NYSERDA NY PRIZE MICROGRID PROGRAM RFP No. 3044, ATTACHMENT D,

Notes to accompany “Project Financial Model\_.xls”

**Standard Financial Modeling Guidelines**

* Differentiate between source data (e.g., data in the “Assumptions” sheets) and calculated values (e.g., revenue or cost projections).
* Take copious written notes, indicate the date and relation to a particular version of your model, and keep them!
* Constantly check that you are utilizing the correct values!
* When copying values from one area of the model to another, re-check the values (you may be working in millions ($000,000) in one sheet, with those identical inputs & values simply abbreviated to display in thousands ($000) in another sheet).
* Strive for consistency in your category labels and sub-category labels, such as ensuring that your Construction Budget, which may appear in multiple sheets, is consistently characterized from sheet to sheet.

**Key Financial Model Data Points**

* Development Budget
  + Soft Costs
  + Hard Costs
  + Contingency
* Capital Budget
  + Construction Budget
    - Fixed/Contracted Costs
    - Uncertain Costs
    - Contingency
  + Financing Budget
    - Transaction Expenses & Fees
    - Capitalized Interest
    - Reserve Funds
* Operating Budget
  + Revenues – contracted
    - Capacity
    - Energy
  + Revenues – market, non-contracted or merchant
  + Fuel Costs
  + GROSS Margin
  + Fixed Costs
  + Variable Costs
  + OPERATING Margin or Operating Cash flow
* Debt
  + Interest (& credit spread)
  + Amortization
  + Hedge (swap, cap, etc.)
  + Cash Sweep
  + Credit Support/Letters of Credit
  + Guarantees (corporate, State, State-owned enterprises)
  + Fees – Transaction
  + Fees – Ongoing
  + Reserve Funds
* Equity
  + Investment & Support
  + Terminal Value
  + NPV and Discounted Cash flow
  + Equity Waterfall
  + Equity IRR/Project IRR
  + Contingent Equity
  + Carried Interest

**Coverage Ratios and Key Metrics**

* + PURPOSE of each metric needs to be fully understood
  + Time-frames utilized are critical (forward looking, backward looking, etc.)
  + Averages vs. Minimum thresholds can have significantly different implications (as well as “out-year” values, which may skew values to misleading results)
  + Periodicity
  + Discount Rate needs to be relevant
* DEBT SERVICE COVERAGE RATIO (DSCR)
* LOAN LIFE COVERAGE RATIO (LLCR)
* PROJECT LIFE RATIO
* DISCOUNT-to-BREAKEVEN PERCENTAGE
* PROJECT IRR
* EQUITY IRR
* CASH-ON-CASH RETURN
* NPV
* TERMINAL VALUE