



Cash Flow, Energy Performance, and Environmental Protection.

What's the Link? ENERGY STAR®

Introducing ENERGY STAR's New Cash Flow Opportunity Calculator

Consider this: Your organization can purchase new energy-efficient equipment using the dollars saved from installing that very same equipment. Now that's an intriguing financial opportunity—paying for energy efficiency improvements today using the money saved from future utility bills.

ENERGY STAR has developed the Cash Flow Opportunity Calculator (CFO Calculator) to help decisionmakers address three critical questions about energy efficiency investments:

- How much new energy efficiency equipment can be purchased from the anticipated savings?
- Should this equipment purchase be financed now, or is it better to wait and use cash from a future budget?
- Is money being lost by waiting for a lower interest rate?

Screen Capture from the CFO Calculator

QUARTILE-BASED INVESTMENT OPPORTUNITY					
	Top Quartile	2nd Quartile	3rd Quartile	4th Quartile	Total Utility Bill
Annual Utility Bills	\$100,000	\$350,000	\$350,000	\$200,000	\$1,000,000
Annual Potential Savings	\$10,000	\$70,000	\$105,000	\$80,000	\$265,000
Potential Annual Savings = Cash Flow Opportunity					
Use Sample Values				Reset	
What Can This Annual Cash Flow Buy?					
Assuming an interest rate of	5	%	You may change these values anytime. If you would like to see the sample values, please click on the Use Sample Values button.		
Assuming a term of	7	Year(s)			
Savings used to pay energy investments	90	%			
Taken from operating funds, these savings could finance energy projects equal to:	\$1,406,000		without increasing today's capital and operating budgets.		
Contribution that your operating budget can make towards energy improvements	\$1.41	/SF	Median project investment ranges between \$1 - 3/ft ² .		
Simple Payback	5	Year(s)	Consider blending short- and long-term projects to maximize use of the savings.		
	4	Month(s)			

*Market Trends in the U.S. ESCO Industry: Results from the NAESCO Database Project (http://www.naesco.org/ESCO_Mkt_Trends_final.pdf), May 2002

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As shown in one of the CFO Calculator sample screens above, an annual utility bill of \$1,000,000 with an estimated weighted savings target of 26.5% from energy efficiency upgrades can save about \$265,000. Using 90 percent of these savings would allow your organization to finance projects worth \$1.4 million, based on the interest rate and terms shown.

EPA's ENERGY STAR® is a voluntary partnership between organizations, businesses, consumers, and government, united in the pursuit of a common goal: to protect our environment for future generations by changing to energy-efficient products and practices today.

In 2003 alone, ENERGY STAR helped businesses, schools, government institutions, and consumers save more than \$9 billion in energy costs while reducing greenhouse gas emissions equivalent to those from about 18 million cars.

If your organization would like to learn how efficiently your buildings perform, how to remodel existing buildings to improve their energy efficiency, or how to purchase energy-efficient products, ENERGY STAR can help.

Visit www.energystar.gov, or call the ENERGY STAR Hotline at 1-888-STAR-YES (1-888-782-7937).

www.energystar.gov

Finding Useful Answers and Hidden Dollars

ENERGY STAR's CFO Calculator takes a practical look at your energy efficiency situation. You can choose to enter either (a) best estimates of how your building currently operates and how much better it *could* operate, or (b) data generated when you use ENERGY STAR's portfolio manager. Either way, the CFO Calculator provides answers to some critical financial questions in just minutes.

The CFO Calculator can help you decide whether your potential energy savings are sufficient to invest in a detailed energy audit. Only high-level energy audits, performed by qualified, reputable energy service providers, can tell you exact energy and dollar savings. Most organizations are surprised to learn how much new equipment is actually "buried" in their current utility bill.

Accelerating Project Start-up

Does your organization prefer to pay cash for its capital equipment? The CFO Calculator:

- Helps you determine whether financing your energy efficiency equipment as soon as possible is a better financial decision than paying cash next year or waiting for a lower interest rate.
- Calculates both the cash flow and net present value benefits of acting now versus waiting.
- Allows you to compare the cost of acting now at a higher interest rate to the cost of waiting until lower cost funding becomes available.

Deferring the installation of energy (and money) saving equipment may, in fact, be costing you a bundle of money and could be a bad financial decision for your organization.

Financial Arguments in Lay Terms

Using graphs and tables, the CFO Calculator is written so that managers who are not financial specialists can use it to make informed decisions, yet it is sophisticated enough to satisfy financial decisionmakers. The CFO Calculator addresses the myths that paying cash or going for the lowest interest rate are always the best financial decisions.

You can download a copy of the CFO Calculator free of charge by going to www.energystar.gov, selecting Business Improvement, and then scrolling down in the right hand column to Cash Flow Opportunity Calculator under What's New. The direct path is http://www.energystar.gov/index.cfm?c=business.bus_financing.

If you have any questions or comments on the CFO Calculator, contact Melissa Payne, ENERGY STAR National Manager, Education, at payne.melissa@epa.gov or Katy Hatcher, National Manager, Government, at hatcher.caterina@epa.gov.