

LEGAL Q&A

Q How is solar power being delivered to single site users and what is a Solar Power Purchase Agreement?

A Under a Solar Power Purchase Agreement ("SPPA") a developer owns, operates and maintains a photovoltaic system on the customer's site. The developer agrees to finance the project's capital costs, design and install the system, and obtain the required approvals to operate the system. In return, the customer agrees to buy the power produced by the system. The SPPA is a long-term arrangement, typically with durations of 15, 20 or 25 years.

The customer benefits by receiving defined energy pricing, potential lower electricity costs, and the positive public image associated with renewable energy. Also, the customer is not burdened with obtaining approvals, financing the construction of the system, or the costs of system maintenance, all of which are the responsibility of the developer. The developer obtains financial benefits such as tax credits and income derived from the sale of electricity to the user. At the end of the SPPA term, the customer can purchase the system from the developer and assume the operational, maintenance, and disposal responsibilities. Alternatively, the terms of the SPPA can be extended with the developer, or the customer can require the developer to remove the system.



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