, and Participation

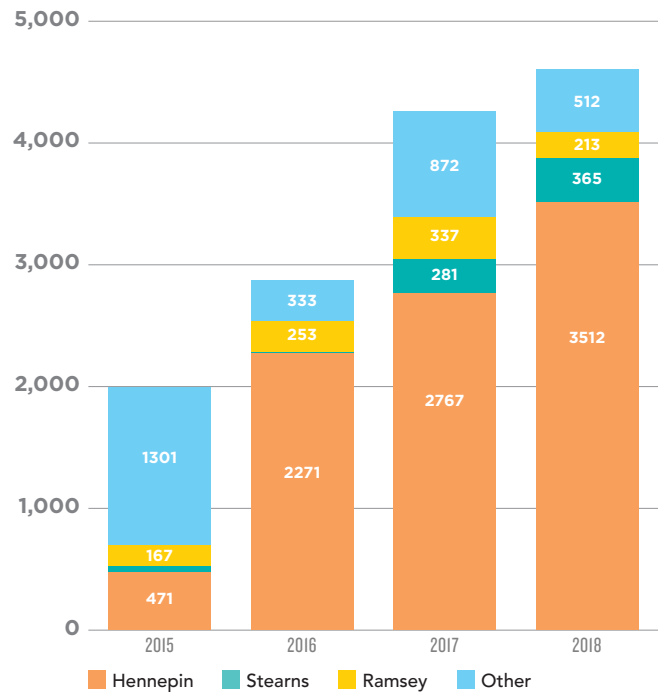
While many states have introduced retail choice for electricity, Minnesota has not, sticking with monopoly service territories for regulated utilities. But even in a monopoly market, consumer-owned energy technologies, like solar power, batteries, and controllable demand (called demand response) are introducing a new, more active role for consumers and a new form of competition.

In our digital age, consumers increasingly want access to new technologies and business models like solar power. For those who can't or choose not to put it on their own property, community solar gives consumers the ability to choose solar. Consumers can own or subscribe to solar systems, getting solar power at a reasonable price.

As mentioned above, choice is especially important for Minnesota businesses, who must compete with rivals in other states and countries. While keeping costs low is always important, many companies are also committing to become more sustainable and reduce their carbon footprint, in order to be more attractive to customers and partners.

Greater competition helps spur innovation and drive down the cost of solar. While traditional monopoly utilities provide reliable power at a reasonable cost, they have never been strong at innovation or marketing, since

**Figure 6** Minnesota Solar Jobs By County



Source: Solar Foundation

it is not part of their business model. Private companies are better able to develop and market innovative products that meet customer needs.

In addition to competing with utilities, community solar developers must compete with each other to attract customers, to make deals with landowners, and to attract financing. This intense competition results in increased efficiency and lower deployment costs, and greater benefits for consumers.

Community solar also offers greater participation for citizens in the transition to renewable energy, sometimes called "energy democracy."<sup>32</sup> Julia Nerbonne, executive director of Minnesota Interfaith Power and Light, says more citizen involvement will make for a stronger energy system overall with greater public support for the changes that are needed. "We don't want one company to control our energy future," she told Minnesota Public Radio.<sup>33</sup>

31 Dan Kraker, MPR News, "Country's newest solar factory opens on the Iron Range," September 25, 2018, <https://www.mprnews.org/story/2018/09/25/solar-factory-opens-on-iron-range>

32 Institute for Local Self Reliance, "Energy Democracy: The Big Picture," <https://ilsr.org/energy-democracy-the-big-picture/>

33 Elizabeth Dunbar, "Xcel Energy, others push changes to state's community solar program," MPR News, March 1, 2019, <https://www.mprnews.org/story/2019/03/01/xcel-to-state-community-solar-programs-needs-overhaul>

## Landowner and Local Government Revenues

Community solar creates economic benefits for rural landowners and counties.

Landowners can lease their land to developers or get royalty payments for hosting solar projects. Depending on the location of the land parcel relative to the distribution grid, Minnesota landowners with an optimal site can command annual lease rates averaging \$1,000 an acre or more. Given that community solar gardens typically take up to 10 acres per megawatt of solar panels, the 514 MW of projects in service as of the end of 2018 likely pay annual rents of over \$5 million to the owners of the 208 project sites.

At that time, another 214 MW were under construction across 146 sites. Adding up all the currently finished and pending projects, the owners of 354 sites will receive about \$182 million from community solar over the 25 year term of their contracts.

Additional revenues can come from utility-scale projects. Because community solar projects are size-limited under state policy, they tend to be spread among more landowners than utility-scale systems, creating more beneficiaries.

One area seeing big benefits from solar is Chisago County, northeast of the Twin Cities along the St. Croix river. The county is home to 20 community solar projects, plus the 100 MW North Star Solar project that sells wholesale power to Xcel Energy, making Chisago County the state leader in solar power.

One landowner who benefits is Ed Eichten, who raises bison and produces artisanal cheese on his farm in Chisago County. Working with IPS Solar, he started in 2011 with a 3,000 panel system on an odd-shaped four acre field that had been planted in hay, delivering a higher value use for



Ed Eichten on his farm. Photo credit: IPS Solar

the land. Over the years, he expanded it to a five megawatt community solar garden, enough to power 650 homes.

"It doesn't make sense to keep polluting the atmosphere," he says. "I thought it was a very good idea, not just for me but also for the environment. It's kind of a feel-good situation."<sup>34</sup>

"It's a good use of my land to help society."

Community solar creates benefits for county and local governments through tax payments, which support schools, roads, public health and safety, and other vital services.

Bruce Messelt, Chisago County Administrator, says "we can think about this as almost the next big crop."<sup>35</sup>

The Minnesota Solar Energy Production Tax collects \$1.20 per megawatt-hour of generation, with 80 percent going to counties and 20 percent to cities and townships.<sup>36</sup>

In 2019, Chisago County will receive \$320,742 from the Production Tax, in addition to the annual property taxes from the landowners who host the systems. About a third of those property tax payments would be attributable to community solar projects.<sup>37</sup>

State law exempts systems of one megawatt or less from the Production Tax. However, there are 112 community

<sup>34</sup> IPS Solar, A Landowner's Story (video), <https://ips-solar.com/landowners/>

<sup>35</sup> The Power of Minnesota (documentary), <https://www.powerofmn.com>

<sup>36</sup> Minnesota Department of Revenue, "Energy Production Taxes," accessed April 17, 2019, <https://www.revenue.state.mn.us/businesses/energy-production/Pages/File-and-Pay.aspx>

<sup>37</sup> Personal communication with Chase Peloquin, Assistant County Assessor, Chisago County, April 11, 2019.

solar projects around the state that are larger than one megawatt, for a total capacity of 464 MW, resulting in an estimated \$1.13 million in annual Production Tax payments.

When farmland is used for a CSG, the tax status changes from Agricultural to Commercial, triggering a property tax increase. While the details are complicated, property taxes can increase substantially, resulting in greater revenues to the county. The solar developer usually agrees to pay the increased tax, rather than the landowner. Due to the complexity of local tax policies, the total increase is unknown, but based on anecdotal evidence is likely to be over \$2 million per year.

To cite one example, US Solar has a pair of one megawatt projects, occupying 10 acres each, in Chisago County. The property tax bill rose from \$1700 to \$5000 for one and from \$2100 to \$8300 for the other, or a net increase of \$9400 per year for the two projects.<sup>38</sup>

Solar is also helping the Chisago Lakes School District save money. The District is getting power from nearly 1,000 panels on the roofs of five schools, plus they subscribe to community solar gardens located on private land—all with no money paid upfront. Over the next 30 years, their developer IPS Solar predicts the district will save \$3 million in electricity costs, or \$100,000 each year.<sup>39</sup>

---

## Social Benefits: The Environment, Public Health, and Equity

Under full sun, each one megawatt community solar garden provides clean, locally produced electricity for about 200 nearby households and businesses. This reduces the need for utilities to import costly electricity from remote power plants that burn out-of-state coal and natural gas.

As a zero-emission energy source, solar benefits the environment and public health, avoiding the many impacts that come from coal and natural gas power plants,

including particulate, sulfur and nitrogen oxide air pollution, and the land and water impacts from mercury emissions, mining and gas drilling, frack sand mining, pipelines, coal piles, and coal ash disposal pits. And of course, solar does not contribute to global warming.

By reducing the “criteria” air pollutants that contribute to smog, solar can also contribute to public health. The share of power from polluting coal-burning power plants in Minnesota has fallen from 62 percent to 44 percent since 2005, largely due to the growth in wind and solar power. If we assume that the 505 MW of community solar currently operating is displacing coal, then community solar is cutting sulfur dioxide (SO<sub>x</sub>) and nitrogen oxide (NO<sub>x</sub>) emissions by 470 and 438 tons per year, respectively.<sup>40</sup>

This has helped clean up the air in Minnesota, putting the state in compliance with federal air quality standards. However, ongoing episodes of dirty air can harm vulnerable populations, such as the elderly and children with asthma. Poor air quality disproportionately impacts communities of color and those living in poverty.

One study estimated that 6-13 percent of all residents who died and 2-5 percent of all residents who visited the hospital or emergency room for heart and lung problems in the Twin Cities in 2008 did so partly because of fine particles in the air or ground-level ozone. This translated to about 2,000 deaths, 400 hospitalizations, and 600 emergency room visits.<sup>41</sup>

Community solar is also an important contributor to reducing global warming emissions. Minnesota’s power sector emissions have fallen 29 percent between 2005 and 2016, surpassing the 2015 goal of the Next Generation Energy Act, and nearly reaching the 2025 goal. Additional coal plant closures that will drive further reductions.<sup>42</sup>

While much of the reduction has been driven by a state and regional shift toward wind and natural gas power generation, plus energy efficiency gains, community solar is contributing, currently cutting carbon dioxide emissions by about 920,000 tons per year.<sup>43</sup>

38 Personal communication with Ross Abbey, US Solar, April 18, 2019.

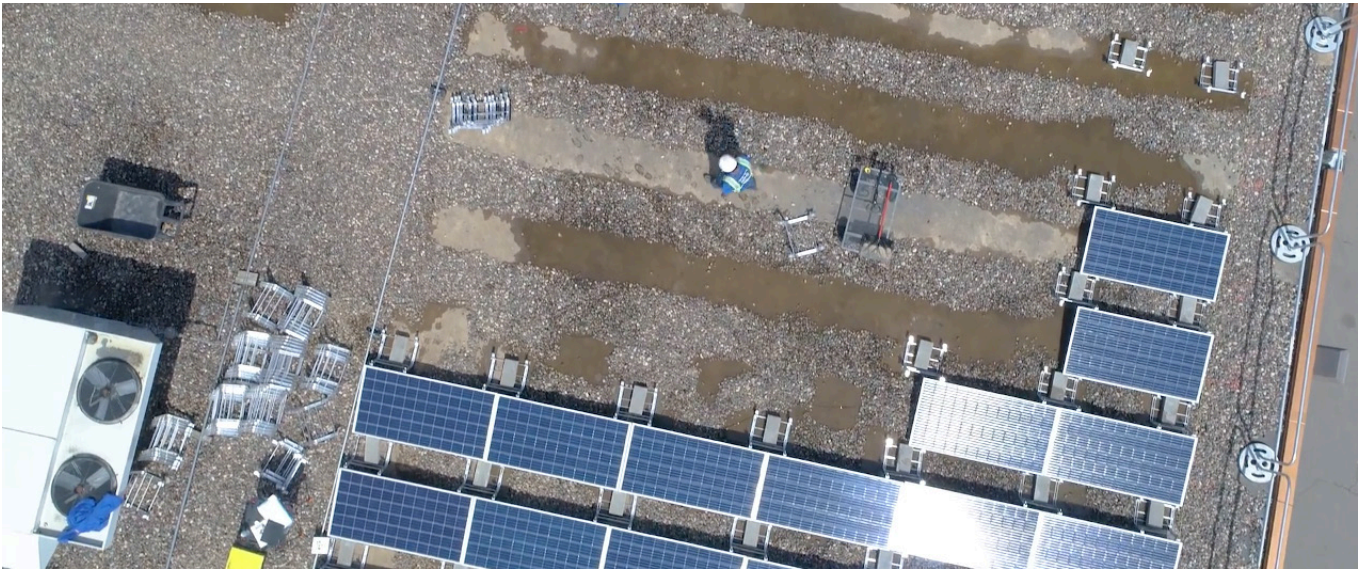
39 IPS Solar website, accessed March 28, 2019, <https://ips-solar.com/projects/chisago-lakes-school-district/>

40 Calculated using 2017 emissions from the Allen S. King coal plant (source: Energy Information Administration). Solar generation estimated based on the performance of the North Star Solar plant (2017 capacity factor of 21.6 percent, from Lawrence Berkeley National Lab data).

41 Minnesota Environmental Quality Board, 2017 Minnesota Environment and Energy Report Card, <https://www.leg.state.mn.us/docs/2017/other/171044.pdf>

42 Minnesota Pollution Control Agency, Department of Commerce, Greenhouse gas emissions in Minnesota: 1990-2016, January 2019, <https://www.pca.state.mn.us/sites/default/files/lraq-2sy19.pdf>

43 Same sources as in footnote 25.



Community solar policies can also improve the equity of energy, cutting pollution in disadvantaged communities (including those located near coal and natural gas plants) and reducing the burden of utility bills for low and moderate income households. Solar can provide long-term savings to low-income customers, reducing the need for constant bill payment assistance. It can reduce energy bills for churches, governments, and non-profit agencies, allowing them to put the savings into their primary missions.

Cooperative Energy Futures (CEF), based in the Twin Cities, is especially focused on energy equity. CEF provides community solar to subscribers through a co-op model, where subscribers become members and share in the profits. They currently have 650 members who support eight projects. To attract low-income customer participation, CEF offers no-money-down subscriptions with no credit checks, delivering a bill saving of about eight percent. To help with financing, CEF partners with businesses or local government customers to act as backup subscribers; if a low-income subscriber misses a payment and drops out, the backup subscribers takes over that portion of the output until a new customer is found. CEF also emphasizes minority and low-income hires, with on-the-job training.<sup>44</sup>



Workers at Shiloh Temple. Source: Power of Minnesota documentary

CEF's first project was at the Shiloh Temple, a church in North Minneapolis. The 200 kW project on the roof of the building supplies the church, the nearby Masjid an Noor mosque, and 20 residential subscribers in the neighborhood. The project was built with over 90 percent minority labor, including many workers from the neighborhood.<sup>45</sup>

<sup>44</sup> Cooperative Energy Futures, "Cooperative Community Solar Gardens Building Equity in Our Energy Future," <https://cooperativeenergyfutures.files.wordpress.com/2012/03/certs-cef-csg-doc.pdf>

<sup>45</sup> Institute for Local Self Reliance, "Community Solar With an Equity Lens: Generating Electricity and Jobs in North Minneapolis — Episode 57 of Local Energy Rules Podcast," July 24, 2018, <https://ilsr.org/community-solar-equity-ler-episode-57/>

## Technical Benefits to the Grid

Solar can also create benefits to the electric power system. The addition of solar energy to the generation mix increases fuel diversity, reducing the risk to consumers from increases to coal and natural gas prices. It also increases operating diversity, since more electric generators are available to meet demand, and since solar panels are not at risk of pipeline ruptures, train derailments, or mechanical breakdowns. Solar is especially good at providing power during summer peak demand periods, when electricity is very expensive, reducing costs for all customers.

Solar can also benefit local distribution grids. Under Xcel Energy's interconnection rules, community solar gardens are connected to the low-voltage distribution grid, the local part of the utility system that distributes electricity to homes and businesses. They can boost power on rural distribution lines, which often suffer from poor power quality. And they can reduce congestion when demand is too high, typically on hot and sunny summer days. Putting solar power in the right parts of the distribution grid can eliminate the need to make expensive upgrades to the wires and transformers, saving money for all customers.

In addition, many community solar gardens are required to spend private dollars upgrading Xcel Energy's distribution infrastructure to enable the project's interconnection. According to Xcel, the community solar gardens pay an average of over \$386,000 per site to upgrade this local infrastructure. Multiplied across the 332 CSG sites built and currently under construction, this would amount to over \$120 million in private capital going to upgrade the local infrastructure<sup>46</sup> (such as substation communication upgrades, extending three-phase distribution lines, and replacing older control systems). This investment improves the level of service for other customers on the local distribution circuit at no cost to them or to utility ratepayers more generally.

The 2013 law stipulated that the power generated would be credited to the customer at the customer's applicable retail rate (ARR) or at the "value" of solar.<sup>47</sup> To calculate the value, and create a "value of solar tariff" or VOS tariff, regu-

lators went through an extensive research process.

The state Department of Commerce developed a methodology that counted the costs associated with a typical gas-fired power plant that would be avoided by using solar power, such as the value of energy and its delivery, generation capacity, transmission capacity, transmission and distribution line losses, and environmental value, as shown in Figure 7. The Department was also permitted to consider the cost or benefit of solar operation to the utility, credit for locally manufactured or assembled energy systems, and systems installed at high-value locations on the grid.

In late 2016, the Minnesota PUC ordered Xcel to transition from compensating subscribers of new solar gardens at the customer's retail rate to the VOS tariff, which lowered the compensation to subscribers. Moreover, the VOS has declined over time, dropping 10 percent between 2018 and 2019.

Xcel files a new VOS tariff each year, taking into account changes in fuel prices and other factors. Under ARR, the bill-credit rate varies by customer class and project size, while the VOS bill credit rate is the same for all subscribers and project sizes, and increases with inflation each year for 25 years. For projects that start in 2019, the first year bill credit value is 9.04 cents per kWh (in 2019 dollars), increasing to 11.05 cents in year 10 (in 2029 dollars). A typical residential retail rate is currently about 11.8 cents per kWh.

Ownership of the renewable energy certificates (RECs) from the solar garden passes to Xcel Energy in return for compensating the subscriber for the plant's avoided environmental costs, including the social cost of carbon. Xcel can use the RECs to show compliance with the state solar energy standard, or to monetize the value for the benefit of its ratepayers.

Because the VOS rate is not intended as an incentive, the rate does not vary depending on the subscriber's customer class, meaning there's little economic logic for CSGs to serve small many residential customers (instead of simply serving five large customers). To address this concern, in November 2018 the Commission increased the rate for residential subscribers by 1.5 cents per kilowatt-hour for new subscriptions in 2019 and 2020.<sup>48</sup>

46 Xcel Energy response to MnSEIA Information Request No. 11 in Docket No. 13-867, October 22, 2018.

47 Minnesota Statutes, 216B.164 Cogeneration And Small Power Production, <https://www.revisor.mn.gov/statutes/cite/216B.164>

48 Minnesota PUC Order in Docket No. 13-867 (ordering the creation of a residential rate adder), November 16, 2018.

# OPPORTUNITIES AND BARRIERS TO FURTHER GROWTH

**Solar power has a bright future in Minnesota, thanks to strong customer demand, advances in technology and falling prices, and renewed support from state policymakers.**

On March 4, 2019, Gov. Walz announced his “One Minnesota Path to Clean Energy.” His vision is to completely decarbonize the power system by 2050, while giving each utility the flexibility on how to reach the goal.<sup>49</sup>

“We are partnering with our energy utilities who are helping lead the way, who have set their own ambitious goals to cut carbon to zero right along with us,” Gov. Walz said at the announcement. “We are working hand in hand with the people who will create the jobs and the innovators. And we’re working with those who care about the stewardship of the planet in our faith community to understand that this is both an economic and moral responsibility as stewards of the planet.”

Community solar is without a doubt a key part of this transition. But for community solar to reach its full potential and bring benefits to a greater number of Minnesotans, a number of policy improvements could be made.

---

## Increasing Flexibility to Improve Economics

The Community Solar Garden policy has a number of provisions that were intended to result in a specific kind of development, but are turning out to be somewhat restrictive, resulting in higher costs, fewer benefits, and less consumer choice.

The first is called the “contiguous county restriction.” CSG rules require subscribers to be located in the same county as their solar panels, or in an adjacent county. The rule has the conceptual benefit of connecting subscribers

to their power plant, just as subscribers to a community garden are connected to their neighborhood garden. But it creates some problems and inefficiencies.

First, the vast majority of Xcel customers and thus CSG subscribers are in the Metro region, while the number of locations for solar projects in and around the Twin Cities is limited. While rooftop systems – on warehouses and big box retailers, for example – can be attractive for CSG projects, they are limited in size, have higher installation costs, and can run into barriers from ownership and structural issues. As a result, developers compete to get access to good land sites, sometimes driving up costs. Developers are less able to locate projects in ways that would benefit the local power grid. Indeed, local distribution grids can have a limited capacity to connect solar generators.

Providing more flexibility in the choice of location would also give developers more options to serve customers in a region, resulting in more competition, more choice, and better deals for customers. Customers can always choose projects that are local, if that is their preference.

Second, the financial benefits are limited to landowners and counties in the Twin Cities area, rather than spread around Greater Minnesota. As we have seen, landowners like family farms can make an average of \$1,000 per acre per year by hosting CSG project each year, while also diversifying and de-risking their overall farm revenue.

Third, the employment benefits are also geographically limited. While a number of rural community colleges and tribal colleges offer job training programs for solar installers, their placement rate is low since more jobs are being created in the Metro area. As mentioned, about three-fourths of Minnesota solar jobs are in the Twin Cities area.

<sup>49</sup> Minnesota Department of Commerce, Press release: “Walz, Flanagan propose plan to achieve 100 percent clean energy in Minnesota by 2050,” March 4, 2019. <https://mn.gov/commerce/media/news/?id=17-374074>

Another constraint on community solar is the size limit of one megawatt per project. The size cap is intended to separate community projects from utility-scale projects, which typically deliver wholesale power to the utility under a different policy regime. But the fact remains that there are economies of scale when deploying solar, and larger projects can produce power at a lower cost than smaller projects.

The defining aspect of community solar is not the size of the project so much as the ownership and subscription model, with thousands of individuals and businesses seeing direct economic benefits, rather than a few big investors. If community solar gardens were allowed to be larger, it would create more opportunities for investment, more savings for consumers, and greater demand for solar power. It may make more sense to define project size limits based on the carrying capacity of local distribution grids rather than an arbitrary number.

Since policymakers may want to encourage more residential customers to participate in community solar, greater location and size flexibility could be offered as an incentive to projects that serve a higher portion of residential customers.

Making these changes would enable projects to be more flexible in their locations, lower costs for subscribers, and provide more benefits to more landowners, job-seekers, and local governments.

## Extending the Benefits to Low-Income Subscriber

As solar power becomes more affordable, many are seeking ways to use it to cut electricity bills for low-income households.<sup>50</sup> Low-income households in Minnesota have the highest energy burdens of any customer class, sometimes paying over 40 percent of their monthly income on heat and power, compared to 7 or 8 percent for higher-income customers, according to federal Census and Energy Department figures. The highest energy burdens are found in rural counties in northern Minnesota.<sup>51</sup>

The federal Low Income Home Energy Assistance Program, LIHEAP, is the main vehicle for providing aid to struggling families. But Minnesota's LIHEAP allocation has dropped from \$160 million dollars in FY2010 to \$114.5 million dollars in FY2017. With 628,945 eligible households in the state, only 126,149 were served, leaving 79.9 percent of our most vulnerable households at risk of energy shutoff.<sup>52</sup>

While solar can save money in the long run, low-income households face barriers to getting access to it in the first place. They may not have the savings to pay cash for a system, they may not own their home or apartment, and they may have poor credit ratings, making loans or other financing off limits.

Community solar can be a great way to deliver energy assistance for low-income customers, if provisions are included that specifically target these barriers. A number of states are adopting strategies to do just that.<sup>53</sup>

- Program carve-outs have been included in Maryland and Oregon, which mandate a certain percentage of an overall program be dedicated to low-income customers.
- Incentives have been used to reduce the cost of low-income participation in states like Colorado, Illinois, and Massachusetts.
- Other states are trying new approaches. New York has proposed a program under which the state will serve as an intermediary buyer of community solar and allocate capacity to low-income customers.<sup>54</sup>

The Rural Renewable Energy Alliance (RREAL) in Backus, Minnesota, has developed the first community solar project devoted entirely to low-income customers. Working with the Leech Lake Band of Ojibwe, RREAL built a set of five solar systems totaling 215 kilowatts, owned by the tribal government. The revenues from the projects

50 Clean Energy States Alliance, *Bringing the Benefits of Solar to Low-Income Consumers: A Guide for States & Municipalities*, May 2017, <https://www.cesa.org/projects/sustainable-solar/resources/resource/bringing-the-benefits-of-solar-energy-to-low-income-consumers>

51 Dan Boyce and Jordan Wirfs-Brock, Inside Energy, "High Utility Costs Force Hard Decisions For The Poor," May 8, 2016, <http://insideenergy.org/2016/05/08/high-utility-costs-force-hard-decisions-for-the-poor/>

52 National Energy Utility Affordability Coalition, *Minnesota Fact Sheet 2019*, <https://neuac.org/wp-content/uploads/2018/02/State-Sheet-FY19-Minnesota.pdf>

53 GRID Alternatives, Vote Solar, and Center for Social Inclusion, *Low Income Solar Policy Guide*, accessed March 2019, <https://www.lowincomesolar.org/best-practices/community-solar/>

54 For more program ideas see Clean Energy States Alliance, *Directory of State Clean Energy Programs and Policies for Low- and Moderate-Income Residents*, December 7, 2018, <https://cesa.org/projects/low-income-clean-energy/resources/resource/directory-of-state-clean-energy-programs-and-policies-for-low-and-moderate-income-residents>

are used to offset bills by low-income residents, reaching between 70 and 100 families.<sup>55</sup>

Xcel Energy is developing its own community solar garden (as allowed under statute) with the goal of serving local low-to-moderate-income subscribers in St. Paul's Railroad Island neighborhood, with construction slated to start in late 2018.<sup>56</sup>

Unfortunately, there are few provisions to encourage solar for low-income customers in Minnesota's community solar garden program. In fact, the program doesn't even track the demographics of subscribers, so it is unknown if low-income households are participating.

To improve low-income household participation, some have suggested creating a new category of development called Community Access Projects that would value community solar at the full retail rate for eligible subscribers. In exchange, Community Access Projects would have at least half residential subscribers and would not require a credit check. They would also be required to track and report on participation by low-income subscribers.

Another idea is to encourage community action agencies to use solar power to provide energy assistance to the households they serve, like the Leech Lake project does. Investing in community solar can offset or stretch ongoing taxpayer-funded energy assistance, such as through the LIHEAP program.

## Other Ideas to Improve Community Solar

As mentioned above, commercial and public customers ("general service") account for the bulk of community solar garden sales. While this is not a problem, some would like to attract more residential subscribers. Regulators recently added a temporary incentive to the bill credit for Xcel Energy residential customers. But it is hard to see what will change after the two year incentive ends. It will still be more expensive to market to and service thousands of residential customers, compared to managing a smaller number of commercial customers.

Illinois has adopted a tiered rate structure for projects that serve different customer classes. Their "adjustable block program" provides incentives in the form of renewable energy credits (RECs) which are purchased by a central agency, the Illinois Power Agency (IPA). To encourage marketing to all classes of customers, the IPA set REC prices higher for projects that serve small customers. REC prices for new projects step down as certain market goals are met, putting pressure on for constant cost reductions. Illinois also uses this mechanism to encourage low-income subscribers and for projects in disadvantaged communities.<sup>57</sup>

Minnesota regulators could likewise control the value of bill credits to meet policy goals, with higher values for residential and low-income customers.

Lastly, community solar policies could be extended to other technologies, most notably to wind power. Minnesota is a national leader in wind power, with Xcel Energy buying more wind power than any other utility. It was also a pioneer in promoting community wind projects. The Community-Based Energy Development (CBED) program, adopted in 2005, offered higher payments for wind projects that were owned by community members.

While CBED resulted in about 266 MW of projects, it was not the success that was envisioned at the start, and fell far short of the 800 MW goal set by the legislature.<sup>58</sup> One key problem was that CBED only allowed sales of power to regulated utilities, who were able to buy wind power from larger corporate-owned wind projects at lower prices. Individual consumers were never given the option to subscribe to the output from specific wind projects in their community. The definition of "community" in CBED applied to investors and owners, but not to customers.

Now that community solar gardens have shown substantial demand for clean energy from consumers, it would be possible to extend the statute and program rules to include community-scale wind generators. Consumer choice for both solar and wind power can enable more rapid progress toward Gov. Walz's goal of carbon-free energy by 2050, while fostering local ownership and community investment.

55 RREAL, Leech Lake Band Of Ojibwe, Community Solar For Community Action: Using Community Solar to Provide Low-Income Households with Solar Generated Energy Assistance, March 7, 2018. [https://docs.wixstatic.com/ugd/eed9c8\\_67fe2f63d6d14cb0bd13804196455b41.pdf](https://docs.wixstatic.com/ugd/eed9c8_67fe2f63d6d14cb0bd13804196455b41.pdf)

56 Tad Vezner, Pioneer Press, "St. Paul's first community solar farm on track in Railroad Island development," April 5, 2018, <https://www.twincities.com/2018/04/05/st-pauls-first-community-solar-farm-on-track-in-railroad-island-development/>

57 Illinois Power Agency, Adjustable Block Program, <http://illinoisabp.com>

58 US Department of Energy, "Community-Based Energy Development (C-BED) Tariff," <https://www.energy.gov/savings/community-based-energy-development-c-bed-tariff>

# CONCLUSION

Community solar has experienced strong growth in Minnesota, especially over the last few years. Minnesota's policy has exceeded even the most bullish initial projections, and is delivering significant community benefits, as described in this report. It has become a primary vehicle for solar deployment in the state, far outpacing customer-sited solar and even surpassing utility-scale solar capacity to date. Thanks to its market-based policy design and a supportive stakeholder ecosystem (including over 14,900 subscribers), Minnesota is the national leader on community solar.

Now that community solar gardens have shown substantial demand for clean energy from consumers, it would be possible to extend community participation in wind power to subscribers. Consumer choice for both solar and wind power can enable more rapid progress toward Gov. Walz's goal of carbon-free energy by 2050, while fostering local ownership and community investment.

While future growth trends are unknown -- like any consumer product -- maintaining a stable, consumer-friendly and business-friendly policy environment will be important. Relatively minor tweaks to create more flexibility for developers would lower costs and create more benefits.

Proposals to limit or slow the growth of community solar would undermine one of the state's biggest success stories in energy.

Policymakers should also focus on ways to increase the accessibility of community solar for residential and low-income customers. Policies and programs could be adopted to reach more residential subscribers, to enable low-income households to get over first-cost and financial hurdles, and to develop more job opportunities.

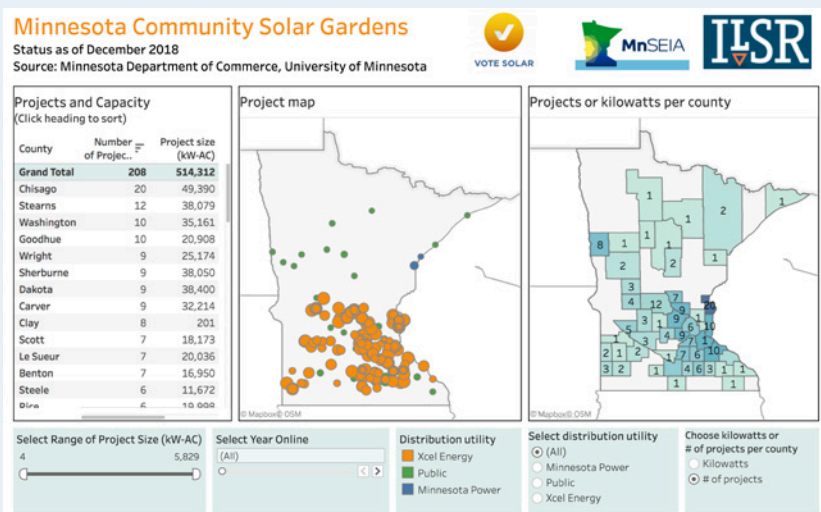
With such changes, community solar could extend benefits to all Minnesotans, urban and rural, and continue to build community.

## BOX IV

### Online Data Tool Available

More data about Minnesota's solar gardens is available online, through an interactive dashboard. The dashboard allows the user to see solar garden deployment by location, by size, by the local utility, and by the date it came online.

Go to [tabsoft.co/2PqYTc1](http://tabsoft.co/2PqYTc1)



Produced by PaulosAnalysis.com