

GOP proposal would end coal bailout and limit the ‘riders’ on your electric bill

By Jake Zuckerman
Cleveland.com

COLUMBUS, Ohio – An Ohio House Republican rolled out leadership-backed legislation Thursday that would repeal a ratepayer funded bailout of two coal plants and limit electric companies’ ability to add surcharges to their customers bills to cover one-off capital expenditures.

House Speaker Matt Huffman, a Lima Republican, while not the sponsor of the legislation, said he has been [negotiating the matter for months behind the scenes](#) with the Senate president. He framed it as a “new way of doing business” at the statehouse that doesn’t revolve around throwing money at distribution utilities, which ferry power from generation sites to customers’ homes.

The legislation would repeal a 10-year subsidy (2020 to 2030) that Ohioans [currently pay as a “rider” on their electricity bills](#) to the Ohio Valley Electric Company (OVEC). OVEC is owned by about a dozen utility companies in the Midwest, and runs one coal plant in Southeast Ohio and another in Southeast Indiana.

While the subsidies previously existed in a more limited form since around 2015, House Bill 6 – the fruit of what prosecutors described as the biggest corruption scandal in state history, leading to the [conviction of a House Speaker](#) and [indictments of a Fortune 500 CEO and one other senior executive](#) at FirstEnergy – broadened the base of who pays the bailouts. The money flows to three Ohio utilities – American Electric Power, Duke Energy and AES Ohio – with ownership stake in the plants.

“Any subsidy distorts the market,” said Rep. Roy Klopfenstein, a Paulding County Republican who sponsored the repeal measure.

Klopfenstein’s [House Bill 15](#) would also drastically limit the abilities of utilities to file “electric security plan” cases at the Public Utilities Commission of Ohio. The electric security plans act as an alternative for power companies to full rate reviews, where regulators review all their revenues and expenses before allowing the utilities to raise costs to customers. Electric security plans allow the companies to charge customers

for individual projects, often at scale of hundreds of millions of dollars, without the comprehensive rigor of a rate review.

In interviews, some suggested that passage of the bill could mark the sunseting of an era of the political dominance of Ohio's investor-owned utilities.

"This is ambitious. This is not small ball here," said Tom Bullock, a lobbyist and executive director of the Citizens Utility Board, a nonprofit that advocates for lower electricity costs for consumers. "This is a pretty significant beginning. If it politically resets the status quo such that utilities don't get to veto anything and everything, that's also a step forward."

Rob Kelter, a lobbyist and attorney at the Energy Law and Policy Center, hadn't had a chance to thoroughly examine the legislation's 106 pages filled with technical language, but said it at least "radically" reduces, if not eliminates, ability to file electric security plans.

The plans can work against customers in pernicious ways, he said. For example, he said regulators have allowed utilities via the electric security plans to charge customers for "smart meters." But that allowance doesn't consider the cost savings to utilities when they don't need to send personnel to customers' houses to read the meters, or buy and maintain the trucks needed for the house calls. Utilities, he said, can just pocket those savings. A rate review looks at a totality of a company's finances before allowing new charges.

While they can be cumbersome, he said the fact that utilities like FirstEnergy went about two decades without filing a rate case is a tell they're "overearning" via an unfair system.

"FirstEnergy was able to do that because they kept adding new projects through ESP cases and recovering the costs through riders," he said.

The bill makes other changes as well. It ends a \$20 million annual state subsidy for a [limited pool](#) of utility scale solar projects enacted via HB6.

It also aims to advance the basic premise of the more than 20-year old decision to "deregulate" generation in Ohio, forcing utility companies to stick to distributing electricity while the PUCO sets their rate of return. This leaves power generators to the competitive markets, where investors assume the risks and riches. And it creates consumer protections from competitive retail power suppliers, which allow

customers to choose whose energy they buy (either the standard offer from their utility or an outside offer from retail merchants).

A recent [study](#) from an Ohio State University researcher found most of these retail deals usually lead to higher prices for customers. But they sometimes offer introductory rates to lure customers, a practice the new legislation would limit. And Klopfenstein said their marketers can at times be “unscrupulous” in their sales tactics.

A news release paired with the bill’s introduction says it also transfers a property tax burden from generators to distribution and transmission operators.

What the bill is trying to do, in the big picture, is entice power generators to site projects in Ohio, Klopfenstein said. While he said he supports wind, solar, and nuclear, it’s natural gas fired power plants that are perhaps the most likely bet.

“We want base load generators wanting to come to Ohio knowing they have a good business environment,” he said.

Maureen Willis, director of the Ohio Consumers' Counsel, which represents residential ratepayers' interests at the PUCO, called the legislation a “promising start” to much needed change.

Miranda Leppla, director of the environmental law clinic, at Case Western Reserve University, offered a more lukewarm take. Sure, she said, the bill does good things: it ends the OVEC bailout and the electric security plan loophole. But it seems to favor power derived from nuclear and natural gas. If expanding the power supply is the goal, it should also address a [2021 law made wind and solar development significantly more difficult and risky in Ohio](#). And it should bring back energy efficiency laws gutted under House Bill 6, because the cheapest kilowatt of power is the one you don’t need to buy.

“The idea that this is a holistic effort to totally revise our energy systems in this state is not accurate. Or is lacking a lot of things,” she said. “And we’re only making this easier for fossil fuels and nuclear.”

There’s an air of intrigue around some of the politics of the bill. One of the OVEC plants sits in the district of Rep. Jason Stephens, a Republican who ran and lost in the Speaker’s race against Huffman. And Huffman as recently as December told reporters, when asked about an OVEC repeal, that nothing had changed regarding his support for the subsidies. Ohioans have paid [hundreds of millions of dollars](#)

[already to cover the plants' losses](#), most of which came after the arrests of HB6's backers. Democrats and some Republicans have tried and failed repeatedly since 2020 to repeal the OVEC subsidies.

Late last year, Huffman said he had been working on major energy legislation with GOP Senate President Rob McColley. The Senate has introduced a placeholder bill that states it's the "intent" of the chamber to enact legislation to lower electric costs, but the Senate hasn't advanced any substantive idea.

Some impacted entities took a wait and see approach.

Cleveland.com and The Plain Dealer reached out to FirstEnergy and American Electric Power, the largest stakeholder of OVEC by far.