

**LEEDS CITY COUNCIL – RESIDUAL WASTE PFI PROJECT
OBC PFI SHADOW BID REFERENCE PROJECT
PRICING ASSUMPTIONS**

	ASSUMPTION	INPUT
1	Service Commencement	1 ST April 2014
2	Contract Expiry	31 st March 2038
3	Concession Period	28 years (including construction period)
4	Planning, Construction and Commissioning Period	April 2010 to end of March 2014
5	Capital Investment Assumptions	<p>Total nominal capex £121.8m inc WTS</p> <p style="margin-left: 40px;"> EFW build cost in 2007 prices £77.2m Fees at 5% £3.86m Site Abnormals @ 10% £7.72m Enabling & utility connections £3.86m Design <u>£3.86m</u> Subtotal EFW 2007 prices £96.5m Add 5% pa construction inflation <u>£23.5m</u> Subtotal EFW in nominal prices £120.0m </p> <p style="margin-left: 40px;"> WTS in 2007 prices £1.3m Fees at 5% £0.1m Add 5% pa construction inflation <u>£0.4m</u> Subtotal WTS in nominal prices £1.8m </p> <p>NB excludes any cost of land acquisition</p>
6	Profile of construction expenditure	2 years build, April 2011 to March 2013, followed by 1 year Commissioning
7	Development Fees (Bid costs, legal, planning, etc.)	£4m
8	Capital lifecycle replacement (2007 prices)	2018 £1.16m 2023 £1.64m 2028 £1.03m 2033 £1.20m
8	Annual Operating Costs for Plant (2007 prices)	EFW £3.4m WTS £0.5m (based on £5 per tonne) Indexation at 2.5% pa
9	Annual costs of Residue disposal (2007 prices)	Hazardous Waste treatment £1.6m (based on £150 per tonne, indexed) Hazardous Waste Landfill tax £0.5m pa (based on £48 per tonne, not indexed)
		Bottom Ash reprocessed £0.8m

Appendix 8b (ii)

		(£20 per tonne 2007 indexed)
10	Insurance	£0.5m per annum To cover: Annual insurance premiums Insurance Risk Premium Uninsurability Risk Provision Brokers fees
11	SPV Annual Management Fees	£0.25m per annum , purely project company administration (operational management being included in opex benchmarks)
12	Third Party Income	Sale of Electricity £3.2m (based on 3.5p per kWh) Spare Capacity £0 to £0.2m pa
13	Financing structure	85% Senior Debt 14.9% Subordinated Debt 0.1% Equity (based on market practice)
14	SWAP Rate	6% Based upon 25 year SWAP rate in mid-June 2007 + approx 50 basis point headroom. SWAP rate to be fixed at Financial Close (LCC risk)
15	Debt margins	1.1% during construction 1% during operations (based on market practice)
16	Debt arrangement and commitment fees	1% Debt arrangement 0.5% Debt commitment (based on market practice)
17	Subordinated Debt interest rate	12% (based on market practice)
18	Taxation treatment	Fixed Asset (based on market practice)
19	Blended equity internal rate of return	15% Nominal (based on market practice)
20	Profile of Annual Unitary Charge	50% of Unitary Charge subject to RPIx (based on market practice)
21	Ratios - Minimum	Debt Service Cover Ratio 1.20 Loan Life Cover Ratio 1.25 (based on market practice)
22	Reserves	Debt Service Reserve 6 months