



ENERGY COST INDEX 2011: RANKING THE STATES

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Protecting Small Business, Promoting Entrepreneurship

Energy Cost Index 2011: Ranking the States by Raymond J. Keating

Energy is integral to our lives, our businesses and our economy. Clearly, there's no way to completely get around energy costs. That is why reliable and affordable sources of energy are essential.

Energy literally makes our economy hum. Individuals and businesses reap tremendous rewards from the fuel bought at the gas station and the electricity purchased from utilities. Energy makes our vehicles, homes and places of business run.

Manufacturers, transportation and delivery firms, high-tech enterprises, wholesalers and retailers, and home-based businesses, no matter what industry they happen to be in or their respective sizes – all are affected by prices at the gas pump and the costs of electricity.

Of course, firms can and do economize and innovate, which includes investments that boost their energy efficiency. But the realities of energy costs – and the impact on individuals and businesses – cannot be ignored. High energy costs can put firms at a competitive disadvantage, and suck away resources needed for hiring and wage increases, expansion and new investments. Higher energy costs also mean consumers have less flexibility in how they allocate their resources – their purchasing power is affected, and their ability to save.

Of course, energy costs are affected by a variety of factors, including economic growth and therefore energy demand, investment in exploration and development of resources, the particular energy resources being utilized (such as coal, natural gas or renewables), political risks (for example, in terms of risks to oil production at home and around the globe), monetary policy and inflation, and government mandates, regulations, subsidies and taxes.

In fact, governmental factors explain part of the difference in energy prices from state to state. For example, gasoline and diesel taxes are levied in each state and at various levels. Mandates are imposed by either the federal government or by the states that either directly or indirectly affect energy prices, including renewable energy portfolio mandates on electricity producers, as well as state-based or regional efforts to reduce carbon-dioxide emissions.

For most businesses, including small firms, two big energy questions loom. First, what do you pay at the gas pump? Second, what do you pay for electricity?

SBE Council's "Energy Cost Index 2011" looks at these two major energy costs affecting small businesses, individuals and families. One is the price of regular gasoline at the pump and the other is the cost of electricity (average revenue per kilowatt-hour for all sectors). Each are calculated as indices and combined into one index. The "Energy Cost Index 2011" provides a bottom line ranking of the 50 states and the District of Columbia on energy prices.

Low Cost States: The lowest cost states are: 1t) Utah, 2t) Wyoming, 3) Idaho, 4) Arkansas, 5t) Kentucky, 5t) Oklahoma, 7) North Dakota, 8t) Iowa, 8t) Louisiana, 8t) Missouri, 11) Nebraska, 12) Washington, 13t) South Dakota, 13t) West Virginia, and 15) New Mexico.

High Cost States: At the other end are the highest cost states (including the District of Columbia): 37) Florida, 38) Delaware, 39) Maryland, 40) California, 41) Maine, 42) District of Columbia, 43) Vermont, 44) New Jersey, 45) Massachusetts, 46) Rhode Island, 47) New Hampshire, 48) New York, 49) Alaska, 50) Connecticut, and 51) Hawaii.

In terms of policymaking, elected officials need to be aware of how policy impacts the cost of electricity and the cost of fuel – at the federal, state and even local levels. It’s also important to point out that this index offers an analysis of the relative costs among the states. It does not, however, capture the impact of higher energy costs across the nation. For example, in July 2011, the average price of gasoline was about a dollar higher than in July 2010.

Policy matters on the energy front; it matters to consumers and businesses of all types and sizes; to the competitiveness of each state; and to the overall economy.

Energy Cost Index 2011

<u>Rank</u>	<u>State</u>	<u>Gas Price Index</u>	<u>Electricity Cost Index</u>	<u>Energy Cost Index</u>
1t	Utah	0.94	0.68	1.62
1t	Wyoming	0.95	0.67	1.62
3	Idaho	0.98	0.67	1.65
4	Arkansas	0.97	0.70	1.67
5t	Kentucky	0.99	0.71	1.71
5t	Oklahoma	0.97	0.74	1.71
7	North Dakota	1.01	0.71	1.72
8t	Iowa	0.99	0.75	1.74
8t	Louisiana	0.98	0.76	1.74
8t	Missouri	0.97	0.77	1.74
11	Nebraska	1.00	0.75	1.75
12	Washington	1.03	0.74	1.77
13t	South Dakota	1.01	0.79	1.80
13t	West Virginia	1.00	0.80	1.80
15	New Mexico	0.96	0.85	1.81
16t	Arizona	0.91	0.92	1.83
16t	Indiana	1.01	0.82	1.83
18t	Montana	1.01	0.84	1.84
18t	Nevada	0.96	0.88	1.84
18t	South Carolina	0.95	0.90	1.84
21t	Kansas	0.98	0.86	1.85
21t	Oregon	1.02	0.84	1.85
23	Virginia	0.98	0.88	1.86
24t	Alabama	0.97	0.90	1.87
24t	Colorado	0.95	0.92	1.87
24t	Mississippi	0.96	0.90	1.87
24t	North Carolina	1.00	0.88	1.87
28	Minnesota	1.01	0.87	1.88

Energy Cost Index 2011 (continued)

<u>Rank</u>	<u>State</u>	<u>Gas Price Index</u>	<u>Electricity Cost Index</u>	<u>Energy Cost Index</u>
29	Ohio	0.99	0.90	1.89
30	Tennessee	0.97	0.93	1.90
31	Texas	0.98	0.93	1.91
32t	Georgia	1.01	0.95	1.95
32t	Illinois	1.05	0.90	1.95
34	Wisconsin	1.01	1.03	2.04
35	Michigan	1.02	1.03	2.05
36	Pennsylvania	1.01	1.08	2.09
37	Florida	1.00	1.11	2.11
38	Delaware	1.01	1.21	2.22
39	Maryland	1.00	1.28	2.28
40	California	1.03	1.33	2.36
41	Maine	1.03	1.34	2.37
42	District of Columbia	1.05	1.37	2.42
43	Vermont	1.01	1.42	2.43
44	New Jersey	0.99	1.47	2.46
45	Massachusetts	1.02	1.45	2.47
46	Rhode Island	1.04	1.45	2.49
47	New Hampshire	1.01	1.54	2.55
48	New York	1.06	1.60	2.66
49	Alaska	1.09	1.63	2.72
50	Connecticut	1.09	1.71	2.80
51	Hawaii	1.10	2.93	4.03

Data Sources: Gas price index from gas prices provided by the AAA's website www.fuelgaugereport.com accessed on July 22, 2011, and electricity cost index is an index of state's average revenue per kilowatthour for electricity utilities (data for 2011 through April from the U.S. Energy Information Administration).

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The Small Business & Entrepreneurship Council is a national, nonprofit advocacy, research, training and networking organization dedicated to protecting small business and promoting entrepreneurship. For more information, please visit www.sbecouncil.org.