

Considerations Before Agreeing to a Solar Power Purchase Agreement

In the Dirt: A Real Estate Legal Update

on November 21, 2022

In a Solar Panel Purchase Agreement (“PPA”), a developer (“Developer”) finances and installs solar panels on an owner’s (“Owner’s”) property and stipulates that the Owner use the electricity generated which is often cheaper than the rate charged by utility companies. PPAs often serve as opportunities for Owners to save money on energy. If you determine that a solar power purchase agreement is right for you, here are a few questions you should ask before making a commitment.

Where are the solar panels installed?

- Capable of installation in residential or commercial settings, solar panels are often installed on the rooftops of homes, schools, or other municipal buildings. Some may also be ground-mounted.

Can a PPA save me money?

- In a PPA, a developer finances the installation of a solar panel system (“System”) on an owner’s property. The Developer will sell electricity from the System to the Owner at a lower rate than the local utility company. This allows the Owner to save money on electricity without the burden of up-front costs.
- PPA rates are either fixed or escalate annually to account for inflation, decreased System efficiency, and other contingencies. This keeps the cost of utilities relatively predictable for the Owner.
- Eventually, the Owner may have the option to purchase the System from the Developer.
- Owners may have to rely on outside sources of energy if their usage exceeds the amount generated by the System.
- Some states allow for “net metering” if an Owner’s usage is less than the amount generated. Net metering lowers the Owner’s bill by crediting their account for the excess energy that can be sold to other consumers.
- Unfortunately, an Owner may pay more in property taxes after installation. Solar panels usually increase the property’s value, so Owner’s should be aware of their state’s tax policies.

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How will the System be removed?

- The PPA should define which party is responsible for removal. Typically, the Developer will be responsible.
- The Owner should ensure that they are protected if the Developer becomes insolvent. To do this, the Owner should consider negotiating for surety bonds or funds held in escrow.

Should I be concerned about damage to my building or other costs?

- Solar panels may be installed on an angled track system bolted to the roof; however, alternatives are available that do not puncture the roof's surface.
- Owners should be aware that solar panel installation may invalidate any roof warranties. Since solar panels are affixed to the roof, Owner's should replace old or damaged roofs before installation.
- Changes to your roof may be prohibited after installation.
- Owners must ensure that their roof can support the weight of the proposed System.
- Owners may have to trim trees or make other changes to their property in order to be fit for solar panels.

What should I do if the System is damaged or has a temporary outage?

- PPAs will typically provide warranties for damage to the solar panels. It should also contain provisions for maintenance, which the Developer may outsource or do independently.
- Most PPAs use photovoltaic system panels ("PV System") which require little maintenance. The lifespan of a PV System is typically 30 years.
- In the event of a System outage, the local utility service should provide energy to the Owner. PPAs may establish an appropriate timeframe for outage resolution.

Read the first installment of this series for information on solar panel lease agreements.

**This blog was written with assistance from law clerk Adrianna Northrop.*