

## Clean Coal Power Initiative Round 3



*Financial Requirements*

*Public Workshop*

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## Financial Application Requirements

- The financial requirements are intended to allow the applicant to demonstrate and DOE to confirm the applicant's capacity in three broad areas:
  - 1) The ability of the applicant to meet the funding requirements of the Announcement
  - 2) The ability of the applicant to successfully implement the Financial Business Plan
  - 3) The potential for the project to successfully repay the Government's share of the project cost.



## The Project Narrative

- Applications will be evaluated to determine the responsiveness of the application to the financial requirements of the Funding Opportunity Announcement.
- The financial sections of the Project Narrative are contained in:
  - Funding Plan
  - The Financial Business Plan
  - The Repayment Plan
  - Appendix E: Financial Statements
  - Appendix F: Financial Model
  - Appendix G: Financial Commitment Letters



## Funding Plan (1)

- Adequacy, completeness and viability of the proposed Funding Plan
  - Quality and adequacy of the information provided must be **sufficient** to support the conclusion that the applicant has the financial capacity to meet their cost share and other financial requirements
- Financial condition and capacity of proposed funding sources to provide their portion of project costs, including development costs



## Funding Plan (2)

- Applicant must have a plan to obtain funding for the entire non-DOE share of project costs
- Identify all sources of project funding
- Provide evidence to demonstrate financial capability to fund or obtained funding
- Explain the terms and conditions of any funding from sources other than the applicant or its parent



## Funding Plan (3)

- **Include a detailed sources and uses of funds statement for the project, including the amount and timing for all funding to be provided by non-DOE sources.**
  - This should include the sources and uses of funds by project phase (e.g., definition, design, construction, and demonstration)
- **Important to demonstrate the capacity to fund applicant's share of project development costs**
  - Identify the estimated timeline, budget and source of funding for project development costs, including amounts for legal, engineering, financial, environmental, and other development costs.



## Funding Plan (4)

- **Financial Statements**
  - Provide audited financial statements for the most recent three fiscal years
  - Provide current financial statements for each quarter in the current fiscal year
  - Any non-DOE source of funding (e.g. team members, vendors, etc.) must provide the same financial information as the applicant.
- **If a party does not have audited financial statements, then equivalent statements prepared by the applicant or the party and conforming with Generally Accepted Accounting Principles and certified by the Chief Financial Officer, will be accepted.**



## Funding Plan – Reminder

- **Commitment of Funds –**
  - For projects without a Project Definition Phase
    - Funds for entire project must be **committed** at time of award
  - For projects with a Project Definition Phase (PDP)
    - Funds for PDP must be **committed** at time of award
    - Funds for the remainder of project must be **committed** at end of PDP
- **The quality of the commitment will be considered in the NETL evaluation**



## Financial Business Plan (1)

- **Reasonableness and completeness of Financial Business Plan demonstrating the potential for the applicant to successfully fund and implement the project**
- **Completeness of financial information and consistency with the funding, financial business, and repayment plans**
  - Also consistent with the information developed in the Technical Application
- **Viability of financial projections and financial model**
- **Degree of financial commitment to the project evidenced by applicant and other project parties**



## Financial Business Plan (2)

- **The Plan should include:**
  - Description of Project parties
  - Explanation of Project Financial assumptions
  - Financial projections, prepared using an Excel based model that applicant includes as Appendix F
  - Description of contracts, agreements, permits, licenses, etc. that will need to be established or obtained to finance the project.
  - Support for repayment analysis: the technical, financial, and market projections should be internally consistent
- **Limited Recourse Project Financing:**
  - If a project expects to employ non-recourse or limited recourse debt financing, the applicant should provide a description of the approach to and the status of such financing. Copies of funding commitments or expressions of interest from funding sources should be included in Appendix G (Financial Commitment Letters)



## Financial Business Plan (3)

- **Financial Commitments**
  - Applicants must describe the priority placed by the team’s management on financing the project.
    - Allocation of internal resources
    - Providing direct financing
    - Obtaining third-party financing
- **Applicant may also demonstrate commitment by:**
  - Sharing in project costs above the Government’s minimum requirements.
  - Agreeing to cover potential project cost increases



## Financial Business Plan (4)

- **Applicant’s commitment letter**
  - Applicant must include a commitment letter to provide funds from each organization that is committing to funding
  - If a third party (a party other than the applicant) is proposed as a provider of a portion of the cost sharing, then the third party must provide a letter stating that it is committed to providing a specific minimum dollar amount of cost sharing.
  - The commitment letter should identify the type and method of cost sharing and give an explanation of the valuation method where the cost share is provided in property or services rather than cash.



## Repayment Potential (1)

- **Applicants must submit a repayment plan for the DOE contribution.**
  - Repayment period may not exceed 20 years
  - Plans must be realistic
  - Must be a reasonable plan for achieving 100% repayment of the DOE contribution
  - Repayment can come from various revenue streams, including revenue streams from the project itself
- **The certainty of full repayment of the Government's contribution is more important than the source**
- **Consistency of the proposed Repayment Plan with the commercialization plan and Project assumptions**
  - The overall financial plan should be internally consistent from funding through repayment, and the operating and financial assumptions clearly stated and justified.



## Repayment Potential (2)

- **If a portion of repayment is to come from future sales and licensing of technology, a complete application of the pricing methodology and assumptions related to revenues should be provided.**
- **Repayment funds must come from gross revenues rather than net income or profits from such sales and licensing**
- **Potential of the Repayment Plan to provide accelerated repayment of the Government's contribution**

