Why Are Utilities So Expensive?

Charles McConnell

Why does your electricity bill keep going up when the cost of producing electricity keeps going down? Since 2010, the price of natural gas has fallen 43% and coal prices have dropped 11%. And yet, the price of electricity for residential users in the U.S. has risen 13% over that time. Why?

Because almost all the money Americans should have saved (and we're talking serious money) went to subsidize renewable energy. Wind and solar, it turns out, are more expensive than advertised.

Perhaps if renewable energy was what made our air cleaner, or what caused the dramatic reductions in CO2 over the last decade, you could say it was worth it. But our air was *already* becoming dramatically cleaner long before wind and solar were identified as "environmentally critical." Emissions of harmful pollutants have decreased 77% in the US since 1970. And that had nothing to do with wind and solar. It was almost entirely due to the switch from coal to natural gas.

So if we're getting no cost savings from wind and solar, and minimal benefits in terms of cleaner air or reductions in CO2, why are we so obsessed with it? The question becomes even sharper if we take a close look at your electricity bill. It consists of three main parts. Part One: Generation Cost. Part Two: Transmission Cost. Part Three: Taxes and Fees.

Part One: Generation Cost

The cost of generating and reliably maintaining electricity comprises about 50% of your power bill. In order to keep the lights on, the demand *for* and supply *of* electricity must be satisfied at all times. Fossil-fueled electricity is inexpensive, and the fuel can be stored or sourced on site—the electricity is there when you need it. In contrast, wind and solar generate electricity based on the mood of Mother Nature. This is known as the intermittency problem.

Here's what it means in practical terms: For every wind and solar farm you build, you need a fossil fuel facility nearby to supply electricity *on demand*. This is what filmmaker Michael Moore and his team found out, much to their shock, when researching green energy for their documentary, *Planet of the Humans*. All that wasted money is reflected in your electricity bill.

Part Two: Transmission Cost

The cost to transmit electricity is determined by the distance between the power plant and your home or business. This is one of the reasons fossil fuel and nuclear plants are ideally

suited to power our large, dense cities and industries. They require little land space and can be situated near or within population centers, so they need relatively few transmission lines. But wind and solar resources require large tracts of land and are therefore usually placed in remote locations.

That remoteness requires expensive new infrastructure. Texas, for example, has already spent over $7 billion in new transmission lines to bring distant wind power to cities in the east and south. And billions more will be required. Texans are already seeing those costs in their energy bills. But Texas is not unique. It's happening everywhere.

Part Three: Taxes and Fees

Most taxes are plainly stated on your power bill. State taxes, city and county taxes, plus a bewildering assortment of fees—those are bad enough. But what you won't see on your electricity bill are the federal and, in many places, state taxes that you pay to subsidize wind and solar generation.

Federal subsidies alone for the wind and solar industries totaled more than $70 billion from 2010 to 2019. Most state governments kick in their own incentives. The subsidies for wind and solar are in a class by themselves, and have been for decades. We are not incentivizing new technology, but are artificially supporting an industry. Take away the subsidies and, very likely, that industry does not exist.

Add it all up—the generation costs, the transmission costs, the taxes and fees...you're paying a lot more than you should. Maybe you can afford it. But many can't.

An electricity bill is a regressive expense, meaning it takes up a lot bigger chunk of the budget of a lower middle-class family than it does an upper middle-class one. Many poor families devote more than 10% of their income after food, rent, and transportation to electricity, while those further up the income scale spend only a few percent. A third of American households report having difficulty paying their electricity bills, and 7 million families face the choice between putting food on the table or keeping their home warm during the cold winter months.

So maybe we should be thinking more about them and less about expensive, inefficient wind and solar energy.

Yes, the wind and the sun are free. But wind and solar *power* are anything but.

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