

Pre-Owned Solar: A Due Diligence Checklist

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The installed base of solar assets in operation has grown tremendously in the past 5 years. Predictably, this has also meant a rising number of transactions involving solar assets that have been in operation for a number of years.

So how do you kick the tires on a pre-owned solar system? Buyers appropriately focus mainly on the physical condition of the system – what technology was used, what were the installation standards, what is the current performance and condition of the system? Any experienced solar engineer can supply you with a thorough report on the system you’re buying.

But beyond engineering there are a multitude of details that will drive value for you. This is a list to use in addition to an engineering inspection, prior to the purchase of an operating solar energy system. This list does not include items that should be included in the sale itself, or for establishing the value of the system. Your team should include someone qualified to give you tax, legal, and engineering advice.

	What to get from the seller:	What to watch out for:
Performance information	Access to the data acquisition system, maintenance records, a list of all repairs, replacements, claims, and any known operational issues.	Get actual repair reports, not logs that simply list when visits occurred.
Equipment	Description of all equipment to be conveyed, up to the point of common coupling and the communications interconnection, including any spare parts (and their location!). List of any equipment related to the system that will be excluded from the sale, or that is not owned by the seller. Manufacturer warranties. Testing and calibration records.	Look out for manufacturers who have gone out of business or who no longer have replacement equipment compatible with yours. Review terms of the manufacturer warranties and information necessary for claims. I recommend talking to the manufacturer directly.
Contracts and leases	All current contracts that are obligations of the owner and will be assigned or in effect at closing, including site leases and easements, capacity, maintenance, data acquisition service contracts, REC accounts, unexecuted REC sales, PPAs, telecommunications accounts, and any other contracts, service agreements, licenses, or obligations.	Things they DON'T give you – it's very common for owners to forget about contracts. Try to think through all parts of the operation.
Permits and related documents	Final electrical inspector and building inspector sign-off, and all other documentation provided by government agencies for permitting. Structural affidavits provided to the	I always recommend getting the seller's permission to go talk to any local jurisdictions before completing a sale, just as a gesture of good will and also to see if

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	jurisdictional agency at the time of permitting, and the structural analysis and roof plan that backed it up. Any other permits or agreements with jurisdictional agencies, e.g. fire department, zoning board, planning board, PILOT or other tax documents, etc. Any notices of violation or any other official correspondence relating to the operation or construction of the system.	there are any festering issues that you should know about, e.g. fire department, tax assessor.
Documents related to net metering, interconnection, and incentives	Utility: Permission to interconnect from the utility, the interconnection agreement, and any other documents from the utility. Permission to net meter, if applicable. State incentives: some form of documentation that the system is qualified for the available incentives, e.g. to produce renewable energy certificates. Any notices from the state regulatory agencies or utilities pertaining to the operation of the system.	Obviously, make sure you have a good understanding of the regulations involving your system – for instance, if you plan to make any changes to the system once you acquire it, review the regulations regarding repowering.
Documents relating to the company (if not an asset sale)	If this is not just an asset sale, but the sale of an operating unit, e.g. an LLC, you will be buying the assets and liabilities of the company as well as the asset itself. So you need to see those documents.	Check the company out with the state and IRS to make sure there are no issues, e.g. all filings made.

Carter Wall is Managing Director of Franklin Beach Energy, and has advised on a number of transactions involving operating assets. Franklin Beach Energy specializes in solar asset management services for solar owners, and is available to advise on all business aspects of solar sales transactions.