



WHAT IS YOUR
PRIME GOAL?

■ announcements

PEOPLE IN THE NEWS

Ben Entekin, Project Engineer was recognized as Employee of the Year at Prime's Annual Awards Ceremony.

Bryan Webb, PE, Industrial Manager received the Leadership Award at Prime's Annual Awards Ceremony.

MARK YOUR CALENDARS

Industry Events

April 23-26, 2006 - AAE 78th

Conference Exhibitor at Manchester Grand Hyatt in San Diego, CA

■ **USING FEASIBILITY STUDIES TO EVALUATE PROPOSED PROJECTS**

A properly conducted feasibility study allows decision-makers to choose between a profitable project and a money-wasting mistake. In today's market, feasibility studies can be conducted as part of technical design, making such studies an even smarter investment.

A reliable means of gauging a potential project's profitability and pitfalls is the feasibility study. A feasibility study summarizes a business project in terms of market segment, organizational, technical, and economic considerations. The study typically places emphasis on "deal-breaker" issues that would prevent a project's success outright (insufficient return over time, prohibitive technological investment needed to undertake the project, etc.). In short, *a feasibility study determines whether a given project is viable*. While there are up-front costs associated with conducting a feasibility study, doing so can help a firm avoid wasting thousands or even millions of dollars on unprofitable projects.

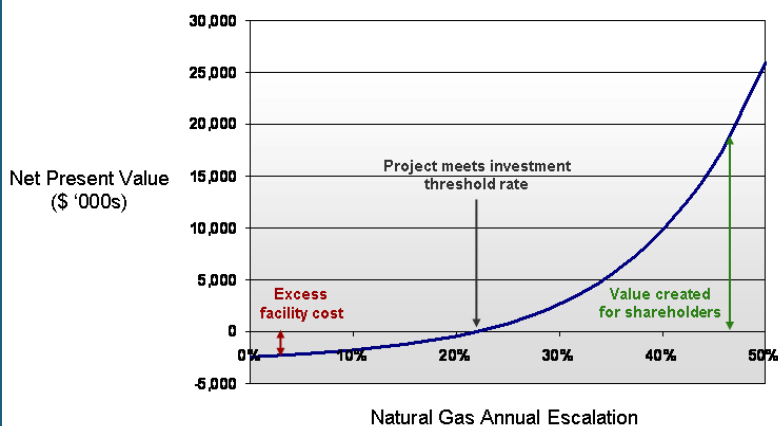
Although [a project judged to be unfeasible] may appear to be a failure, it's not. The real failure would have been if you had invested your own and others' money and then lost it due to barriers you failed to research in advance.

David E. Gumpert, How to Really Create a Successful Business Plan

Although formal feasibility studies are sometimes perceived to be complex, time-consuming, and costly—the province of Fortune 1000 CFOs or accounting departments of large firms—this is not necessarily the case. Prime Engineering offers an integrated approach to technical and economic program development and has acquired the trained personnel and technological tools to excel in this area. Prime Engineering staff has the expertise to merge financial analysis and technical design into a single process, allowing clients to receive a cost-effective yet comprehensive feasibility study as part of the standard service offering.

Prime Engineering can conduct a feasibility study prior to or in conjunction with conceptual design, thereby determining whether a given project is worth further investment. Alternatively, Prime Engineering can use a feasibility study to select the most worthwhile capital expenditure from a group of projects, and the data from the feasibility study can then be used as the basis for the selected project's asset lifecycle management plan.

EXAMPLE NET PRESENT VALUE ANALYSIS



Example NPV analysis for a capital project intended for natural gas cost avoidance.

By way of illustration, **Prime Engineering was recently engaged by Cincinnati/Northern Kentucky International Airport (C/NKIA) to conduct a comprehensive technical and economic feasibility study.** This study evaluated the net present value (NPV) of capital investment and future cash flows for a proposed alternative fuel system intended to satisfy the airport's passenger terminal and concourse interior heating requirements. The proposed system would provide a standby fuel source, allowing the airport to obtain the interruptible energy rate from its natural gas supplier. While providing cost savings relative to a firm energy rate, choosing an interruptible energy rate would mean that natural gas could be cut off intermittently, necessitating the alternative fuel system as a backup.

The objective of the study was to determine if these savings would justify the capital investment of taxpayer money in the alternative fuel system. C/NKIA management, demonstrating commitment to fiscal responsibility, wanted to ensure that all due diligence had been performed. Therefore, **Prime Engineering performed an integrated technical and net present value analysis to determine the project's economic benefits over a 15-year planning horizon, taking into consideration fuel price escalation, airport capacity expansion, and facility capital costs.**

Upon finishing the analysis, Prime Engineering **advised the client that the project did not present straightforward economic benefits. As a result, the client avoided a \$2.5 million investment in a project that would not have created significant value.** Prime Engineering, by conducting the study, validated its commitment to its customers by recommending a “no-go,” which was in the client’s best interest over the long term.

Whether for an:

- ◆ Energy-reduction project
- ◆ Capacity-expansion project
- ◆ Cost-avoidance project
- ◆ Process-optimization project

A feasibility study answers the question:
Can this project be justified?

In summary, it is easier than ever to exercise the “ounce of prevention” that a feasibility study provides. By retaining a consulting firm that can integrate feasibility studies into its scope of technical services, clients can be confident that they have selected the project that provides the best return on time and resources—or, more importantly, have avoided a project that doesn’t deliver any return at all.

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