

THE HIGHS AND LOWS OF AMERICAN ELECTRICITY *

Last month, the U.S. Chamber of Commerce's Global Energy Institute published its annual assessment of state electricity prices. Prices in many states fell last year, according to data from the Energy Information Administration, but the reality is one of high retail prices for coastal elites and cheap power for those with abundant natural resources. But by other measures, "expensive" states to live in also have some of the most affordable power in the country. It's a paradox: Some states have low electricity prices but residents pay more to power their homes, and others have high prices and low consumer bills. But the occurrence of high prices paired with high bills is rare.

According to the institute, rates have been falling thanks to low fuel prices, tax reform and renewable energy (which helped Hawaii in particular). Shale gas has been a boon for Ohio, while in New York, the institute says that because "its leaders have an irrational aversion to new pipeline infrastructure, they are burdened with higher electricity prices." Leaders also "impose a blockade against American natural gas reaching New England states."

The group is right, in a sense: New York has the seventh-highest retail electricity prices in the country, according to the EIA.

But electricity is rated in units, and consumers don't really pay for units of power; they pay a monthly bill. When we rank states (and the District of Columbia) by their monthly electricity bills, we get a very different chart. Only two states — Hawaii and Connecticut — are in the top 10 for electricity rate and average monthly bill. Meanwhile, Alabama is in the bottom half for retail power rates but its residents pay the most, and consumers in Texas — with a "low" price of only 11 cents per kilowatt-hour — have the seventh-highest bills.

When we look at electricity as a percentage of personal spending, we get yet another result. Washington, D.C., spends the least on electricity, and residents of California, which has the sixth-highest retail prices, spend less than 1 percent of their personal consumption on electricity — below the national average of 1.4 percent.

A number of variables are at work here. The first is high incomes in D.C., California, New York, New Jersey and Massachusetts. The second is cheap power in Washington state and Utah. The third is low total bills in New Mexico, Colorado, Illinois and Utah (again). Mild climates certainly help, too; not a single Gulf or Southeastern state makes this ranking.

Grouping all of these measures together, we find only one correlation in the top states for electricity expenditures as a percentage of personal consumption: voting habits. Nineteen of the top 20 states for electricity spending as a percentage of personal consumption voted Republican; 25 of the top 30 voted Republican.

Electricity rates on their own tell us little about electricity's impact on consumers.

If you're after a cheap rate, Louisiana is the place to be. If you're after a low monthly bill, New Mexico claims first place, with bills half those of Alabama's. But if you care about how much you're spending on electricity as a share of all your personal spending then Washington, D.C., California, Colorado or New York are your best bets — high rates aside.

In other words, a state's low rate won't necessarily make your electricity cheap. With electricity prices flat in most markets, efficiency measures that reduce consumption are a far easier way to lower power bills. Insulating homes, swapping incandescent bulbs for LEDs, and replacing aging appliances all reduce the energy needed for people to live at the same (or better) standard.

Raising incomes in areas where electricity is a higher percentage of personal spending is another option, of course, but it's a bit more complicated than changing a lightbulb.