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ALEC

# Energy Affordability REPORT



**A Snapshot of Electricity Prices and Energy Policies by State**

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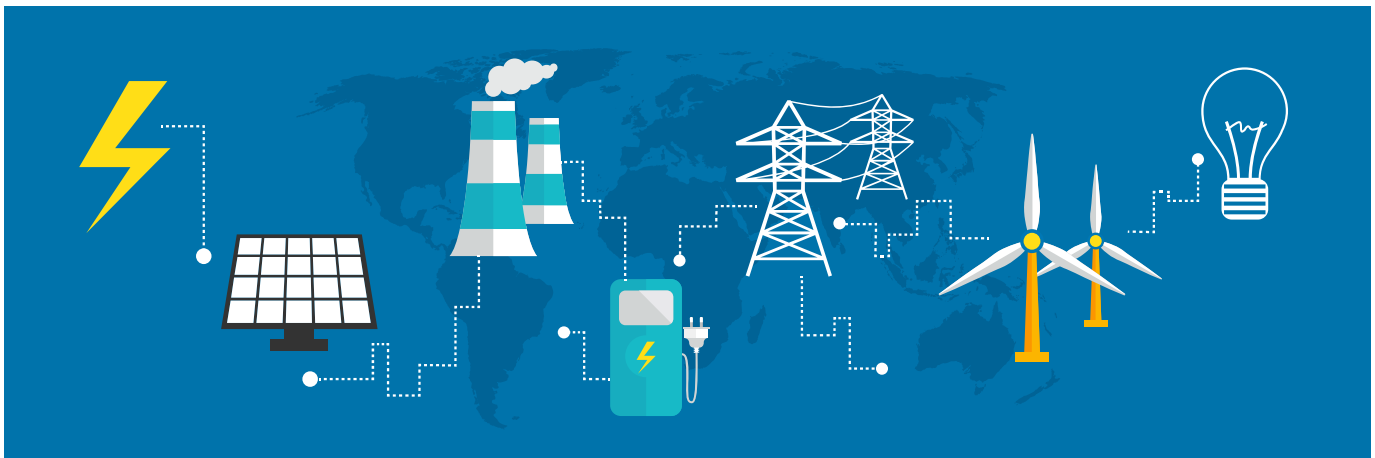
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# ALEC Energy Affordability Report

## A Snapshot of Electricity Prices and Energy Policies by State

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## INTRODUCTION

Energy, and electricity specifically, is essential for success in virtually every aspect of our daily lives. Electricity prices vary greatly by demand sector and generation source across all 50 states and the District of Columbia. These differences are often linked to the varying policy approaches by states as they balance the needs of consumers with the push to tackle the environmental challenges of today.

While some states have relied on free market principles and innovation to confront problems associated with climate change, others have pursued a more heavy-handed approach through the implementation of standards, mandates and pricing mechanisms for specific types of technologies.

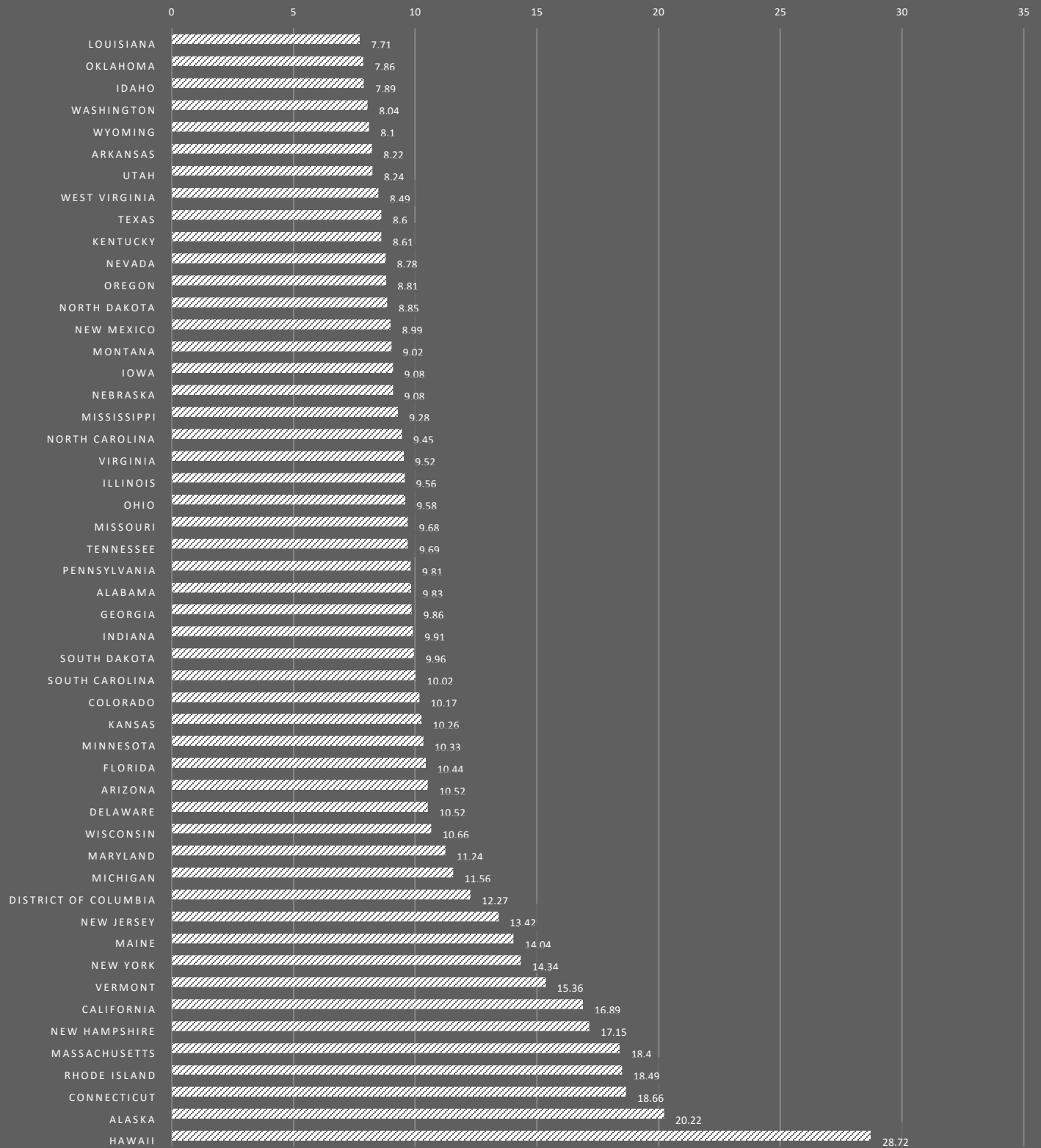
However, when the government inserts itself into markets, taxpayers often foot the bill. Heavy-handed public policies have caused electricity prices to skyrocket in some areas of the country, leading to [poor investment decisions](#), energy [shortages](#) and, as explored here, higher electricity prices for consumers along the way.

## METHODOLOGY

For the purposes of this report, electricity prices and energy policies in the states were evaluated. First, pricing for each state was evaluated in cents per kilowatt-hour (KWh) for the year 2019 with [data from the U.S. Energy Information Administration \(EIA\)](#). This included residential, commercial, industrial and transportation sectors. The weighted average price of electricity across all sectors was calculated, and then the states were ranked from lowest to highest average electricity price. This data can be seen in Table 1 in the Appendix below. While the “total” price of electricity is the main focus of this report, the sector-specific prices are important to note because they can directly impact a state’s economic competitiveness. Electricity prices in these sectors serve as important business inputs, helping to determine how many and which types of businesses choose to operate in that state.

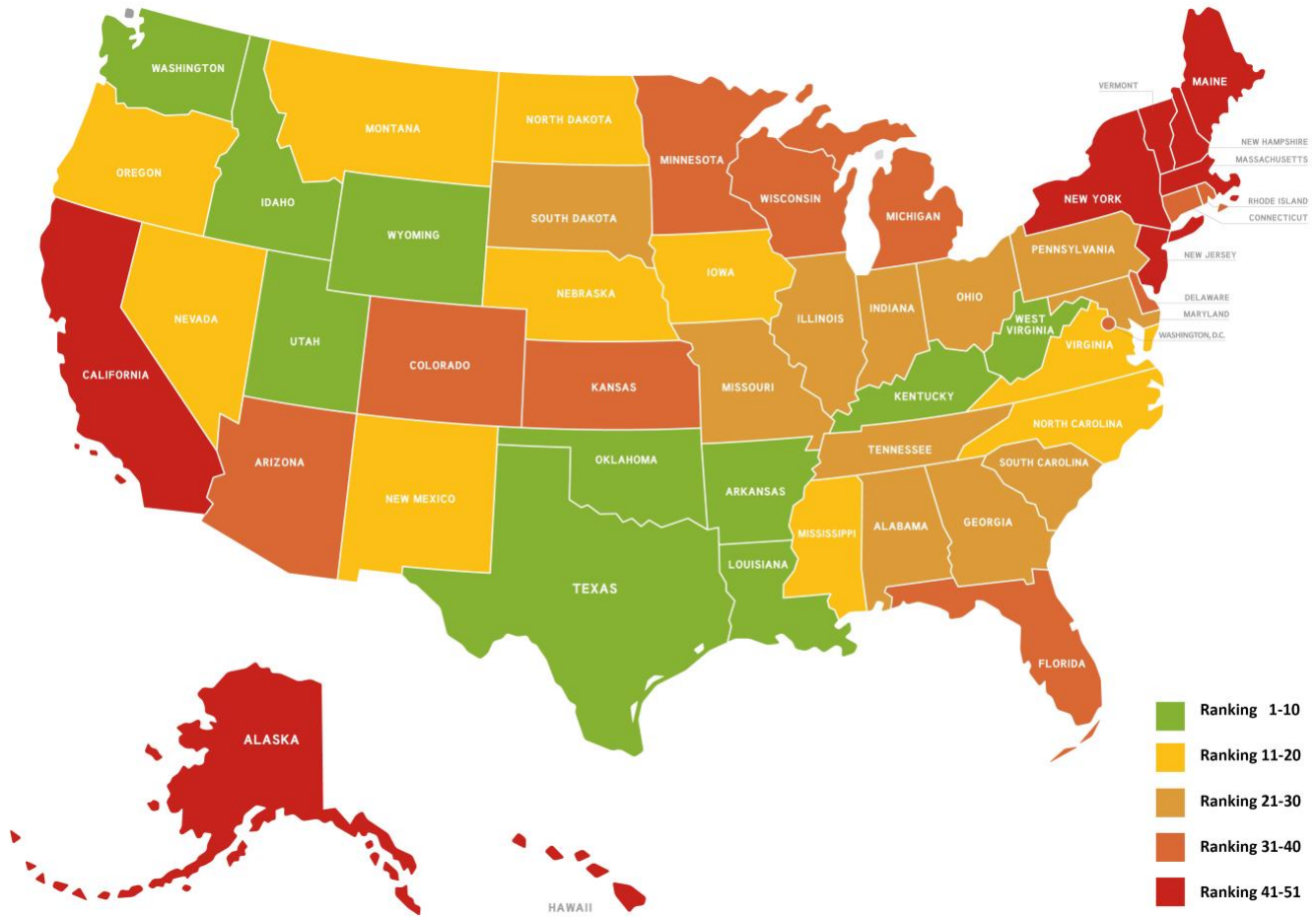
Then, three primary energy policies were analyzed that have become common throughout the states: the presence or absence of a Renewable Portfolio Standard (RPS), which dictates that a certain amount of a state’s electricity generation comes from renewable sources; whether the state is a part of the Regional Greenhouse Gas Initiative (RGGI), which is a CO2 cap-and-trade program amongst 10 states in the mid-Atlantic and Northeast regions of the U.S. (or if they are a part of another cap-and-trade program, e.g., California); and finally, whether a state has state-mandated rules for utilities regarding net metering, which is a process in which utility companies pay consumers who own rooftop solar panels for any excess electricity generation that these panels push back onto the electric grid. While there are [many factors](#) that can and do impact electricity prices, state policymakers can have a direct influence on these three policies.

**AVERAGE ELECTRICITY PRICES (CENTS/KWH) TOTAL**

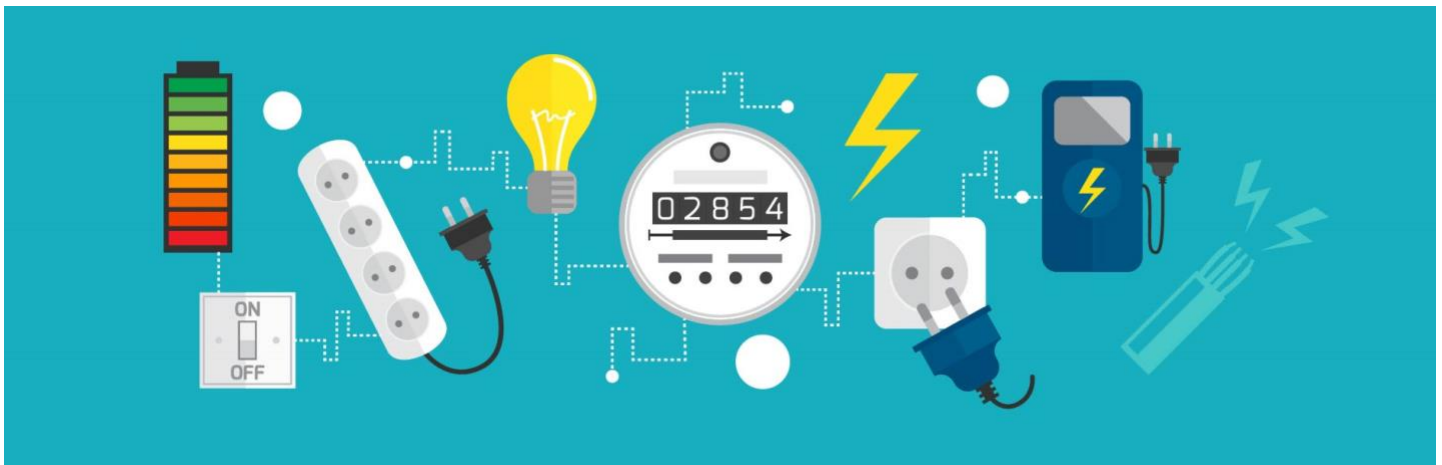


Source: U.S. Energy Information Administration, 2019

**States Ranked by Electricity Prices**



Source: U.S. Energy Information Administration



## RESULTS

The three states with the lowest prices, Louisiana, Oklahoma and Idaho, all have an average price of electricity under 8 cents per KWh, while Alaska and Hawaii had the highest prices at more than 20 cents per KWh.

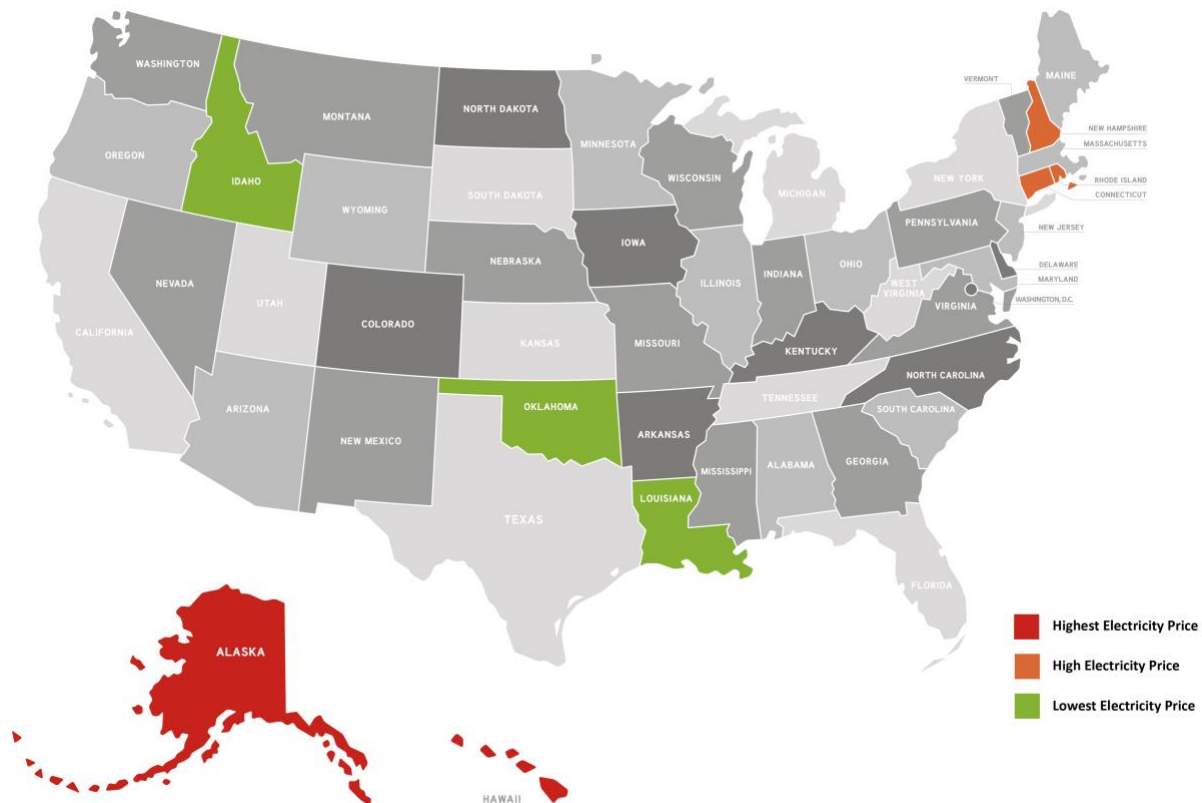
Given their isolated geographic locations, it is unsurprising for Alaska and Hawaii to have the highest electricity prices. States in the continental United States are better able to share infrastructure, such as transmission lines, and also import or export electricity across state lines.

After Alaska and Hawaii, the next three states with the highest electricity prices are Massachusetts, Rhode Island and Connecticut. All three of these states have in place an RPS and are part of the RGGI. They also impose state-mandated net metering policies on their utilities.

In contrast, the three states with the lowest electricity prices – Louisiana, Oklahoma and Idaho – avoid RPS mandates and cap-and-trade programs. While Oklahoma and Louisiana do impose state-mandated net metering policies on utilities, Louisiana has recently modified its statute to only require utilities to accept net metering applications up to a certain cap. Idaho does not require anything from utilities regarding net metering.

The trend of government mandates being associated with higher prices is evident throughout this report. Table 2 shows which states have RPS mandates, which states are part of the RGGI (or another cap-and-trade program) and which states have net metering mandates.

### States Ranked by Electricity Prices (Highest- and Lowest-Priced)



Source: [U.S. Energy Information Administration](#)

## FINDINGS

Based on the data, it is evident that the implementation of a government-mandated RPS or cap-and-trade program is associated with higher electricity prices. While this study gives a snapshot of 2019 prices, evidence has shown that the implementation of an RPS or carbon pricing mechanism can also be *causal* in leading to higher prices over time – [up to an 11% increase](#) due to the implementation of an RPS alone. This supports our evidence here from a simple correlation standpoint.

The 16 states with the highest electricity prices all have an RPS in place, as do 18 of the highest-priced 20 states. Similarly, each of the states in the RGGI or another cap-and-trade program is within the 15 states with the highest prices of electricity. While Virginia has not officially joined the RGGI as of December 2020, [plans to join](#) could lead to higher electricity prices as a result. In fact, Virginia's State Corporation Commission expects additional costs on ratepayers to [amount to \\$6 billion](#), solely for customers of the state's largest utility provider, Dominion Energy, should the state join the RGGI.

Finally, the impact of state-mandated net metering data is not as clear cut. As depicted in Table 2, state net metering policies have become very common as rooftop solar technology has risen in popularity. Only five states do not have a net metering mandate in place or some form of compensation for other types of Distributed Energy Resources (DERs). This could be due to the fact that DERs are a fairly new technology and are still relatively rare among the states in terms of implementation. As more rooftop solar and other DERs emerge in homes across the U.S., the effect on market prices might become more relevant, and states might begin to opt out of these mandates over time.





## CONCLUSION

These findings reveal a clear trend for state lawmakers to keep in mind. In general, there is a distinct relationship between bigger government and higher electricity costs. In crafting energy and environmental policies, lawmakers should avoid imposing more government control and instead allow the markets do what they do best – adapt, innovate and improve. This is the more efficient, effective and cost-saving solution to the environmental challenges we face today.

Rather than implementing policies that lead to increased costs for consumers and place a heavy burden on low-income individuals and families, the focus of lawmakers should be more toward facilitating a regulatory environment that allows energy sectors to flourish and adapt along with market innovation and technology – not government mandates. This is the solution that would lead to cleaner air and an improved environment overall, all while keeping prices lower for consumers.



**APPENDIX**

**TABLE 1:**

<b>AVERAGE PRICE RANKING (CENTS/KWH) BY STATE AND SECTOR, 2019</b>						
<b>RANKING</b>	<b>STATE</b>	<b>RESIDENTIAL</b>	<b>COMMERCIAL</b>	<b>INDUSTRIAL</b>	<b>TRANSPORTATION</b>	<b>TOTAL</b>
1	LA	9.8	8.91	5.23	9.08	7.71
2	OK	10.21	7.98	5.07	0	7.86
3	ID	9.89	7.67	6.08	0	7.89
4	WA	9.71	8.75	4.8	9.45	8.04
5	WY	11.18	9.64	6.73	0	8.1
6	AR	9.8	8.78	6.13	11.73	8.22
7	UT	10.4	8.26	5.98	10.62	8.24
8	WV	11.25	9.16	6.02	0	8.49
9	TX	11.76	8.06	5.45	6.44	8.6
10	KY	10.8	10.15	5.57	0	8.61
11	NV	12	8.04	6.14	8.51	8.78
12	OR	11.01	8.85	5.86	9.14	8.81
13	ND	10.3	9.01	7.94	0	8.85
14	NM	12.51	9.79	5.48	0	8.99
15	MT	11.13	10.41	5.45	0	9.02
16	IA	12.46	9.99	6.6	0	9.08
17	NE	10.77	8.85	7.65	0	9.08
18	MS	11.27	10.52	5.85	0	9.28
19	NC	11.42	8.81	6.3	8.2	9.45
20	VA	12.07	8.18	6.85	8.27	9.52
21	IL	13.03	9.08	6.52	6.91	9.56
22	OH	12.38	9.72	6.55	6.83	9.58
23	MO	11.14	9.07	7.11	7.89	9.68
24	TN	10.87	10.65	5.68	0	9.69
25	PA	13.8	8.71	6.41	7.26	9.81
26	AL	12.53	11.52	5.95	0	9.83
27	GA	11.76	10.02	6.17	5.85	9.86
28	IN	12.58	11.03	7.36	10.76	9.91
29	SD	11.55	9.59	7.81	0	9.96
30	SC	12.99	10.58	6.11	0	10.02
31	CO	12.18	10.43	7.4	8.7	10.17
32	KS	12.71	10.29	7.35	0	10.26
33	MN	13.04	10.34	7.53	9.49	10.33
34	FL	11.7	9.27	7.65	8.32	10.44
35	AZ	12.43	10.25	6.28	9.68	10.52
36	DE	12.55	9.53	7.7	0	10.52
37	WI	14.18	10.72	7.31	13.85	10.66
38	MD	13.12	9.97	7.8	7.37	11.24
39	MI	15.74	11.39	7.07	10.56	11.56
40	DC	12.98	12.26	8.22	9.5	12.27
41	NJ	15.85	12.23	10.16	8.8	13.42
42	ME	17.89	12.83	9.22	0	14.04
43	NY	17.94	14.06	5.61	12.28	14.34
44	VT	17.71	15.98	11.05	0	15.36
45	CA	19.15	16.67	13.4	8.91	16.89
46	NH	20.05	15.93	13.09	0	17.15
47	MA	21.92	16.8	14.76	6.15	18.4
48	RI	21.73	16.38	15.59	18.49	18.49
49	CT	21.87	16.75	13.44	13.69	18.66
50	AK	22.92	19.8	16.94	0	20.22
51	HI	32.06	29.23	25.76	0	28.72

Source: U.S. Energy Information Administration

**APPENDIX**

**TABLE 2:**

AVERAGE PRICE RANKING AND POLICIES BY STATE					
RANKING	STATE	TOTAL (CENTS/KWH)	RENEWABLE PORTFOLIO STANDARD (RPS)	REGIONAL GREENHOUSE GAS INITIATIVE (RGGI)/CAP-AND-TRADE	STATE-MANDATED NET METERING
1	LA	7.71	No	None	State-mandated compensation other than net metering
2	OK	7.86	No	None	State-mandated rules for certain utilities
3	ID	7.89	No	None	No state-wide rules, but some utilities do offer net metering
4	WA	8.04	Yes	None	State-mandated rules for certain utilities
5	WY	8.1	No	None	State-mandated rules for certain utilities
6	AR	8.22	No	None	State-mandated rules for certain utilities
7	UT	8.24	No	None	State-mandated compensation other than net metering
8	WV	8.49	No	None	State-mandated rules for certain utilities
9	TX	8.6	Yes	None	No state-wide rules, but some utilities do offer net metering
10	KY	8.61	No	None	Transitioning to compensation other than net metering
11	NV	8.78	Yes	None	State-mandated rules for certain utilities
12	OR	8.81	Yes	None	State-mandated rules for certain utilities
13	ND	8.85	No	None	State-mandated rules for certain utilities
14	NM	8.99	Yes	None	State-mandated compensation other than net metering
15	MT	9.02	Yes	None	State-mandated rules for certain utilities
16	IA	9.08	Yes	None	State-mandated rules for certain utilities
17	NE	9.08	No	None	State-mandated rules for certain utilities
18	MS	9.28	No	None	State-mandated compensation other than net metering
19	NC	9.45	Yes	None	State-mandated rules for certain utilities
20	VA	9.52	No	RGGI in 2021	State-mandated rules for certain utilities
21	IL	9.56	Yes	None	Transitioning to compensation other than net metering
22	OH	9.58	Yes	None	State-mandated rules for certain utilities
23	MO	9.68	Yes	None	State-mandated rules for certain utilities
24	TN	9.69	No	None	None
25	PA	9.81	Yes	None	State-mandated rules for certain utilities
26	AL	9.83	No	None	None
27	GA	9.86	No	None	State-mandated compensation other than net metering
28	IN	9.91	No	None	Transitioning to compensation other than net metering
29	SD	9.96	No	None	None
30	SC	10.02	No	None	State-mandated rules for certain utilities
31	CO	10.17	Yes	None	State-mandated rules for certain utilities
32	KS	10.26	No	None	State-mandated rules for certain utilities
33	MN	10.33	Yes	None	State-mandated rules for certain utilities
34	FL	10.44	No	None	State-mandated rules for certain utilities
35	AZ	10.52	Yes	None	State-mandated compensation other than net metering
36	DE	10.52	Yes	RGGI	State-mandated rules for certain utilities
37	WI	10.66	Yes	None	State-mandated rules for certain utilities
38	MD	11.24	Yes	RGGI	State-mandated rules for certain utilities
39	MI	11.56	Yes	None	Transitioning to compensation other than net metering
40	DC	12.27	Yes	None	State-mandated rules for certain utilities
41	NJ	13.42	Yes	RGGI	State-mandated rules for certain utilities
42	ME	14.04	Yes	RGGI	State-mandated rules for certain utilities
43	NY	14.34	Yes	RGGI	Transitioning to compensation other than net metering
44	VT	15.36	Yes	RGGI	State-mandated rules for certain utilities
45	CA	16.89	Yes	Other	State-mandated rules for certain utilities
46	NH	17.15	Yes	RGGI	State-mandated rules for certain utilities
47	MA	18.4	Yes	RGGI & Other	State-mandated rules for certain utilities
48	RI	18.49	Yes	RGGI	State-mandated rules for certain utilities
49	CT	18.66	Yes	RGGI	State-mandated rules for certain utilities
50	AK	20.22	Yes	None	State-mandated rules for certain utilities
51	HI	28.72	Yes	None	State-mandated compensation other than net metering

Source: Prices, RPS, Cap-and-Trade, Net Metering

