

House Improvement Energy Savings and Cost Recovery

What is cost recovery?

Cost recovery is the time it takes to recoup an investment. For example, in home improvement, a homeowner may purchase a new energy efficient furnace in hopes that their heating cost is reduced, and the money they save will more than make up for the large initial investment.

Why is cost recovery important to consider?

When deciding if one should invest in energy efficient home improvements, homeowners need to consider their finances and the affordability of the purchase, as well as possible long-term benefits.

How does one calculate cost recovery?

1. Determine the cost of the initial investment
2. Calculate the monthly energy savings from the investment
3. Divide the investment by the monthly energy savings to determine the number of months to recoup the investment

Example:

Pete Moss has a moisture and heat loss problem in his attic. He decides to install additional attic insulation at a cost of \$1200. Experts believe Pete can save 15% on his monthly heating cost of \$200. How long will it take for Pete to recoup his investment?

1. Determine the cost of the initial investment	\$1200
2. Calculate the monthly energy savings from the investment	15% X \$200 = \$30
3. Divide the investment by the monthly energy savings to determine the number of months to recoup the investment	\$1200 / \$30 = 40 months