

COMMERCIAL SOLAR DUE DILIGENCE CHECKLIST

Questions a prudent owner should ask when evaluating their solar options.

Solar energy experience

- Briefly describe your firm and your experience with providing solar energy for commercial properties.

Capital Costs

- Confirm that all capital costs to design, permit, build and operate the solar array will be paid by the System owner. And that there will be ZERO capital cost to the property owner(s).

Ownership Structure of Solar

- A solar project will require some sort of site control. Confirm that the proposed structure is similar to a typical lease structure at a commercial property and that the structure will be familiar to your lenders and future buyers of your property.
- Understand the proposed term (years) for the site lease and Power Purchase Agreement and any escalations. What happens if the price of electricity drops below the cost of the solar electricity?
- Understand any liens, easements, or other encumbrances that might be placed on your property

Assignment on sale

- Confirm that the solar project would have a similar assignment on sale provisions as a customary commercial lease.
- Obtain examples of any success that the developer has had with an assignment on sale situation.

Vacancy

- Understand who is responsible for buying the power. What happens if there is a building vacancy?

Finance

- Identify the equity source with the proposed structure.
- Who pays for property tax?

Transaction Fees

- Confirm that the owner(s) will not be responsible for compensating any entity that represents the System owner.
- Should the owner(s) engage representation, it will be the owner(s) responsibility to compensate their representative(s).

Open Book

- Confirm that the System owner will be “open book” with the owner(s) regarding the investment returns generated by the System owner with the proposed solar business, specifically IRR that the system owner is solving for.

Roof

- Roof warranties: confirm that the system owner will be responsible for applicable roof warranties.
- Roof structural / penetrations: confirm that the rooftop solar design will anticipate a weight of 4 to 6 pounds per square foot; with very few vertical penetrations (if any).
- Roof insurance: confirm that the system owner will carry all applicable roof insurance
- Roof replacement: explain the mechanics of how a roof replacement will work. Specifically, address who will pay for the removal and replacement of the solar array.

Repair and Maintenance

- Confirm that the repair and maintenance of the solar equipment will be the sole cost and responsibility of the system owner.
- Confirm if there is any uptime guarantee or production guarantee for the system

Solar Equipment

- Confirm that the solar equipment installed on the property will be Tier I or better.
- Confirm that system owner will carry all applicable warranties to the solar equipment.

Purchase Option

- Confirm that the owner will have an ongoing right to purchase the solar array at a predetermined price.
- Briefly describe the mechanics of how this purchase option would work.

Access to the Utility Grid

- Confirm that the property will always have access to the utility grid.
- Understand what happens should the solar equipment not perform.

Electricity Costs Reconciliation

- Confirm if the building owner or tenant will ever pay more than the cost charged by the utility company. Confirm in the event that solar electricity is more expensive than buying from the utility company, how the reconciliation will work.

Due Diligence

- Briefly explain your due diligence process that evaluates whether a property(s) is suitable for the proposed solar energy offering (structural, engineering, seismic, solar configuration, electrical etc.)

Permit Process

- Briefly describe the permit process
- Briefly describe the interconnection process

General Contractor and Engineer

- Briefly describe the process for selecting the general contractor and engineer.

Timing

- Provide a target timeframe for the major milestones in the process (design, permit, build, operate)
- Specifically, from the time the documents are executed, how long will it take to build the proposed solar array?

Law Firm

- Briefly describe the law firm that will prepare the documents (financing and purchase power agreement)
- Summarize the law firm's experience with solar energy on commercial properties