

POWER ⚡ THE FUTURE

OHIO'S ENERGY CHOICE

**TRUMP'S ENERGY DOMINANCE AGENDA
OR FAILED CALIFORNIA POLICES**



MARCH 2025

INTRODUCTION

Ohio's economy has driven America's success. Its natural resources powered America's industrialization and fueled the arsenal of democracy through two world wars. The manufacturing base is the envy of the country and stands to spur additional investment as policymakers at all levels of government seek to draw onshore investment and strengthen supply chains in service of national and economic security. Ohio's success has been American success.

Ohio is now seeing a new industrial revolution take place. After more than two decades of relatively flat demand growth for electricity, the burgeoning artificial intelligence (AI) and data center sector — as well as renewed investment in the manufacturing base — are expected to supercharge the need for additional resources.

The US Department of Energy has forecasted that data centers alone consume about 4.4 percent of all electricity in America, and may consume as much as 12 percent by 2028. As a nation, we may need to add 84 gigawatts of generation just to serve demand for these data centers by the end of the decade, or 20 times the energy they currently require. This is exemplified locally as Amazon Web Services has announced plans to invest an additional \$10 billion in Ohio to expand its data center operations, bringing its total investment in the state to over \$23 billion by 2030. Winning the technology race for AI is not just an economic competitiveness issue, it is a matter of national security as China and Middle Eastern autocracies plow billions of dollars into trying to beat the United States to the punch.

This demand pressure will strain the domestic grid and require new generation and transmission assets, particularly 24/7 baseload assets like natural gas, coal, and nuclear, to keep power affordable and reliable. Nowhere will this effect be more acute than in Ohio. Data centers alone have increased the energy demand in central Ohio to six times the 2020 level, with projections indicating a sevenfold rise by 2030. Although the state is one of the top ten producers of both natural gas and electricity, the economy has the fourth largest electricity demand in the entire country. This means Ohio imports electricity from neighboring states. This speaks to the strength of the manufacturing sector and the growing demand for data centers around the state. Indeed, the industrial and commercial sectors comprise two-thirds of electricity demand, with residential use making up the rest.

Ohio policymakers owe it to their constituents to ensure reliability and affordability, and that includes adapting to the rapidly shifting levels of demand for electricity.

In 1999, Ohio deregulated its electricity market, allowing consumers to choose their own electricity suppliers to maximize competition. That model has facilitated cheap, reliable natural gas to become the dominant generation source and kept bills reasonable. Currently, utilities are required to submit electric security plans (ESP) to outline their plans to recover rates from their customers for everything from supporting reliability to trimming trees to supporting the building of new electric substations. These ESPs are meant to provide certainty to regulators and the public and to ensure that any increase in rates actually benefits the ratepayers.

Unfortunately, Ohio has in recent years seen scandals related to abuse of taxpayer dollars and opacity around ESPs that have not benefitted consumers. It is only appropriate to reevaluate and reform the processes for cost recovery. However, two reform bills being considered in the Ohio legislature – Senate Bill 2 (S.B. 2) and House Bill 15 (H.B. 15), will undermine the stability of the state's electric grid without benefitting customers or the economic prospects for the economy.

These bills, described by their sponsors as supporting "competition," do three important things. First, they repeal the ESP process within two years. In the context of making capital investments and navigating the regulatory process, that represents an abrupt cliff that will have an array of negative consequences for ordinary customers. Second, they eliminate the alignment incentives for generation assets as diverse as coal and solar that will be needed to strengthen the national and energy security. Third, they would transition Ohio's electricity market to a market-rate offer (MRO) system.

In this paper, we will discuss the implications of these policies and how, if enacted, rather than unleash the power of competition to reduce costs will actually reduce Ohio's economic competitiveness in favor of speculative, and heavily subsidized, wind and solar developers that do not have to worry about maintaining and growing the transmission infrastructure upon which the livelihoods of Buckeyes rely.



THE THREAT TO OHIO'S ECONOMIC LEADERSHIP AND ENERGY STABILITY

Ohio is a state with a reputation for economic innovation and a business-friendly environment. That reputation demands policy certainty, which extends to those policies ensuring the reliability of energy system.

However, S.B. 2 and H.B. 15 pose serious threats to the ability of Ohio's utilities to maintain and operate power lines, while also jeopardizing future investment into needed baseload generation capacity to ensure that manufacturing plants, data centers, and homes receive affordable, always-on power. While the legislation's sponsors claim their intent is to modernize Ohio's energy regulatory framework and adhere to free-market principles, enactment would introduce significant risks that could destabilize the electrical system underpinning the state's economic success. Worse, it would serve to benefit solar and wind projects with no actual business plan of how to deliver electricity to consumers, heavily subsidized by Biden-era tax credits and incentives, at the expense of Ohio natural gas-fired generation. To be clear: there is nothing economically principled about undermining the state's grid so that renewable energy developers with transmission lines or hopes of interconnection can outbid utilities that have a responsibility to deliver power, regardless of its generation source.

Ohio has long been a hub for business development. The energy sector plays a key role in attracting businesses to the state by providing cost-effective, uninterrupted power.

Duke Energy Ohio, for example, has been integral to economic development, helping to create 276 new jobs and bring in \$263 million in new capital to the Ohio economy in 2023.[‡]

These "reforms" could not come at a worse time, as Ohio's energy demand is rapidly increasing, driven by industrial expansion, AI advancements, and the growing electrification of manufacturing and other economic sectors. The state must prioritize policies that encourage investment in reliable energy sources rather than creating barriers for utilities trying to meet rising demand while providing a competitive boost to wind and solar resources that can only generate electricity when the weather cooperates.

SO WHAT IS IN S.B. 2 AND H.B. 15?

Though they differ in the details, S.B. 2 and H.B. 15 aim to overhaul the state's regulatory framework for electric utilities. Supporters aligned with solar and wind developers and their political allies argue these bills will modernize regulations while promoting competition. However, this could not be further from the economic reality.

Abrupt Elimination of Electric Security Plans (ESPs) — A Costly Mistake

ESPs have long been an accounting tool used by utilities to recover costs associated with transmission maintenance, storm repairs, and grid expansion subject to regulatory approval. Utilities are heavily regulated and do not operate under the same accounting measures a more traditional business would. If they incur an expense, say replacing utility poles knocked down in a tornado, they spend the money to restore power as quickly as possible and must seek reimbursement from ratepayers subject to requirements imposed by utility regulators.

To keep rates as low as possible, especially in a competitive market like Ohio, they need to forecast supply and demand while also responding to acts of God or market factors that may change these predictions. ESPs allow utilities to modify these predictions based on events in the real world.

In 2008, Ohio introduced ESPs as a part of a regulatory effort aimed at balancing free-market competition while also allowing flexibility in utility operations. ESPs were designed to provide a structured, predictable way for utilities to recover costs, make long-term investments in infrastructure, and maintain reliable service for consumers. And for nearly 20 years, this structure has served the people of Ohio and the utilities that serve them. Under an ESP, utilities propose a plan to the Public Utilities Commission of Ohio (PUCO) outlining how they will recover costs related to power generation, infrastructure upgrades, and grid reliability. The PUCO reviews the plans and approves a reasonable charge that ensures the utility will maintain financial stability. This also provided protection for consumers against unexpected and unfair rate hikes.

Eliminating ESPs abruptly and without proper replacement that accounts for the costs and challenges of maintaining the grid will only end up harming Ohio businesses and consumers by reducing reliability and facilitating sudden, shock hikes in electric rates. That is the opposite of the certainty families and businesses need to be successful.

Reforming the ESP process with greater transparency, limits or categorization of just causes for rate increases, and expanding opportunities for public input would facilitate the more competitive marketplace the sponsors of S.B. 2 and H.B. 15 claim they are advocating for.

In conjunction with the elimination of ESPs, policymakers would be wiser to adopt a forward-looking approach that allows utilities to make timely investments based on forecasts. S.B. 2 and H.B. 15 will force utilities into a reactive process to swings based on short-term electricity costs. This will ultimately harm customers. Regulatory decisions may take years and the incentives to maintain a functioning grid will be severely undermined, to the detriment of electric reliability.

Currently, Ohio utilities can make routine upgrades and replacements to power lines, substations, and other grid infrastructure without undergoing excessive regulatory reviews taking years. Tellingly, S.B. 2 and H.B. 15 also add new regulatory requirements that slow down this process. Traditionally, utilities have been given the ability to make like-for-like replacements for existing infrastructure. Now this process will require additional Ohio Power Siting Board approval. Imagine every time a utility pole goes down that a regulatory approval is necessary to replace it with an identical pole. That is a recipe for long-lasting power outages and disruptions to the lives of everyday Ohioans. Not only will this cost ratepayers money in their utility bills, but this will also cost more taxpayer money to fund the government expansion needed to do this additional oversight. Utilities will need to submit additional reports and justifications before making the most routine upgrades that they have been making for years. These supposed “free-market” safeguards actually grow the role of government and while doing nothing to protect consumers; in fact they may literally leave those ratepayers in the dark. The irony of this approach is that it is similar to what California has done, leading to power outages, wildfires, and grid emergencies. Ohio would be wise to think long and hard about adopting this approach unless it wants the same results.

Retroactive Refunds

Another “feature” of S.B. 2 and H.B. 15 is the “retroactive refund risk” imposed on utilities. Under this provision, the PUCO can retroactively reverse previously approved charges, forcing utilities to refund money even after it has already been spent on grid improvements.

Again, this policy is less about market competition or protecting ratepayers than wind and solar developers using government to go after utilities responsible for maintaining transmission infrastructure. If the PUCO does its work appropriately on the front end by reviewing requests for rate increases against the actual cost of infrastructure investments, then there are no overages

to refund. Allowing retroactive rescission of these reimbursements would only facilitate a government agency undercutting a private sector business well after the fact. If this threat is hanging out there, why would any utility ever make prospective investments in the grid to support future economic and electricity demand growth? It would be far wiser to defer maintenance and only respond when absolutely necessary, such as after a natural disaster, to avoid politically motivated chargebacks.

This is a recipe for allowing the existing grid to fall into disrepair, never mind making the investments necessary to meet the moment of AI- and manufacturing- driven economic expansion. Such a regulatory environment will put Ohio at a disadvantage to other competitive and regulated electricity markets where businesses will have more operational and rate certainty. The current system already ensures that utilities only recover reasonable and necessary costs for infrastructure upgrades. Reforms adding more detail to rate proposals, better justify costs with engineering and financial reports, and provide certainty for grid operators after navigating the months of PUCO reviews around their rate plans would provide more room for competition, better reliability, and greater affordability than encouraging the PUCO to rescind investments it previously approved.

Instead of making electrical system better, S.B. 2 and H.B. 15 add unnecessary risk that hurts both consumers and businesses.

Should Ohio become another California?


The harsh reality is legislative “fixes” like those proposed in S.B. 2 and H.B. 15 undermine reliable assets like natural gas while benefitting unreliable and expensive energy sources – namely renewables like wind and solar.

The federal government has wrongly favored renewable assets at the expense of taxpayers and the economy, while making affordable baseload power less competitive and harder to sustain. By eliminating ESPs outright and replacing them with a market landscape tilted to favor wind and solar, S.B. 2 and H.B. 15 make it much harder for utilities to plan long-term investments. This in turn undermines the state’s ability to draw large employers to Ohio, as manufacturing plants and data centers require the regular supplies and cost certainty only baseload generation assets can supply. Regardless of one’s preferred energy source, a healthy transmission system is critical to support the economy. S.B. 2 and H.B. 15 would only ensure underinvestment in the grid.

Various market mechanisms meant to benefit wind and solar at the expense of other generation assets, economic vitality, and common sense have been tried elsewhere. In California, there is an overreliance on “competitive” market pricing that only considers the costs of generation. Subsidized renewables forced baseload plants offline,

making California more vulnerable to blackouts when renewable generation dropped unexpectedly. Subsidies for residential solar panels made no acknowledgement of the need for investment in transmission (sound familiar), making the grid even more unstable and shifting the burden of funding infrastructure improvements to lower-income households that could not afford their own rooftop solar and battery systems. Since California, like Ohio, must import electricity to meet demand, that has made the state more reliant upon its neighbors. In fact, its “Low Carbon Fuel Standard” provides additional incentives for politically favored generation sources, even those coming in from out of state, to try and make up the difference. The results are clear: despite subsidies layered on subsidies, political interventions, burdensome regulations, and even sending its residents’ money out of state, California’s grid yields blackouts and wildfire risks rather than the basis for a sound economy. [Rolling blackouts in 2020 alone left 800,000 homes without power](#) because baseload plants were not there to backstop the system when intermittent renewables were unavailable. For all of this, [Californians pay between one-third and 80 percent more for electricity than the national average](#). By contrast, [Ohio residents under the current system pay 45 percent less than the national average electricity price](#). Instead of continuing, much less accelerating, Ohio on its path to prosperity, S.B. 2 and H.B. 15 would put Ohio on the same trail blazed by California by weakening financial protections for baseload power and shifting market incentives toward intermittent energy sources. The only windfall will be for wind energy developers. The only hay made while the sun shines will be for the solar farmers.

The choice is simple. Enactment of S.B. 2 and H.B. 15 as currently drafted will lead to market disruptions, harm Ohio’s economy even as America is experiencing huge investments in manufacturing and AI, where Ohio has overwhelming competitive advantages, and foster power outages. By removing cost-recovery certainty and forcing utilities to compete in a market unfairly tilted in favor of renewables backed by Biden-era federal subsidies, these bills would impose upon Ohioans energy policies that have led to grid instability, blackouts, and higher energy prices in other states.



The future is bright for Ohioans if the state allows markets — including electricity markets — to work along with the benefits of a work ethic, a sense of community, and God-given natural resources to power prosperity. Furthermore, Ohio has the benefit of seeing where other states have failed. Ohio would be wise not to follow the likes of California on the path to grid failure.