

Have you ever put real energy into reducing the amount of electricity you use, just to see a higher bill the next month?

You are not alone.

Did you know that the cost of electricity varies by the minute?

From weather to the location to market type, each state calculates how much to charge you differently, and the cost of electricity by state is vastly different!

Understanding the differences between state electric rates can make all the difference for your monthly budget.

So, what is the price of electricity by state?

Here, we have all the inside intel on state electricity costs and how to tell which state will make or break your electricity bill.

Why Does the Cost of Electricity by State Vary?

Your utility bill is dependent on where you live both within and across states. But, to understand why this is the case, you must first understand how the electricity market works.

One big difference between the states is whether or not your market is regulated or deregulated.

A deregulated market gives the consumer the choice of choosing his or her own electricity company. What this does is create competition between electric suppliers to drive down the price of electricity.

A regulated state gives its consumers a limited number of electric companies to choose from (some states only have one option). However, a deregulated market does not always amount to a cheap electric bill.

When Your Utility Bill Mysteriously Goes Up

Some states boast incredibly low rates today after paying the highest rates in the country just a few years ago. This is due to a state relying on a system with high fluctuation. Depending on resources, some states are more prone to price variation, while others experience little to no change.

Each state has its unique service needs depending on weather, population, geography, location, supply vs demand, etc. For example, a state with a large population might charge more per Kilowatt-hour (kWh) during certain periods of the day or year, when usage is higher.

Geographic location and weather are the number one causes for variation. Southern states have higher electricity bills during the summer, while Northern states have higher bills during the winter. States with erratic weather conditions however can witness multiple spikes and drops from month to month all year.

Fluctuation in pricing could additionally be a result of energy supply. A state with frequent spikes in the electricity bill might be dependent on the price of oil or natural gas, which changes frequently. These variables interact with each other differently depending on legislation and culture.

So, how do you know if your electricity bill is right for you? Educate yourself. Be in the know about your energy consumption habits and how they [relate to your bill](#). Being aware of what you should be paying will tip you off when you are paying too much.

How Does the Energy Market Look in Your State?

To understand why your electric bill looks the way it does, look at what kind of energy your state supplies and the market it supplies to. What kind of business stimulates your state's economy?

States with a high number of businesses, factories, and manufacturing centers rank higher on the average kWh cost of electricity used. Businesses use more electricity than residential households, especially industrial and commercial buildings.

In some markets, businesses have access to deregulated markets while residents use a regulated market. This might seem unfair to residents, but a selectively competitive market makes a huge difference in overall costs.

What does your state's energy supply look like? States that use wind, solar, and other types of green energy rank lower on the national price per kWh average cost. If you live in an area with a high population density (high demand), green energy options can drastically lower your energy bill.

What does your state's political climate look like? Energy culture has a huge impact on what kind of energy is used in your state, as well as how the market is regulated and how the energy sector treats you.

Depending on your state's politics, residents might be rewarded for going green. Other states might penalize residents trying to limit their reliance on fossil fuels, nuclear power plants, and natural gas. There are states where it is illegal to be off-grid and states that offer tax breaks for residents pulling from their own privately owned green energy.

The above variables affect the cost of electricity per kWh by state, but each state's relationship with its consumers is unique. While consumption costs are influenced by the factors discussed above, costs are not always a direct result of them.

Weather and Politics: The Case of Oklahoma

Oklahoma ranked 2nd highest in residential electrical costs on average in 2021. As one of the states usually ranking lowest in rates, this came as a shock to consumers.

A state relying heavily on natural gas, the local government was forced to make huge fuel cost adjustments due to weather conditions. One of the biggest ice storms in Oklahoma's history spiked the cost of natural gas, leaving residents with [unaffordable utility bills](#).

The February freeze shot the price of natural gas from \$4.16 to \$1,192.86 within 5 days. Oklahoma gas companies are used to having enough natural gas to export to other states, but the ice storm left the natural gas industry stranded and unable to provide for the local market

Oklahoma's politicians are now in a position to either protect their citizens or leave them with the bill. A deregulated free market should entail no protection for residents in situations like these.

Depending on politics, residents might have to pay for the highest electricity bills in history. All this while natural gas suppliers turn a profit once their natural gas reserves defrosted. The case of Oklahoma is a perfect example of why it's important to [keep yourself protected](#).

Which States Have the Most Expensive Electricity Bills and Why?

Hawaii comes in first as the state with the highest cost of electricity, with Alaska coming in as 2nd. Other states with high electricity rates in 2021 include;

- Rhode Island
- California
- New Hampshire
- New York

All these states have their unique reasons for their exceptionally high rates, but let's take a closer look at Hawaii.

Both Hawaii and Alaska's geographical locations contribute immensely to their electricity challenges. About half of the [Hawaiian state electricity bill](#) is made up of the cost of purchasing power for the island's generators.

Unlike states on the mainland, Hawaii does not have the option of drawing on nearby power generating facilities. This unique state's isolated location means it requires reserve power and generating capability in the event of a problem.

Hawaii is additionally more susceptible to the fluctuation of oil prices than that of the mainland. Hawaii needs alternative distribution routes and fuel options due to annual weather patterns. The rise and fall of oil prices put the Hawaiian legislature in a susceptible situation.

Which States Have the Least Expensive Electricity Bills and Why?

Louisiana ranks as the [least expensive electricity rate](#) in the US. Like Oklahoma, this is due to a heavy reliance on natural gas. Louisiana also ranks as the state with the least consistent electricity bill.

As the price of natural gas fluctuates, so does the bill. Other states with low electricity rates include,

- Idaho
- Washington
- Wyoming
- Arkansas
- Utah

Each state has reasons for its specific market specifications, but there are hints as to which kind of state could be more lucrative for you. As you can see, the states mentioned above are generally located in the Midwest.

This is because the Midwestern States have a lower population density and a lot of wide-open space. States with large areas of unpopulated land rank high in self-reliance. In other words, a high supply and low demand.

This supply vs demand relationship is typically accompanied by a deregulated market and wind or solar farms.

Electricity Rates That Fit Your Needs

The cost of electricity by state varies greatly depending on the state's culture, weather, location, resources, regulation, consumption, etc.

Is there a time of year paying more for electricity that would make more sense for you? What kind of energy culture would you feel most comfortable living in? Would you like to rely on green energy? Get clear about your consumption needs!

For help finding the right energy bill for your needs, check out [the energy professor](#).