

SUPPLY › SERVICE › SATISFACTION ›

## HOW DO PRICE SWINGS AFFECT YOUR PROFITS?

Price volatility of the energy market can have a huge impact on bottom-line profitability. The chart below can help you estimate the effect that price swings can have.

Select the percentage that energy comprises of your total O&M expenses from the left column. Select the relative change in energy price from the top row. The point where the row and column meets is the multiplier to be applied to your current net profit.

### CHANGE IN ENERGY PRICES

		5%	10%	20%	30%	40%	50%
ENERGY AS % OF EXPENSE	3%	0.002	0.003	0.006	0.009	0.012	0.015
	5%	0.003	0.005	0.010	0.015	0.020	0.025
	8%	0.004	0.008	0.016	0.024	0.032	0.040
	10%	0.005	0.010	0.020	0.030	0.040	0.050
	15%	0.008	0.015	0.030	0.045	0.060	0.075

As an example, if energy typically comprises 15% of your annual O&M expenses and your price is expected to increase by 30%, the multiplier to be applied to your net profit is .045. If your target net profit is \$100,000, the projected increase in energy price will actually cost you \$4,500.

**Multiplier** \_\_\_\_\_ **X Net Profit** \_\_\_\_\_ = **Actual Cost of Increase** \_\_\_\_\_