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Investing Versus Expensing

How Sustainability Can Provide Immediate Positive Cash Flow

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We Just Need More Money...Right?

The economy is in bad shape, energy costs are skyrocketing, and unemployment is rising.

- *Picture a single one-million dollar bill.*
- *Picture one-million, one million dollar bills.*
- *We go through that much money in just 30 days.*



Is lack of money a problem, or just the way we choose to spend it?



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Why Haven't We Invested More?

Most homes could produce all of the electric energy they use from solar panels installed on their roof.

- *You could reduce your electric bill to about \$50 a month.*
- *This system would last 20 years with minimum maintenance and drastically reduce greenhouse gas emissions.*
- *So, what's the catch?*



The solar electric system would cost about \$50,000.



How Much Do We Spend in Iraq?

According to the government, about \$2-billion a week.

- *If we lose Iraq to radicals they would be able to: "...pull millions of barrels of oil off the market, driving the price up to \$300 or \$400 a barrel".*
- *Quote from President Bush in Capital Times, 11/6/2006.*
- *What else could we do with that money?*



We could convert 40,000 homes to solar every week!



Is This Just a Government Problem?

According to the U.S. Census Bureau:

- *In 1978, 30% of all new homes were over 2,000 square feet in size.*
- *In 2007, 62% of all new homes were over 2,000 square feet in size (26% were over 3,000 square feet).*
- *What does 1,000 square feet cost?*



Typically \$80,000 to \$100,000, twice what the solar collectors would have cost if the owner asked for them.

Are We Kidding Ourselves?

This decade will be known as the decade of denial.

- *Green upgrades are evaluated based on simple payback.*
- *Simple payback is equal to the added up-front cost divided by the annual savings.*
- *If you spend \$5,000 to save \$1,000 a year, the simple payback is 5 years.*



With this information in hand, the owner foolishly assumes a bad decision will take 5 years to catch up with him/her.

We Don't Have The Money!



What can we do for a 12,000 square foot building in Madison?





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We Don't Have The Money!

- Cost of 13 SEER cooling instead of 10 = \$4,127.
- Cost of 90% efficient heating instead of 80% = \$1,468.
- Cost of air to air recovery and occupancy sensors = \$7,494.
- Total cost with general contractor markup = \$14,660.
- First year utility bills total \$3,302 (20%) less than similar Energy Star® buildings in Madison.



This cost the owner nothing!

The Miracle Of Financing

Owner's don't buy buildings, banks do.

- Annual payment on a commercial loan for \$14,660 is \$1,384.
- Since the owner saves \$3,302 each year in utility costs, the net savings are \$1,918.
- If the owner takes part of this money out of another investment, the outcome is the same.



Unlike cars, buildings are a great investment and additional debt can actually be a good thing!

Can This Be Repeated?

- Renovated 32,000 square foot RenewAire manufacturing facility.





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Can This Be Repeated?

- New, 5,000 square foot Home Savings Bank branch office.





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Can This Be Repeated?

In each case, the first cost addition (financed) was less than the annual energy savings, resulting in immediate positive cash flow.



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We Need to Change

Let's stop focusing on payback and start focusing on immediate positive cash flow.

- Any time an investment can be repaid with savings alone, why say no to it?
- Energy costs are a prime example.
- What will happen with energy costs in the future?



But, what if we are wrong and energy costs go down? What is Plan B?

Conclusions

The positive cash flow approach is not about taking risks, but about reducing risk.

- Most conservation upgrades yield immediate positive cash flow.
- Risks are minimal since an unlikely decrease in energy costs will make things better, not worst.
- This crisis is the opportunity of a lifetime.

Let's stop focusing on "appearing" wealthy and focus on being wealthy.

