



How to read your third-party ownership agreement

Learn the most important details to review before signing your solar agreement.



1

Before you sign...

Taking a few minutes to review your agreement can help you avoid surprises later.



Understand your agreement

So, you've received a Power Purchase Agreement (PPA), solar lease, or prepaid lease. Congratulations on moving forward in your solar journey!

Before signing, take time to understand exactly what you are agreeing to.

Third-party ownership agreements typically last 15–25 years. Reviewing the details now can help avoid surprises later.

Compare multiple offers

Before choosing a solar company, get at least three proposals from different installers. This makes it easier to compare pricing, system size, and projected savings.

Review both the proposal and the contract

A proposal shows estimated savings and system design, while the contract contains the actual terms you are agreeing to.

Take time to read the agreement

Solar agreements can be lengthy, but it's important to review the details carefully. Understanding how payments, energy production, and responsibilities work will help you make an informed decision.



2

Five key considerations

When reviewing your agreement, these five factors can have the biggest impact on your long-term savings and overall experience.



What to look for in your agreement

When reviewing your agreement, a few key details can have the biggest impact on your long-term savings.

Understanding these terms will help you evaluate whether the offer makes sense for your home.

The monthly payment and the escalator

In a third-party ownership agreement, you aren't buying the equipment—you're paying for the solar service (in a lease) or the electricity it produces (in a PPA).

For a Lease

You pay a **fixed monthly payment** to rent the solar equipment.

For a PPA

You pay for the **electricity the system produces**, measured in kilowatt-hours (kWh).



Most agreements include an **annual price escalator**, which increases your payment slightly each year. Typical escalators range from **1–3%**, while some may be as high as **5%**. Rates above **3%** are generally not recommended because they can reduce your long-term savings.

The production guarantee

Because you don't own the system, it's important to ensure it performs as expected.

NOTE

This protection is especially important in a lease, since your payment stays the same regardless of production.

Many agreements include a **production guarantee**, meaning the installer promises the system will generate a certain amount of electricity. If the system underperforms due to equipment issues or other factors, the provider should **credit you for the difference**.

Expected offset

Your agreement should estimate what percentage of your electricity usage the solar system will cover. This is called your energy offset.

Some systems are designed to cover **up to 100% of your usage**, while others intentionally cover less. Even a smaller offset can still result in meaningful savings.

You will still receive a **utility bill** for any remaining electricity use and fixed utility fees.

To confirm savings, check that your **solar payment plus your utility bill** is lower than what you paid before installing solar.

In a **Power Purchase Agreement**, you must purchase all electricity the system produces—even if you do not use it. Because solar systems produce the most energy during the middle of the day, it's important to ensure either:

- Your utility offers 1:1 net metering, or
- Your system is sized to better match your typical electricity use.

Price per kWh vs. utility rate

To determine whether solar will save you money, compare the solar price to your current utility rate.

Solar Price

For PPAs, the price per kWh is listed directly (for example, \$0.14/kWh).



For leases, you can estimate the price by **dividing your monthly payment by expected monthly production**.

Utility price

Look at a recent electricity bill and divide your total cost (minus fixed fees) by the number of kWh used.

If the solar price **starts higher than your utility price**, and the proposal assumes utility rates will increase later, proceed with caution. Ideally, you should see savings starting in Year 1.

Tax credits & incentives

With third-party ownership, the **solar company receives the tax credits and incentives** for the system.

These incentives should be reflected in your pricing agreement.

The federal tax credit for homeowners paying cash or financing with a loan ended in 2025, but companies that own solar systems may still qualify for a **commercial federal tax credit**. Learn more about solar incentives [here](#).

3

Details to pay attention to

These details explain what happens over time and can affect your flexibility if your situation changes.



Important contract terms

Beyond pricing and energy production, there are several contract details worth reviewing carefully.

These terms explain what happens if your situation changes over time.

Home sale / transferability

If you sell your home, most agreements allow the contract to be **transferred to the new homeowner**. Check whether there are any **fees or approval requirements** associated with this transfer.

The buyout option

Some agreements allow you to **purchase the solar system after a certain number of years**, often after 5–7 years. Having this option can provide flexibility if you decide you would prefer to own the system later.

Warranties

Because solar equipment is installed on your roof, ensure the installer provides a **roof penetration warranty**, typically around **10 years**. This is separate from warranties on the solar panels and other equipment.

Maintenance and monitoring

One benefit of third-party ownership is that the provider is responsible for **repairs, maintenance, and system monitoring**. Confirm these services are included at no additional cost.

End-of-term options

Most agreements last **20–25 years**. At the end of the contract, you typically have three options:

- Have the company **remove the system at no cost**
- **Renew the agreement**
- **Purchase the system at Fair Market Value**



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