

## **Sec. 9007 – Rural Energy for America Program (REAP) Feasibility Study**

All Section 9007 renewable energy project applications, with total eligible costs greater than \$200,000, must include a business-level feasibility study by an independent, qualified consultant. An acceptable business-level feasibility study must at least include an evaluation of economic, market, technical, and management feasibility.

The feasibility study should be prepared by an independent consultant with a recognized expertise in the type of operation being analyzed. Examples of acceptable consultants include industry association consultants, industry experts, local Small Business Development Center consultants, specialized CPA's, and specialty appraisers.

Contents of the feasibility study. Appendix A to RD Instruction 4279-B (quoted below) provides a recommended outline of consideration to be included in the feasibility study. Particular emphasis should be given to market feasibility and management feasibility issues.

"A feasibility study by a recognized independent consultant may be required by the Agency for start-up businesses or existing businesses when the project will significantly affect the borrower's financial operations. An acceptable feasibility study should include, but not be limited to:

- (a) Economic feasibility. Information related to the project site; availability of trained or trainable labor; utilities; rail, air, and road service to the site; and the overall economic impact of the project.
- (b) Market feasibility. Information on the sales organization and management, nature and extent of competition, and commitments from customers or brokers.
- (c) Technical feasibility. Technical feasibility reports shall be prepared by individuals who have previous experience in the design and analysis of similar facilities or processes proposed in the application. The technical feasibility reports shall address the suitability of the selected site for the intended use including an environmental impact analysis. The report shall be based upon verifiable data and contain sufficient information and analysis so that a determination may be made on the technical feasibility of achieving the levels of income or production that are projected in the financial statements. The report shall also identify any constraints or limitations in these financial projections and any other facility or design-related factors which might affect the success of the enterprise. The report shall also identify and estimate project operating and development costs and specify the level of accuracy of these estimates and the assumptions on which these estimates have been based. For the purpose of the technical feasibility reports, the project engineer or architect may be considered an independent party provided neither the principals of the firm nor any individual of the firm who participates in the technical feasibility report has a financial interest in the project, and provided further that no other individual or firm with the expertise necessary to make such a determination is reasonably available to perform the function.
- (d) Financial feasibility. An opinion on the reliability of the financial projections and the ability of the business to achieve the projected income and cash flow. An assessment of the cost accounting system, the availability of short-term credit for seasonal business, and the adequacy of raw materials and supplies.
- (e) Management feasibility. Evidence that continuity and adequacy of management has been evaluated and documented as being satisfactory."