

# PUBLIC POWER COSTS LESS

**R**esidential customers of investor-owned utilities paid average rates that were 10 percent above those paid by customers of publicly owned utilities during 2004. Public power customers paid an average of 8.2 cents per kilowatt-hour for residential electric service, compared to 9.0 cents per kilowatt-hour paid by residential customers of investor-owned utilities, and 8.3 cents per kilowatt-hour paid by residential customers of cooperative utilities.

Across the country, publicly owned electric utilities continue to provide customers with low-cost energy for homes and businesses. The chart below compares the national average residential, commercial and industrial revenue per kilowatt-hour paid by customers of publicly owned, investor-owned and cooperative electric utilities in 2004.

Commercial customers of investor-owned systems paid 5 percent more for electricity than public power customers in 2004. Public power commercial customers paid an average of 7.6 cents per kWh, compared to 8.0 cents per kWh

paid by commercial customers of investor-owned utilities and 7.7 cents per kWh paid by commercial customers of cooperative utilities.

Average rates for industrial customers of investor-owned utilities were slightly lower than average rates for public power utilities in 2004, but comparing industrial rates is difficult because of significant differences in types of industrial customers served. Average annual consumption by industrial customers highlights this difference. Industrial customers of investor-owned utilities averaged 1.5 million kilowatt-hours of consumption in 2004, compared to the 1.1 million kilowatt-hour average for industrial customers of public power utilities.

Publicly owned utilities' average rate advantage has narrowed since the late 1990s for two reasons: (1) the addition of a very large, new public power utility, Long Island Power Authority, which displaced a high-cost private power company; and (2) state retail choice programs.

LIPA's one million customers represent almost 6 percent of all public power customers, so LIPA's rates have a statistically noticeable effect on public power's average revenue per kilowatt-hour. Importantly, LIPA's customers have benefited from their switch from Long Island Lighting Co. to public power, as LIPA was able to reduce the average rate charged to its residential customers by 16 percent and the average rate charged to its commercial customers by 8 percent. (LIPA's 1999 rates compared to LILCO's 1998 rates. Neither LIPA nor LILCO have distinguished between commercial and industrial customers.)

State retail choice programs resulted in rate reductions or rate freezes for investor-owned utility customers in some states and major changes in customers included in the public power-investor-owned utility rate comparisons. Customers served by an alternative supplier are not counted as customers of the local utility. Since these customers typically are investor-owned utility customers in high-cost states, their exclusion reduces the investor-owned utilities' average rate. In addition, beginning with 2002 data, Texas investor-owned utilities in ERCOT are not included in the state or national average revenue per kilowatt-hour calculations. These utilities no longer report any sales to retail customers in accordance with the Texas retail choice program. The exclusion of sales to customers served by alternate suppliers changes the overall composition of the database, so care should be taken in making year-to-year comparisons.

The 2004 averages presented here are based on the Department of Energy, Energy Information Administration data from Form EIA-861, "Annual Electric Utility Report." Data were reported by 2,011 publicly owned electric utilities, 220 investor-owned utilities and 884 cooperative utilities operating in the 50 states and the District of Columbia. The table on page 44 shows revenue per kilowatt-hour information by state and utility type.

