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