

Overarching Goal:

- Build a quarterly operating model
- Layer in high-level tax equity assumptions
- Layer in construction and term loan (backleverage) bank debt
- Run levered and unlevered returns

Summary Presentation:

- Please put together a short presentation, which should include the following:
 - Executive Summary – overview of the situation and debt proceeds summary
 - Terms and conditions – slide summary of the sizing terms employed for the debt financing along with a Sources & Uses table at Financial Close and Term Conversion
 - Annual P50 cash summary with an annual amortization profile
 - Include P50 and 1-year P99 DSCRs
 - Project unlevered **and** equity returns analysis
 - Pre-tax and post-tax returns assuming a 35-year useful life
 - Upside and downside return sensitivity analysis for key project inputs (pick one or two sensitivities)
 - Examples include: PPA prices and escalators, merchant power prices, degradation, capital expenditures, operating expenses, net capacity factor, cost of debt, ITC eligibility, construction delays, construction debt advance rates, first in vs. last in equity during construction, etc.

Inputs for the Operating Model and Tax Equity / Debt Financing:

Please build a standalone inputs tab, which should drive the quarterly operating and construction schedules as well as debt sizing and returns.

1. General Project Inputs and Assumptions:

- Technology: Solar project
- Location: Kern County, CA
- Useful Life: 35-years
- Capacity: 225 MWdc
- Capacity Conversion Ratio: 1.24 AC/DC ratio
- P50 NCF: 31.8%
- 1-year P99 NCF: 27.7%
- Quarterly insolation:
 - Q1: 20.0%
 - Q2: 32.5%
 - Q3: 29.4%
 - Q4: 18.1%
- Panel degradation: 0.6%
- Availability: 100%
- NTP: 12/31/2020
- COD: 12/31/2021
- Interconnection security posting: \$1,200,000

2. Revenue Assumptions:

- PPA 1:
 - Type: Busbar
 - Offtaker: Investment grade counterparty
 - Tenor: 15-years from COD
 - Generation: 60% of project generation
 - Price: \$38.00 / MWh; 2.5% escalator per annum
 - Security requirements:
 - \$70 / kWdc during once executed
 - Step up to \$125 / kW once the project is operational
- PPA 2:
 - Type: Busbar
 - Offtaker: Investment grade counterparty
 - Tenor: 20-years from COD
 - Generation: 35% of project generation
 - Price: \$42.50 / MWh
 - Security requirements:
 - \$125 / kWdc
- Renewable Energy Credits (RECs):
 - Offtaker: Non-rated entity
 - Tenor: 10-year contract
 - Price: \$1.25 / REC

- Merchant revenue: Please use the latest WoodMac or Ventyx curve saved on the K-drive as it relates to your project's specific location. Please footnote the curve you are using accordingly
3. **Operating Expense Assumptions:**
- Panel O&M: \$40,000 / year (2.5% escalator per annum)
 - BoP O&M and Site Labor: \$125,000 / year (2.0% escalator per annum)
 - Operating Expenses: \$71,000 / year (2.0% escalator per annum)
 - Maintenance (inverter replacement) Expense: \$83,000 / year (2.0% escalator per annum)
 - Starting in year 5
 - End in year 20
 - Asset Management: \$250,000 / year (2.0% escalator per annum)
 - Community Support: \$10,000 / year (2.0% escalator per annum)
 - 3rd Party Professional Services: \$200,000 / year (2.0% escalator per annum)
 - Insurance: 0.5% of total project CapEx / year
 - Property taxes: \$500,000 / year
 - Landowner Payment: \$500,000 / year
4. **Project Related Capital Expenditure / Development Cost Assumptions:**
- Development: \$14,700,000 (incurred evenly and funded with equity each month from 12/31/2019 – 12/31/2020)
 - Panels: \$202,500,000
 - BoP: \$67,500,000
 - Interconnection: \$9,000,000
 - Contingency: 5% of total CapEx excluding development costs
 - CapEx Spend Schedule (2021, excluding development costs):
 - January: 5%
 - February: 10%
 - March: 6%
 - April: 15%
 - May: 9%
 - June: 5%
 - July: 8%
 - August: 5%
 - September: 7%
 - October: 15% (Mechanical Completion)
 - November: 5%
 - December: 10% (Substantial Completion/PiS/COD)
5. **Tax Equity Investment Assumptions:**
- Investor (Class A Member): U.S. Bank
 - Structure: Calendar Based Partnership Flip
 - Flip Date: 5-years from COD
 - Cash Share:
 - 2.0% preferred return pre-flip

- 5.0% of EBITDA post-flip
- Tax / Income (Loss) Share:
 - Pre-flip Class A / Class B: 99% / 1%
 - Post-flip Class A / Class B: 5% / 95%
- Depreciation:
 - 96% of eligible basis is eligible for 5-yr MACRS depreciation
 - 4% of eligible basis is eligible for 15-years of MACRS depreciation
- Assumes tax rate: 21%
- ITC eligibility: 30.0%
- ITC Investment multiple: 1.20x
- Eligible basis: 96.0% of total project costs
- Fair Market Value Tax Basis Step-Up: 25%

6. Backleverage Bank Debt Financing Assumptions:

- Construction to term financing
- Tax equity bridge loan: 95.0% advance rate to the tax equity commitment
- Minimum Equity during Construction: 15% (includes all CapEx and development costs)
 - Assume *sponsor equity* is first in the waterfall (gets funded first, before any debt facility gets funded)
- Term loan sizing:
 - Lessor of 1.30x P50 and 1.00x 1-year P99 cash flows from investment grade counterparties
- Bank Debt Underwriting terms and conditions:
 - Amortization:
 - Through the end of the first PPA tenor
 - 1-year PPA tail on the second PPA
 - Tenor: C + 5 years
 - Pricing:
 - Term Loan: LIBOR + 187.5 bps (0% LIBOR floor), with 12.5 bps step-ups every 4 years
 - Construction / Tax Equity Bridge Loan: LIBOR + 125.0 bps (0.25% LIBOR floor)
 - LCs: Equal to the then-applicable LIBOR margin
 - Upfront Fees:
 - Construction / Term Loan & LCs: 187.5 bps
 - Tax Equity Bridge Loan: 125.0 bps
 - Agency Fees: \$60,000 per annum
 - Minimum Hedge Requirement: 90.0%
 - Hedge Credit Spread: 15 bps from offer
 - Required Reserves:
 - Debt Service Reserve letter of credit
 - Operations & Maintenance letter of credit
 - PPA securities to be replaced with bank-provided letters of credit
 - Commitment Fees: 50.0 bps on undrawn amounts