Ohio lawmakers pass sweeping energy reform bill to encourage new power plants, end coal and solar subsidies

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COLUMBUS, Ohio—Ohio lawmakers gave final approval Wednesday to a sweeping energy bill that backers say is the state's answer to a looming energy demand crisis.

House Bill 15 would, among other things, increase oversight over what electric utilities charge customers, repeal coal and solar subsidies from 2019's scandal-ridden House Bill 6, and lower property taxes on electricity and pipeline infrastructure.

Proponents of the bill, which now heads to Gov. Mike DeWine after clearing final Ohio Senate and House votes by overwhelming margins, say it's designed to encourage the construction of more power plants in Ohio – particularly natural gas plants – at a time when tech companies are looking to build numerous power-gobbling data centers around the state.

Many parts of the Republican-authored bill would also be an unusual rebuff of politically powerful electric utilities, who led most of the opposition to the legislation. Among the critics was FirstEnergy Ohio CEO Torrence Hinton, who stated in written testimony that the legislation would limit his company's flexibility to address changes like extreme weather, economic trends, or new technology.

HB15 has the support of an unusually wide array of industries and interest groups, including power producers, environmentalists, consumer advocates, the natural gas industry, and business associations.

Here's more on what HB15 would do if DeWine signs it into law.

Energy infrastructure tax cuts

One of the main ways HB15 seeks to promote new power plants in Ohio would be to reduce local property taxes on power producers and distributors.

Right now, power-plant operators and utilities in Ohio have to pay property tax on 85% of the assessed value of their transmission infrastructure (such as poles and wires) and 24% of the value of their power generation property.

Pipeline companies pay property tax on 88% of their infrastructure's assessed value.

Under HB15, that assessment percentage would drop to 25% for all newly built pipelines or electric distribution assets, and 7% for newly built electric generating property. The bill wouldn't change how existing energy infrastructure is taxed.

If signed into law, the electric and gas distribution tax reductions would take effect in 2027 and cost local governments a total of somewhere between $49 million to $74 million per year, according to a state fiscal analysis. The analysis stated it's not yet clear how much revenue would be lost from the tax changes on power generation infrastructure.

Separate from the proposed property tax changes, the bill would also accelerate the state's approval process for proposed new power plants, transmission lines, and natural-gas pipelines in the state.

End of HB6 coal, solar subsidies

The legislation would repeal ratepayer subsidies for two coal-fired power plants along the Ohio River, as well as for several solar power facilities around Ohio.

Both subsidies were codified as part of House Bill 6, a 2019 energy law later found to have been passed with $60 million in bribes from Akron-based utility FirstEnergy, which landed a $1 billion-plus nuclear plant bailout in the bill.

While Ohio lawmakers repealed the nuclear bailout after the 2020 arrest of then-House Speaker Larry Householder (who's now serving a 20-year prison sentence for his role in the bribery scandal), until now they have left the lower-profile coal and solar subsidies untouched.

The two coal plants are operated by the Ohio Valley Electric Corporation, a consortium of more than a dozen utility companies, including American Electric Power, Duke Energy, AES Ohio (formerly called Dayton Power & Light), and two subsidiaries of FirstEnergy Corp.

Through 2024, Ohio electricity customers have paid about $679 million via fees on their utility bills to subsidize the (generally) unprofitable coal plants, which were built in the 1950s to power a now-shuttered uranium enrichment facility in southern Ohio.

HB6 also created a subsidy for several older solar farms in Ohio. While the state has subsequently collected $62 million in solar subsidies from ratepayers, only about $8.5 million of that has been spent so far, for reasons ranging from issues with developers to bureaucratic red tape.

Under HB15, state officials would pay the solar farm operators the amount they are set to get in subsidies through 2028. The remaining money would then be used to offer low-interest loans for Ohio schools to install solar panels or energy-saving devices such as LED lighting.

Reforming how utility charges are approved

HB15 would require electric utilities' rates and surcharges to undergo a comprehensive regulatory review every three years, and it would close an alternative that utilities have increasingly favored to impose new customer fees on a case-by-case basis.

In exchange for being allowed to operate as legal monopolies, Ohio electric utilities' customer rates and fees must be approved by the Public Utilities Commission of Ohio. Typically, the PUCO does this via "rate reviews," in which state regulators conduct an across-the-board evaluation of each utility's proposed costs and charges.

But in recent years, utilities have increasingly filed "electric security plans," which allow them to add new fees and surcharges on customers' bills for infrastructure expenses without needing a full-blown rate review. Critics say those infrastructure improvements allow utility companies to save money without passing those savings on to their customers.

In addition, electric security plan charges don't appear on ratepayers' bills but are listed online, often with jargony names such as "delivery capital recovery rider" and "advanced metering infrastructure rider." While each charge is usually only a few dollars per month, the amounts add up to hundreds of millions of dollars for utilities.

In the most extreme case, FirstEnergy went 17 years without a rate review, relying instead on one-off "electric security plan" surcharges. Two former FirstEnergy executives are currently facing criminal charges that, among other things, they bribed then-PUCO Chair Sam Randazzo to help their company avoid a future rate review.

The two former executives, Chuck Jones and Mike Dowling, have each pleaded not guilty.

Other parts of HB15 would, if signed into law:

- Require electric utilities to produce annual reliability reports with detailed information on things like the average number of outages, how long those outages last, and how many customers faced multiple outages.
- Mandate that utility companies issue refunds for charges found to be improper by the Ohio Supreme Court -- at least, when the charges are still imposed after the court's ruling. The proposed change follows a 2019 Supreme Court decision that struck down a FirstEnergy charge that cost customers more than $150 million annually, but the court didn't order FirstEnergy to return the money it collected. Senate President Rob McColley, a Northwest Ohio Republican, said he anticipates the issue will become less important if HB15 becomes law, as it would ban one-off utility surcharges.
- Make electric utilities, when seeking a permit to build a new power transmission line, provide a summary of studies into how "advanced transmission technologies" could allow the company to improve existing transmission lines instead of needing to build a new one.