

# Rates and Bills – An Analysis of Average Electricity Rates & Bills in Georgia and the United States

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During regulatory and public policy discussions of electricity costs for Georgia ratepayers, the conversation often focuses on electricity rates but frequently fails to include any analysis of the average electricity bill. The electricity rate refers to the average cost of a kilowatt-hour (kWh) of electricity for different customer classes (i.e. residential, commercial and industrial users) while the average electricity bill refers to the average monthly spending by different customer classes and combines an analysis of both commodity cost and customer usage.

## Analyzing Electricity Rates

Georgia's average residential electricity rate compares favorably to the national average residential rate. In 2005, the average residential rate for all electricity customers in Georgia was 8.64¢ (cents per kilowatt-hour), eight-and-a-half percent below the national average. In addition, the average residential rate for Georgia Power's customers is 8.58¢, nine-and-two-tenths percent below the national average.<sup>1</sup> For more detail, see Appendix A.

Note that this analysis focuses on average residential rates and bills because average residential customers are more comparable across jurisdictions. The analysis does not compare average commercial bills due to the variety of economic factors that make comparing commercial customers across jurisdictions less meaningful. For example, the average commercial bill in Georgia is 2% higher than the average national commercial bill, while the average Georgia Power commercial bill is 24% higher than the national average.<sup>2</sup> The difference probably is because Georgia Power's service territory contains larger commercial enterprises than the service territories of other service providers in the state.

## Analyzing Electricity Bills

Using the retail sales data provided by the U.S. Energy Information Administration (EIA), one can compare Georgia's average residential electricity bill to the average residential electricity bills of other states and the nation. On an average residential electricity bill basis, Georgia does not compare favorably to the national average. In 2005, the average Georgia residential customer paid \$99.22 per month for electricity, 12% higher than the national average. The average Georgia Power residential customer fared better, paying \$92.79 per month, five percent above the national average. Out of the total 50 states, Georgia has the 11<sup>th</sup> highest average residential electricity bill (Georgia Power ranks between 15<sup>th</sup> and 16<sup>th</sup> place). For more detail, see Appendix B.

## Evaluating the Results

The favorable ranking of Georgia's average residential electricity rate reflects regulatory policies that support affordable electric rates for the residential sector and Georgia utilities' success in keeping total system costs low.

Despite the state's lower-than-average residential electricity rate, the average customer bill is relatively high. Even though Georgia's residential rate is eight-and-a-half percent below the national average, the state's average residential bill is 12% higher, evidence that the average Georgia

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<sup>1</sup> United States Energy Information Administration, "Electric Sales, Revenue, and Average Price 2005," November 2006, [http://www.eia.doe.gov/cneaf/electricity/esr/esr\\_sum.html](http://www.eia.doe.gov/cneaf/electricity/esr/esr_sum.html), accessed on May 30, 2007.

<sup>2</sup> Ibid.

residential customer uses more electricity than the average U.S. customer. EIA's data reveals that Georgia's average residential electricity use is 22% higher than the national average residential use (Georgia Power average residential customer use is 15% higher than the national average).

Georgia's humid subtropical climate is one of the contributing factors to the state's higher than average residential electricity consumption. Of the ten states that have higher average monthly bills than Georgia, eight of them are located in the south and southeast (TX, FL, LA, MS, SC, AL, VA & NC). All of the eight states have monthly residential electricity consumption that is comparable to or higher than Georgia's residential consumption. In addition, both Kentucky and Tennessee have higher average monthly consumption than Georgia, but due to their lower average electricity rates (24% and 19%, respectively), both states have lower average electricity bills than Georgia.<sup>3</sup>

Another key to Georgia's higher electricity bills may be historic under-investment in demand-side-management programs. The American Council for An Energy-Efficient Economy (ACEEE) evaluated each state's spending on energy efficiency programs in 2000 and 2003. In the study, ACEEE uses two evaluation criteria: energy efficiency spending per capita and energy efficiency spending as a percentage of utility revenues. Results relative to the southern states include:

- *Energy Efficiency Spending Per Capita*
  - In 2000, all the abovementioned states (TN, AL, LA, MS, SC, VA, TX, KY, FL, GA & NC) fell below the national average (\$3.88) for per capita spending on energy efficiency.<sup>4</sup> Seven of the 11 states (including Georgia) had per capita spending lower than one-tenth of the national average. In 2003, the 11 states' average per capita spending improved slightly however, the 11 states still fell below the national average and six of the 11 states (including Georgia) had per capita spending lower than one-tenth the national average.<sup>5</sup>
- *Energy Efficiency Spending As Percentage of Utility Revenues*
  - In 2000, the 11 states also fell below the national average (0.5%) for energy efficiency spending as a percentage of utility revenues. Ten of the 11 (including Georgia) came in at one-fifth of the national average or lower. In 2003, energy efficiency spending as a percentage of utility revenues improved slightly; however, all 11 states still fell below the national average with eight out of 11 (including Georgia) at less than one-fifth of the national average.<sup>6</sup>

## **Conclusion**

Georgia's utilities and regulators deserve credit for Georgia's relatively low electric rates. However, despite low rates, Georgia residential customers pay higher than average electricity bills. The state's hot climate is a major contributor to Georgia's higher bills -- Georgia residential customers use more electricity than the national average because of air conditioning use. However, recent efforts within the state to control electricity rates have encountered a number of challenges. Increasing fuel

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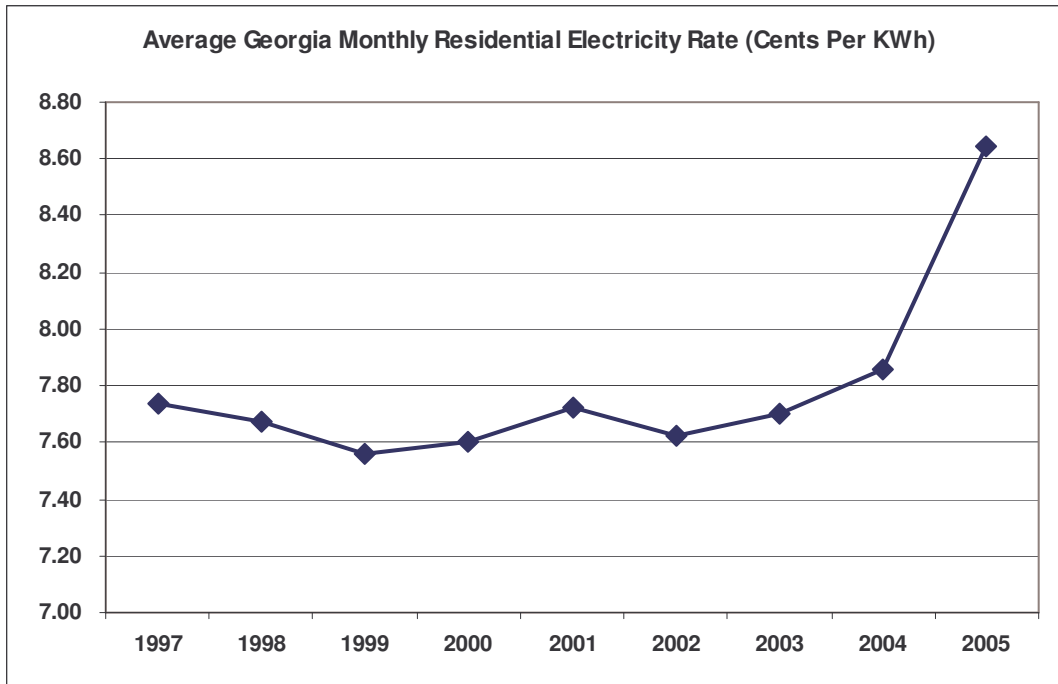
<sup>3</sup> When the states are compared on the basis of average monthly residential electricity consumption, the top 11 states all fit in the broad category of southern states (TN, AL, LA, MS, SC, VA, TX, KY, FL, GA & NC – respectively).

<sup>4</sup> Dan York and Marty Kushler, "ACEEE's 3<sup>rd</sup> National Scorecard on Utility and Public Benefits Energy Efficiency Programs: A National Review and Update of State-Level Activity," October 2005, <http://www.aceee.org/pubs/u054.pdf>, accessed on May 30, 2007.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

costs and stricter environmental requirements have driven up the cost of generating electricity in the region, and despite utilities and regulator’s best efforts, have caused the state’s average electricity rate to climb over the last few years. As shown in the graph below, Georgia’s average residential electricity rate has risen steadily since 2002.



Source: Energy Information Administration

Other factors continue to contribute to future rate increases. Georgia’s ever-growing population requires the construction of new and expensive electric generating units. Additionally, future federal air quality regulations could further drive up utilities’ costs. Many predict that the United States will develop some form of federal carbon regulation in the next decade, which will also increase the cost of generating electricity from carbon-based fuels. In each situation, recovery of the costs will require higher rates.

Such factors hamper Georgia’s efforts to ensure energy affordability through a “rate-focused” approach alone. Energy efficiency services delivered through a well-positioned organization such as an electric utility can empower Georgians to better manage their consumption, thereby reducing Georgian’s overall electricity bills.

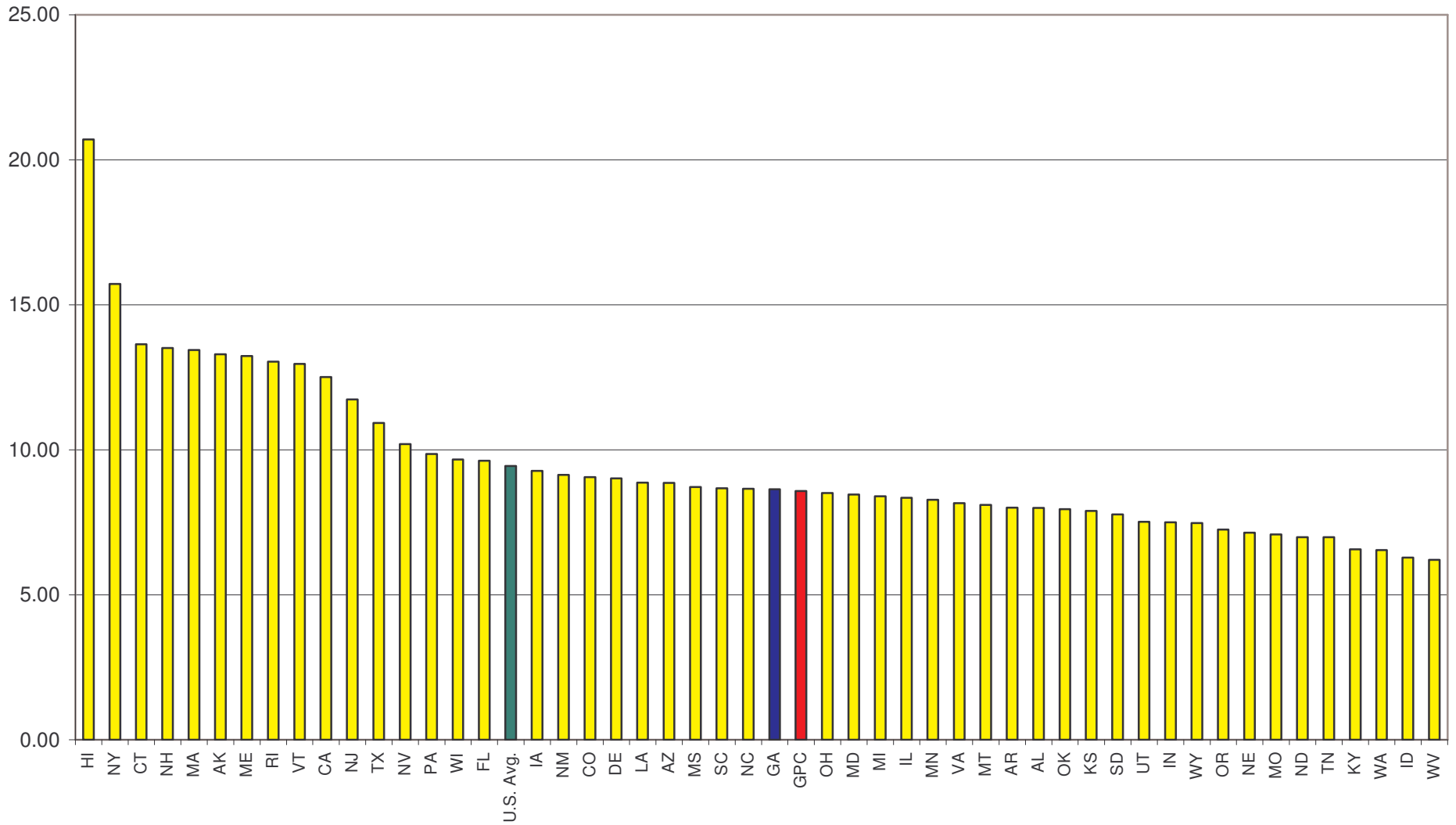
Efforts to minimize electricity rates have served Georgians admirably for several decades. However, ensuring affordability into the future will require a two-pronged approach: controlling rates and managing consumption. By making decisions that contribute to Georgia’s energy efficiency, Georgians are one step closer to realizing the steps necessary to achieve affordable energy as outlined in the *State Energy Strategy for Georgia*.

## **Bibliography**

Energy Information Administration. United States Department of Energy. (2005). *Electric Sales, Revenue, and Average Price 2005: Tables 4 – 10*. Retrieved April 9, 2007 from [http://www.eia.doe.gov/cneaf/electricity/esr/esr\\_sum.html](http://www.eia.doe.gov/cneaf/electricity/esr/esr_sum.html).

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## Appendix A - Average Residential Electricity Rate (cents per kWh) by State - 2005



## Appendix B - Average Monthly Residential Electricity Bill By State - 2005

