# WINNING WEST VIRGINIA'S ELECTRICITY BACKYARD BRAWL:
## A STRATEGY FOR AFFORDABLE RATES AND ECONOMIC GROWTH

## Introduction: Affordable, Reliable Electric Power

Electric power rates in West Virginia have remained below the national average for many, many years.[2] Yet for about the last two decades, the state's rates have risen notably faster than most other states'.[3]

Despite this trend, Governor Patrick Morrisey's energy policy efforts have focused primarily on businesses rather than homeowners. Specifically, Morrisey supported the "microgrid" bill, allowing new data centers and other new, large businesses to build their own electric power plants rather than purchasing from local electric utilities; he signed this bill into law on April 30, 2025.[4] Then, in September 2025, he set a goal to expand the state's electric generating capacity to 50 gigawatts by 2050 ("50 by 50")—more than tripling current capacity.[5]

Building generating plants and the electric grid to support them can be expensive. West Virginia's electric regulatory framework often limits such investments to the state's regulated monopoly power companies, guaranteeing them a rate of return for approved projects at consumer expense.[6] The 2025 microgrid law allows new industry to invest in its own power supply rather than rely on utility investment.[7] That move provides some protection for other power consumers in the state, but the law remains limited in scope.

Still, this approach can lead to benefits for consumers, if the right policies are adopted. To help identify the right policies, look to another of Governor Morrisey's ideas, the "Economic Backyard Brawl" Morrisey announced in his first executive order. This initiative compares West Virginia's policies and regulations to those of its five neighboring states and seeks to ensure that those policies are as strong as or stronger than those of its neighbors. Importantly, even though the directives in the order do not apply to the West Virginia Public Service Commission because it is an independent agency, the comparison is not only still worth doing, but it may even be essential to helping consumers ensure that major initiatives like the microgrid law and 50 by 50 do not further increase the cost of electricity for other West Virginia consumers.

This paper begins that comparison by summarizing state trends in electricity rates and affordability and by providing a high-level comparison of West Virginia's regulatory rules with those of neighboring states. Building on that analysis, this paper suggests strategies for rapid growth in business use of electricity that avoids burdening residential consumers with the costs and risks of electric industry expansion. These strategies are important for rapid growth in business use of electricity, as they reduce the share of utility fixed costs that existing consumers are bearing, potentially providing rate relief to residential customers and small businesses.[8]

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2 See Figures 1 and 2 below and accompanying text for discussion and data sources.

3 West Virginia's average residential rate grew the fourth fastest from 2010 through 2024, just behind California, Massachusetts, and Rhode Island. US EIA, Electric Power Annual, Table 2.10. Release Date: October 16, 2025 with data through 2024. https://www.eia.gov/electricity/annual.

4 https://governor.wv.gov/article/governor-patrick-morrisey-signs-power-generation-and-consumption-and-one-stop-shop.

5 https://governor.wv.gov/article/governor-patrick-morrisey-announces-comprehensive-energy-policy-framework-make-west.

6 http://www.cad.state.wv.us/default.htm.

7 https://www.microgridknowledge.com/data-center-microgrids/article/55354330/west-virginias-microgrid-revolution-powering-ai-data-centers-with-natural-gas-and-battery-storage; https://www.microgridknowledge.com/policy/article/55305988/west-virginia-microgrid-law-aims-to-attract-and-power-data-centers-then-share-the-wealth-they-generate

8 Ryan Wiser et al., "Factors influencing recent trends in retail electricity prices in the United States," The Electricity Journal 38:4 (December 2025). https://doi.org/10.1016/j.tej.2025.107516. See also Michael Giberson and Olivia Manzagol. "R Street Responds: Study Brings Light to Heated Discussion over Rising Electricity Bills." R Street Institute, Nov 7, 2025. https://www.rstreet.org/commentary/study-brings-light-to-heated-discussion-over-rising-electricity-bills.

## The Economic Burden of Electricity Rates in West Virginia

### *Residential electricity price trends in West Virginia*

Average electricity rates for residential consumers in West Virginia have stayed below the national average, but the once-wide gap has narrowed over time (Figure 1).[9] Between 2000 and 2007, rates were roughly 30 percent below the national average. That gap began to narrow in 2008, typically sitting at about 20 percent below the national average, and, in 2015, the gap closed even further to about 10 percent below the national average.[10]

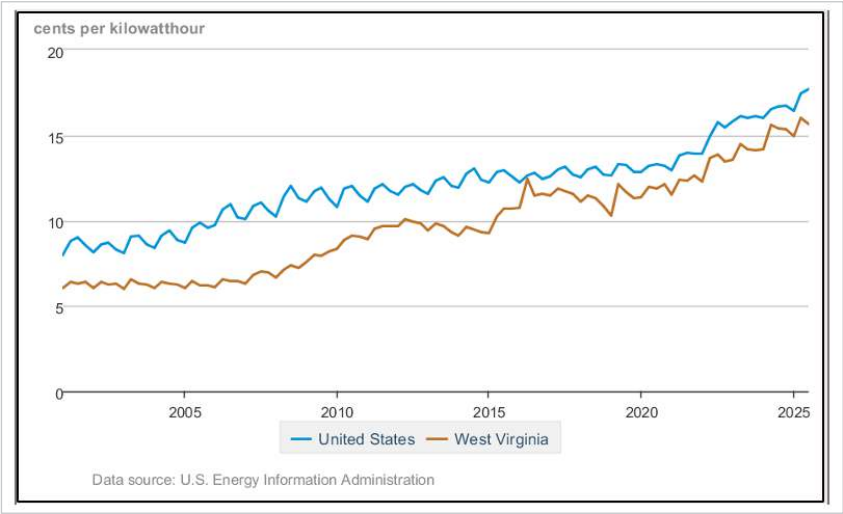


*Figure 1: Average Price of Electricity for Residential Consumers, 2001-2025*

However, much of what looks like a steady residential electricity rate increase in this figure is actually driven by inflation.[11] Figure 2 shows the same data, but adjusts the rates to account for this variable. The adjusted data better illustrate the true picture: National average residential electricity prices have increased slightly over the past 25 years, but West Virginia residential rate increases have outpaced national averages.

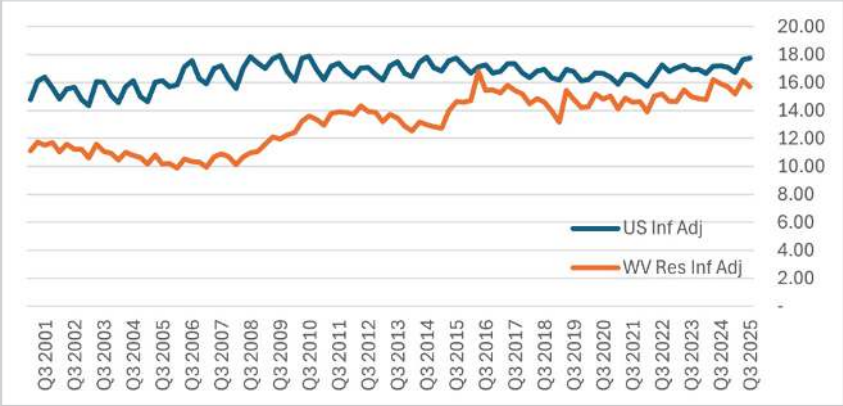


*Figure 2: Inflation-Adjusted Average Price of Electricity for Residential Customers, 2001-2025*

9 This figure and several others rely on U.S. Energy Information Administration data collection. https://www.eia.gov/electricity/data.php. These data are widely used in public policy analysis, but regulatory accounting practices can limit the accuracy of the data. Some amounts collected through consumer bills, particularly sales taxes and payments on securitized amounts (such as Appalachian Power's Consumer Rate Relief Charge) do not get recorded as company revenue and do not figure into average state electric rate calculations. The West Virginia average rates produced by EIA (and that calculation for many other states) will be a small bit lower that the actual average rates paid by customers.

10 Ibid.

11 Up through the end of 2024 U.S. average electricity prices tracked closely with inflation, keeping the real average price almost unchanged. https://www.eia.gov/todayinenergy/detail.php?id=63064.

Fuel costs are a primary reason West Virginia's rates have crept closer toward U.S. averages in the last decade. The state's electric generation mix is coal-heavy, whereas the nation as a whole has increasingly shifted to natural gas. Another key factor is timing: In regulated states, changes in fuel costs typically show up in customer rates over an extended period of time, often spread out over a year or two through adjustments that reconcile what utilities paid versus what they collected.

These dynamics show up clearly during fuel price swings. For example, coal and natural gas prices both rose from 2002 to 2008, but gas prices fell back down when the shale gas boom began while coal prices remained higher for longer. Thus, natural-gas-leaning national price averages drifted back down sooner than averages in coal-leaning West Virginia. In 2022, prices for both types of fuel rose again, but natural gas spiked more sharply than coal, pushing the U.S. average up more than West Virginia's.

Fuel costs are just a part of the picture. In late 2015 and early 2016 several rate "riders," that is, bill add-ons to cover specific costs like vegetation management and transmission-related charges as well as periodic fuel-cost "true-ups," were reset around the same time, again nudging West Virginia's electricity prices closer to national averages. Figure 3 shows the impact these bills in green bars.

Figure 3 also illustrates another critical part of the residential electricity affordability equation: the share of household income that goes to the electric bill. For roughly the past 25 years, West Virginia's median household income has remained approximately 20 to 30 percent lower than U.S. averages. From 2010 through 2024, the typical West Virginia household spent about 3 percent of household income on residential electricity bills. That share peaked around 3.5 percent in 2016 and sat at 2.9 percent in 2024 (the latest year data is available).[12] Because national electricity rate averages rose more than twice as fast as overall inflation in 2025, the share of household income consumed by electric bills may be back above 3 percent again.[13]

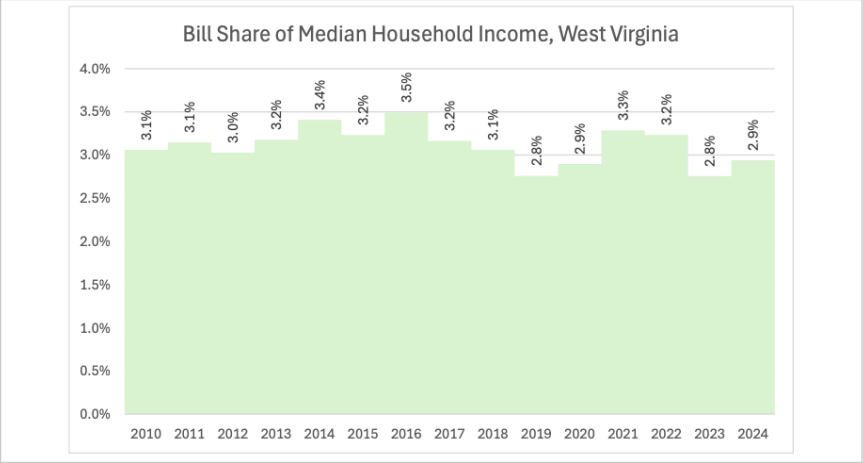


*Figure 3: The Economic Burden of Electric Bills on Median Income in West Virginia, 2010-2024*

This analysis contrasts with commentary about fast-rising electricity rates in West Virginia and therefore warrants clarification. West Virginia residential electricity rates have risen, and utilities have continued to request rate increases from state regulators.[14] But public discussion on this issue tends to conflate nominal dollars (today's dollars) with real dollars (inflation-adjusted dollars). That is, when the value of the dollar changes, a nominal price trend can look scarier than the underlying purchasing-power trend really is. Rate increases in 2025 exceeded inflation rates, so even accounting for inflationary effects, today's power prices are as high as they were in 2016 (the peak in real electric rates in West Virginia). Although real prices are not skyrocketing as some headlines claim, they have been steadily increasing, which is a real concern.

12 The national average for electric bills is also right about 2.9% of household income. https://www.smartcitiesdive.com/news/archive-acc-energy-bills-are-crushing-low-income-families-here-s-how-state-and-local-policymakers-ca/756054.

13 U.S. Bureau of Labor Statistics, "Consumer Price Index – December 2025," January 13, 2026. https://www.bls.gov/news.release/cpi.nr0.html.

14 https://www.wvgazettemail.com/news/energy_and_environment/evidence-suggests-aep-coal-approach-uneconomical-as-new-double-digit-rate-hike-requests-loom/article_038085a4-536d-11ef-850f-e7e2c709c122.html.

### *Business electricity price trends in West Virginia*

Residential consumers are not the only customers who matter. West Virginia should also consider the rates businesses pay, as lower electricity costs can support investment and job growth. Historically, like its residential rates, West Virginia's business rates (which are categorized as either "commercial" or "industrial") have tended to sit below national averages. Mirroring the trends seen with residential rates, this gap for business rates has similarly narrowed over time

With regard to commercial electricity rates, the most noticeable changes appear after 2008, when West Virginia commercial prices rose and remained higher than they were in the mid-2000s, even as the national series flattened and then trended down. Of note, commercial rates peaked in real terms in 2016, just as residential rates did, but—unlike residential rates—that average has not returned to peak levels.

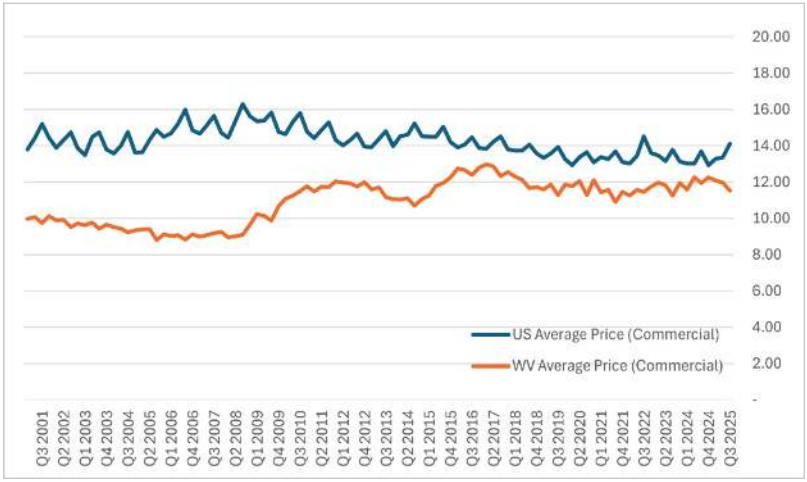


*Figure 4: Average Inflation-Adjusted Retail Electricity Price for Commercial Customers, 2001-2025*

Figure 5 demonstrates that industrial electricity prices have tracked closest to national averages in the last 15 years, a reality driven by the coal and natural gas fuel cost differences. For the last decade, specifically, industrial prices have remained about 10 percent below national averages. Although that lower-than-average cost provides an advantage for industrial operations in the state, it is a much smaller advantage than it once was.

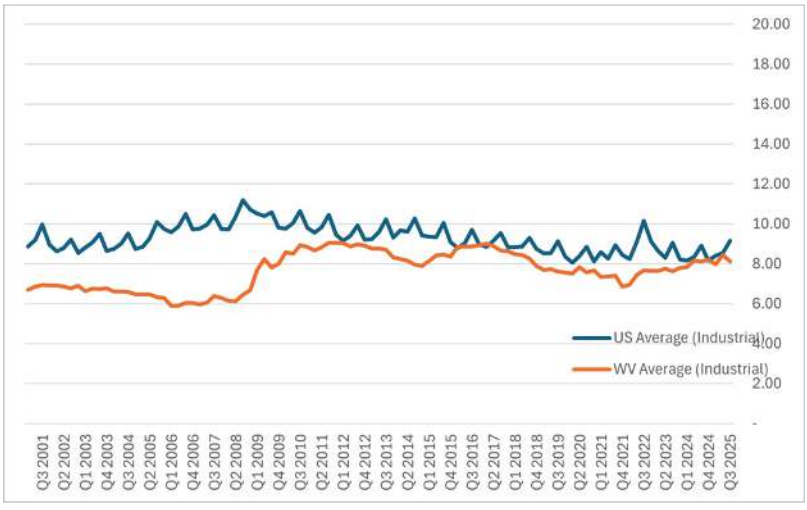


*Figure 5: Average Inflation-Adjusted Retail Electricity Price for Industrial Customers, 2001-2025*

West Virginia's large industrial customers may be becoming increasingly worried about recent pricing trends. Although electricity rates nearly matched national averages a decade ago, for a few years the state's average rate fell faster than the national average. Since 2021, however, the gap has only continued to narrow. States rich in energy resources can often offer industrial customers below-national-market electricity prices, which can influence siting decisions, capital investments, and long-term competitiveness. If West Virginia's industrial rates continue converging with the national average, the state risks weakening one of its traditional economic advantages.

## From Utility Costs to Consumer Bills

Most electricity consumers in West Virginia buy power from one of five privately-owned, state-regulated electric utilities: Appalachian Power, Wheeling Power, Mon Power, Potomac Edison, and Black Diamond Power. Appalachian Power and Wheeling Power are subsidiaries of Ohio-based AEP Corporation, and Mon Power and Potomac Edison are subsidiaries of Ohio-based FirstEnergy Corp. The rates for customers of these five utilities are set by the West Virginia Public Service Commission (PSC), a structure that determines how utility investment decisions translate into consumer electricity bills and who ultimately bears the financial risk.[15]

Privately-owned utilities have monopoly territories assigned by the state. Customers within those territories buy electric power from the utility assigned to that area. In exchange for monopoly protection, the PSC has the authority to set the prices charged by utilities.[16]

The PSC sets prices so utilities can cover the cost of providing service and earn a regulated return. The commission first determines the utility's rate base—the value of long-lived investments used to serve customers, like plants, lines, and substations—and then approves a return on that investment. It then reviews operating expenses, depreciation, and taxes, some of which are updated through periodic adjustments rather than baked into base rates. Those pieces add up to the utility's annual revenue requirement, which the PSC turns into the charges customers see on their bills.

Cost-based ratemaking creates a predictable bias: Because utilities earn profits on rate-based investments but recover operating expenses only at cost, investment decisions can favor capital spending even when market alternatives would be more cost-effective for customers.[17] Regulators are aware of the issue and work to guard against it.

Electric bills reflect three broad categories of costs: generation, delivery, and state policy charges. Generation covers the cost of producing electricity and getting it onto the grid. It includes the utility's costs of building, owning, and operating power plants, including fuel, as well as the cost of electricity purchased from other suppliers. Within generation costs, some items are long-lived investments (capital costs) and others are ongoing expenses like operations and maintenance (O&M).

Delivery covers the cost of moving electricity from generators to customers; these costs are largely capital investments in the transmission network and the local distribution system (lines, substations, transformers, etc.). Delivery costs are primarily capital costs, but long-distance transmission lines and local distribution equipment also involve O&M expenses.

Electric bills also usually reflect additional charges like taxes, fees, and public-purpose program costs that are collected through electric bills but are not strictly part of the cost of generating and delivering electricity. These state policy charges may appear on consumer bills as separate line items, sometimes called "riders."

15 A small number of West Virginia power consumers are served by either city-owned utilities or by rural cooperatives. Rates for these consumers are overseen by city councils or by the cooperatives' board. Because this report focused on policies applying to the larger state-regulated utilities much of the discussion will not apply directly to these smaller electric utility companies.

16 A detailed early history of the WVPSC is provided in C. A. Peairs Jr., The West Virginia Public Service Commission: I. Historical Survey; Organization and Personnel, 46 W. Va. L. Rev. (1940). Available at: https://researchrepository.wvu.edu/wvlr/vol46/iss3/3 and C. A. Peairs, The West Virginia Public Service Commission: II. Jurisdiction and Powers, 46 W. Va. L. Rev. (1940). Available at: https://researchrepository.wvu.edu/wvlr/vol46/iss4/3.

17 The bias in regulatory ratemaking is known as the "Averch-Johnson" effect. H.A. Averch, "Averch–Johnson Effect," The New Palgrave Dictionary of Economics (Palgrave Macmillan, 1987). https://doi.org/10.1057/978-1-349-95121-5_388-1.

## What Has Been Driving WV Electricity Bills Higher?

While the historical cost-plus model is not new, its interaction with current market realities has accelerated the narrowing of the gap between West Virginia's electricity rates and the national average. The drivers of recent rate increases can be grouped into four primary categories that highlight how traditional monopoly regulation is not adequately protecting consumers in the modern energy landscape.

### *Monopoly Investment in an Era of Uneconomic Generation*

The investment bias described earlier becomes particularly costly when utility-owned generation is less efficient than market alternatives. Because utilities earn a regulated return on capital investments but merely recover operating expenses—like market power purchases—at cost, they are incentivized to maintain and invest in their own plants even when less expensive power is available elsewhere. For example, West Virginia's utilities often prioritize running aging coal plants to maintain their rate base rather than purchasing lower-cost power from the PJM wholesale market.[18]

### *A Proliferation of Bill Riders: Automatic Rate Adjustments*

A significant portion of recent price increases has shifted away from traditional rate cases toward a proliferation of automatic adjustment clauses, or riders. The West Virginia PSC's Consumer Advocate Division (CAD) noted in its 2021 report that major utilities in the state have significantly increased the frequency of these filings, with over 11 rate-change requests occurring in a single year.[19] Riders for vegetation management (VMP) and transmission charges allow utilities to recover hundreds of millions of dollars with less regulatory interaction—and potentially less regulatory scrutiny—than a full rate case.[20] Newer mechanisms, such as the Consumer Rate Relief Charge (CRRC) approved for Appalachian Power, are now being used to "securitize" billions in unrecovered fuel and storm costs.[21] While securitization can reduce rate shock resulting from extraordinary utility expenses, consumers can be locked into paying a surcharge for many years.

### *Regional Transmission Pressure and Cost Shifting*

Nationally, delivery costs are the fastest-growing component of power bills. Regional power markets like PJM have injected competitive discipline into the generation business, helping keep wholesale energy costs down. This is not the case, however, with transmission and distribution spending. Although regulatory oversight is intended to substitute for competitive discipline, utilities spend substantial amounts on transmission without consistent economic oversight.[22]

Moreover, current practices tend to focus transmission costs on consumers in the utility and state in which transmission facilities are built, even when the costs are to resolve issues elsewhere on the grid. In most cases, these effects are too small to warrant significant concern, but West Virginia is surrounded by three states with fast-growing data-center development despite its own power consumption remaining relatively flat. This results in transmission expenses being shifted onto residential consumer bills in West Virginia.[23] Importantly, the governor's 50-by-50 plan to have West Virginia selling more power out-of-state, could fall prey to this issue and inadvertently incur higher transmission expenses for West Virginians.

18 Public Service Commission of West Virginia, Commission Order, Case No. 21-0339-E-ENEC, Appalachian Power Company and Wheeling Power Company, Petition to initiate the annual review and to update the ENEC rates currently in effect (Sept. 2, 2021), at pp. 4–5 (69% capacity-factor assumption; direction to maximize self-generation and back off purchased power); see also p. 1 (CAD intervenor status and testimony referenced). https://www.psc.state.wv.us/scripts/WebDocket/ViewDocument.cfm?CaseActivityID=571351.

19 http://www.cad.state.wv.us/2021_Annual_Report.pdf.

20 https://www.psc.state.wv.us/press/2015/Press_20150526.pdf.

21 https://therealwv.com/2025/09/04/psc-approves-portion-of-apco-wpco-base-rate-request-securitization-and-closes-case-on-optimum.

22 https://www.utilitydive.com/news/ferc-local-transmission-pjm-aep-duke-ohio-occ-consumers-counsel-complaint/695147; https://www.utilitydive.com/news/ferc-local-transmission-planning-complaint-duke-pjm/736158.

23 For a discussion of how these cost shifts can happen, see Ari Peskoe and Eliza Martin, "Extracting Profits from the Public: How Utility Ratepayers Are Paying for Big Tech's Power," Research Paper, Harvard Electricity Law Initiative, March 2025. https://eelp.law.harvard.edu/extracting-profits-from-the-public-how-utility-ratepayers-are-paying-for-big-techs-power.

## Comparing West Virginia Electricity Rates and Policies with Neighboring States

It is helpful to compare electricity prices and policies in West Virginia to those of the five surrounding states to assess the state's competitive position. Figure 6 shows inflation-adjusted average residential electricity prices for West Virginia and its neighbors over the last 25 years. Residential consumers in West Virginia and Kentucky enjoyed the lowest rates for much of the period, but the jump in West Virginia rates over 2015 and 2016 moved the state's average from comparable to Kentucky's to consistently higher. More recently, in the last five years, West Virginia's residential rates have become more comparable to those in Virginia and Ohio. Although data centers are often blamed for driving up electricity rates, Virginia, which hosts more data centers than any other state, has experienced flat inflation-adjusted residential rates from 2010 to 2024.

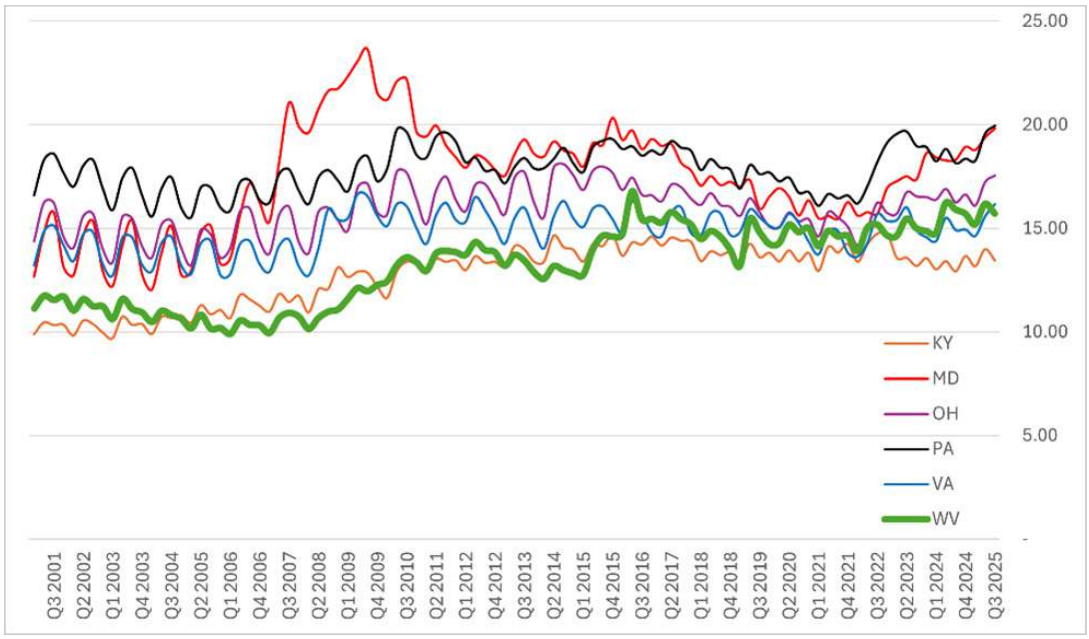


*Figure 6: Inflation-Adjusted Residential Electricity Rates in West Virginia and Surrounding States, 2001-2025*

Figures 7 and 8 show average rates for commercial and industrial power consumers for West Virginia and the five bordering states. The commercial price chart perhaps show the sharpest contrasts (Figure 7). Real commercial rates were very high in the early 2000s in Ohio and Pennsylvania and have trended mostly down in the long run. Virginia, West Virginia, and Kentucky commercial customers enjoyed relatively low rates in the early 2000s, but rates in Kentucky and West Virginia have increased even as rates in Virginia have remained among the lowest.

Industrial price trends share features of both the residential and commercial price trends (Figure 8).

In all three figures, Maryland stands out for its substantial rise in rates from 2006 to 2010 and for having the highest or near highest rates among the six states shown. This was the result of the expiration of rate caps coinciding with a period of high coal and natural gas prices. Since 2010, Maryland's efforts to retire coal generation, encourage renewable power sources, and tax greenhouse gas emissions from powerplants have contributed to higher rates in the state.[24] Coal-fired generation has fallen from making up more than 50 percent of the state's electricity generation to only 7 percent; renewable energy generation has risen from less than 5 percent total generation to about 11 percent. The state has increasingly been bringing in electric power generated in Pennsylvania and West Virginia to meet its needs as powerplant additions have not kept up with retirements.[25]

24 Calculations based on EIA data: https://www.eia.gov/electricity/data/browser. Just one coal-fired power plant remains in Maryland, the 1,273 MW Brandon Shores plant. It had been scheduled to retire in June 2025 but was kept in service to meet reliability requirements in the Baltimore area under PJM reliability rules. https://www.talenenergy.com/plant/brandon-shores-power-plant. Maryland participates in the Regional Greenhouse Gas Initiative, which imposes a price on power plant carbon emissions. https://mde.maryland.gov/programs/air/climatechange/rggi/pages/index.aspx.

25 https://www.eia.gov/state/?sid=MD.

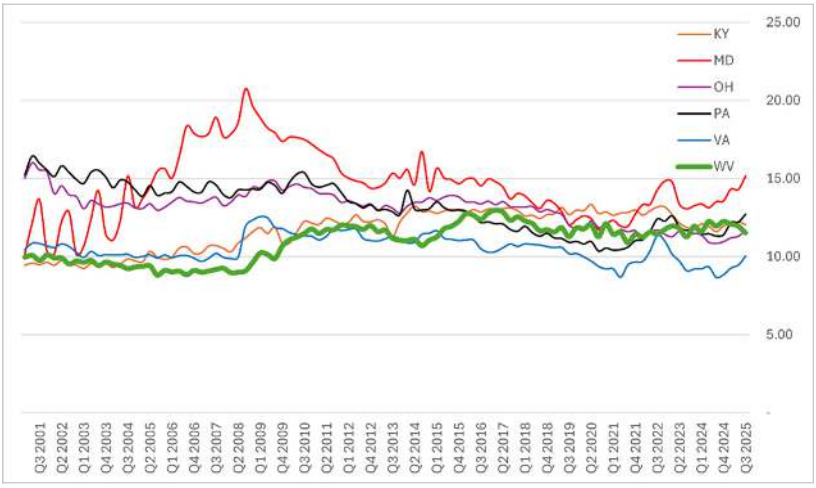


*Figure 7: Inflation-Adjusted Commercial Electricity Rates in West Virginia and Surrounding States, 2001-2025*

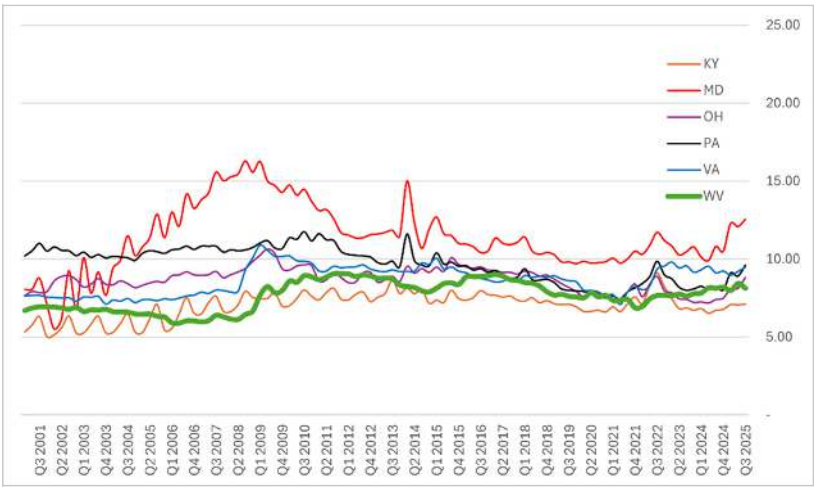


*Figure 8: Inflation-Adjusted Industrial Electricity Rates in West Virginia and Surrounding States, 2001-2025*

Although some neighboring states have higher residential electricity rates, West Virginia households devote a larger share of household income to electric bills than surrounding states. Table 1 shows the percentage of median income that is required to pay the average residential electric bill in the West Virginia. As the table indicates, West Virginia has the lowest median income among itself and surrounding states, but the second highest electric bills, resulting in the largest economic burden. These numbers suggest that West Virginia policymakers may have an opportunity to learn from policies and approaches in surrounding states.

| State | Median Income (2024) | Average Annual Bill | Burden % |
|---|---|---|---|
| West Virginia | 63,150.00 | 1,857.12 | 2.9% |
| Kentucky | 64,790.00 | 1,605.72 | 2.5% |
| Pennsylvania | 80,060.00 | 1,742.04 | 2.2% |
| Ohio | 80,520.00 | 1,621.92 | 2.0% |
| Virginia | 97,720.00 | 1,785.24 | 1.8% |
| Maryland | 109,700.00 | 1,990.44 | 1.8% |

*Table 1: Economic Burden of Electric Bills in West Virginia and Neighboring States, 2024*

## Comparing Electric Industry Policies in West Virginia and Surrounding States

West Virginia and all of the immediately surrounding states sit inside PJM's regional wholesale power market.[26] Differences for customers show up on the retail side—state utility regulation, cost recovery, and distribution service—not in the basic wholesale market platform. The text box below provides high-level overviews of electric power industry and consumer policies for each of these states.

### State-by-State Policies

**West Virginia.** Most customers receive bundled electric service from monopoly utilities in exclusive service territories, with rates and service terms set by the PSC. Retail customers generally cannot choose a competitive electricity supplier, though the PSC may approve limited special contracts for some large customers. A small share of customers are served by cooperatives or municipal systems. The 2025 "microgrid" law now allows large customers to develop their own non-utility power supplies.

**Kentucky.** Most customers receive bundled service from vertically-integrated monopoly utilities regulated by the Kentucky PSC. Retail supply choice is generally not available, though some large commercial and industrial customers may negotiate special contracts or utility-facilitated supply arrangements. Kentucky is also the outlier in this group of states because wholesale-market exposure varies by service territory (PJM participation is only partial).

**Maryland.** Maryland is a retail-choice state: Customers take delivery service from regulated utilities but may choose a competitive electricity supplier. Those who do not choose a supplier are served under Standard Offer Service (SOS), with supply procured through a PSC-regulated competitive bidding process. Recent reforms enacted in 2024 (SB 1) imposed poorly-worked-out consumer protections that led most companies to exit the residential customer market.

**Ohio.** Ohio is a retail-choice state: Customers may choose a competitive supplier for the generation portion of their bill, while the local electric distribution utility remains the regulated monopoly for wires service and (typically) consolidated billing. Customers who do not shop take the utility's default/standard service offer under PUCO oversight. Ohio features local government aggregation, enabling competitive supplies for households without individual shopping.

**Pennsylvania.** Pennsylvania is a retail-choice state: Customers may choose an electric-generation supplier, while regulated electric distribution companies remain monopoly providers of delivery service, billing, and metering. Customers who do not choose a supplier receive default service arranged by the distribution company under Pennsylvania PUC oversight. Delivery charges remain regulated and appear as a separate component on customer bills.

**Virginia.** Virginia is primarily a bundled, monopoly-service state: most customers receive electric service from vertically-integrated utilities regulated by the State Corporation Commission. Retail supply choice exists mainly for certain larger customers (and eligible aggregations) who may buy generation from a licensed competitive supplier; most residential and small business customers remain on incumbent utility supply. The incumbent utility continues to provide delivery service and billing.

**Resources:** https://www.psc.state.wv.us/hist.htm; https://psc.ky.gov/Home/About; https://www.psc.state.md.us/regulated-utilities/electricity; https://puco.ohio.gov/about-us/resources/history-of-the-puco; https://www.puc.pa.gov/about-the-puc; https://www.scc.virginia.gov/regulated-industries/utility-regulation/energy-regulation.

26 Only utilities serving northern and eastern Kentucky participate in the PJM region.

The R Street Institute's State-By-State Scorecard on Electric Competition, which assesses competition-related state electricity policies—assigned West Virginia's electric regulations and policies a grade of "D"—a lower grade than any of its neighbors. The scorecard authors note, "Active competition promotes efficiency and innovation, and this is as true in the electric power industry as it is elsewhere in society." They add:

> *[E]ven in states that have not fully reformed their electricity regulations to allow for consumer choice, competition can still be nurtured and developed in different ways. In many states, for example, electricity customers can secure alternative generation sources or directly procure electricity from large power plants. In addition, some states that have traditionally regulated monopolies have mandated competitive procurement processes for electricity, adding a degree of competition to the system. Moreover, states that do not give customers a genuine choice in supplier can participate in regional transmission organizations (RTOs) to provide utilities and customers with more opportunities to identify and access low-cost resources.*

Expanding out to the nation as a whole, Texas was awarded the highest electricity competition score, and Alabama earned the lowest. Figure 9 highlights West Virginia–area grades. West Virginia has remained committed to the monopoly model for retail electricity supplies, so it is not surprising that it would receive a low grade in a scorecard focused on competition. West Virginia narrowly avoided an F because its largest utilities participate in an RTO, enabling the efficient sale of excess energy and generating capacity into neighboring states and providing ready access to cheaper power elsewhere when conditions permit. Although the Scorecard was published before the passage of West Virginia's new microgrid bill, that measure improves options for new large customers and would have boosted its score a half-step. Kentucky, too, remains committed to the monopoly utility model, but some of its utilities participate in RTOs, and the state allows industrial customers the opportunity to work with electric utilities to source their own energy supplies. These policies resulted in Kentucky scoring a slightly higher grade than West Virginia.

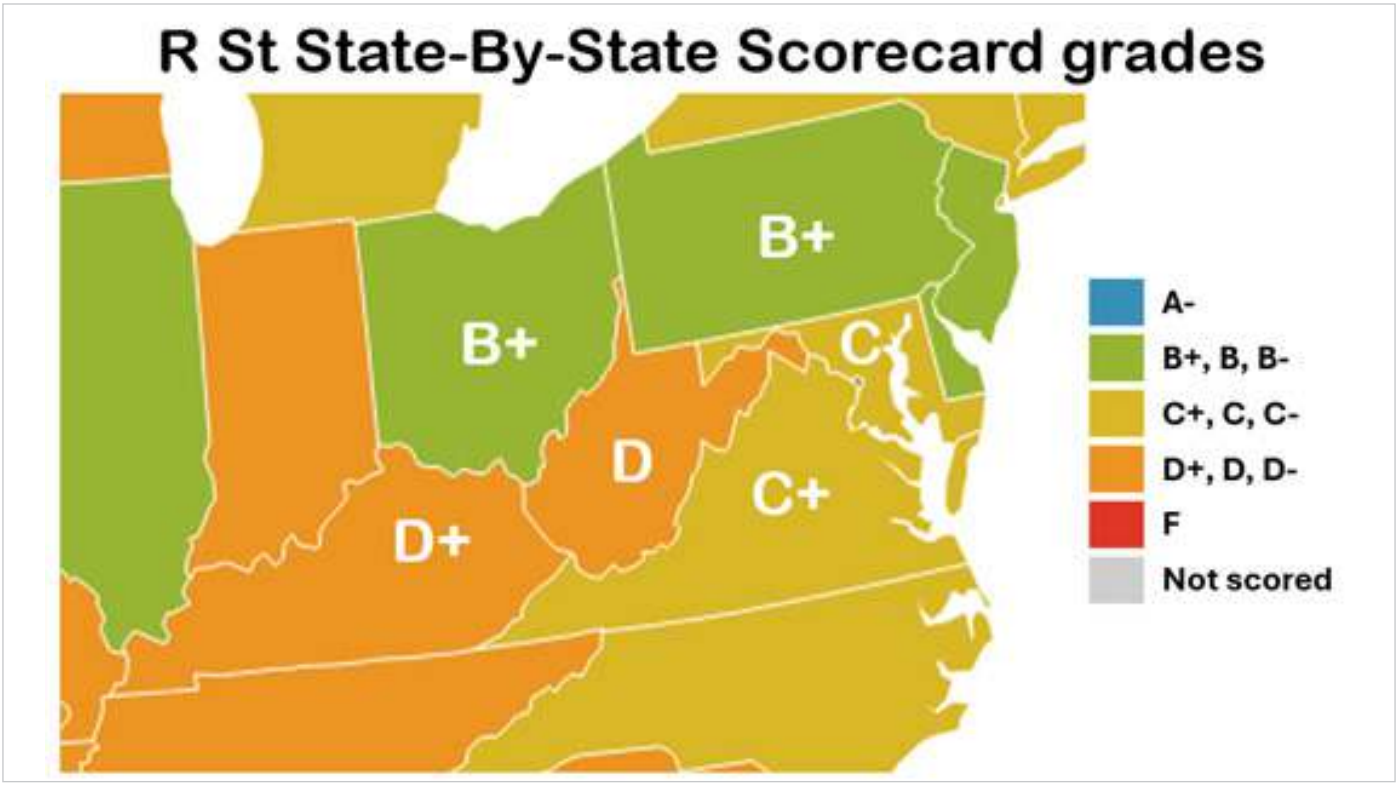


*Figure 9: Regional Detail of R Street Institute Electricity Scorecard Grades*

West Virginia's four neighbors to the north and east all initiated major electricity restructuring efforts in the 1990s or early 2000s. Pennsylvania and Ohio, which earned the highest scorecard grades in the area, allow all customers of regulated electric utilities to choose competitive suppliers. In an era of growing demand for electricity from data centers and other developments, it is notable that new investment in electric generation capacity in the states is made by private investors—not by captive ratepayers.

Maryland similarly launched industry reforms in the early 2000s, but its efforts have been less successful because of a combination of bad timing and poor policy choices. The state's grade of C is the lowest among all states that allow retail customer choice of electric suppliers. While Virginia, too, began reforms in the early 2000s, the effort was largely abandoned a few years in. More recently, though, Virginia has allowed certain large commercial and industrial customers to procure their own electricity supplies.

West Virginia already competes with surrounding states to attract jobs and investments. State regulations like those discussed in this section quietly influence choices made by companies seeking to expand. The scorecard details referenced above suggest that West Virginia has room to adopt growth-minded reforms that can still protect residential consumers, especially by insisting that large new loads and new generating projects pay their own way. The state's new microgrid law has the potential to attract investment and improve resilience, but it should be paired with reforms that deliver clearer benefits for existing consumers, not just very large entrants.

## Strategies to Support Business Demand Growth that Protect Residential Consumers

West Virginia can pursue energy-driven growth without shifting costs onto existing customers. The basic principle is simple: Give large customers more ways to procure (or produce) electricity for themselves, keep utilities focused on reliable delivery, and set rules so the costs of serving new or changing loads land primarily on the customers causing them—not on the families who remain tied to monopoly utility supplies.

The core idea is to keep incumbent utilities responsible for transmission and distribution service while allowing large commercial and industrial customers to procure generation and capacity from competitive suppliers or directly from wholesale markets. Self-supply should be permitted without special fees or excessive paperwork. With this approach, the state gains investment and resilience options and households gain protection from excessive utility spending at customer risk.

Utilities and regulators reasonably worry about "load uncertainty." A gradual cap on participation could provide planning stability while ensuring that the program is large enough to matter. A staged market could start with the largest users—for example, those who use more than 1 MW of peak demand—and lower that threshold over time. The state could allow up to 20 percent of a utility's load to be bought independently from non-utility suppliers at first, then steadily raise the cap in predictable steps until all large users have the option to shop. Once that level has been reached, the cap should be retired, and new large customers or existing customers who grow sufficiently to qualify should automatically be allowed to participate.

Companies with multiple sites should be allowed to aggregate their loads to qualify. An aggregation rule matters for West Virginia's existing employers—manufacturing, logistics, and multi-facility operators—who may not meet the threshold at any one location but are still large enough to take responsibility for procuring their own supplies and meaningfully reduce utility-supply obligations.

The framework established should also be designed to handle two real-world complications. First, new and expanded facilities should be able to secure competitive supply for incremental load even if the legacy cap is fully subscribed—otherwise, the state's growing industries would be throttled behind a queue designed for yesterday's conditions. Second, because extremely large users could overwhelm the intention to foster competitive supply options, new customers drawing extremely large loads at a single-site should explore options through the state's new microgrid law. Large loads should also be able to build off-grid, fully "islanded" power supplies—an approach termed consumer-regulated electricity (CRE).[27] Rules governing the interconnection of power generation and large loads currently result in unpredictable costs and delays, making an off-grid option potentially useful. CRE generation should not be regulated by the PSC as long as it remains off grid.

27 https://www.wsj.com/opinion/new-hampshire-sparks-a-revolution-in-electricity-supply-dab10a8d; https://www.datacenterknowledge.com/energy-power-supply/consumer-regulated-electricity-the-path-to-faster-reliable-power-solutions-.

Entry and exit provisions are key consumer protections. Customers qualifying for this shopping option should be able to leave utility supply service with straightforward notice. Returns to utility supply should be managed so households are not forced to absorb costs from poorly managed private procurement or market price volatility.

The PSC can protect smaller consumers by ensuring that non-participating customers, especially households and small businesses, are not exposed to cost-shifting driven by large consumers served by competitive suppliers. That task includes reviewing utility proposals for rate changes tied to this framework, policing attempts to roll competitive-customer load into utility forecasts and cost recovery filings and using independent auditing authority when needed.[28] The goal is not to pick winners but to prevent monopoly cost recovery from turning competitive access into a "heads they win, tails we lose" subsidy.

Competition works better when unreliable actors are screened out early. Competitive electric supplier licensing should require basic managerial and technical competence along with meaningful financial assurance so customer protections are credible and the state is not improvising remedies after a failure. States with competitive markets have experienced problems with poorly managed suppliers and deceptive practices. Reasonable licensing requirements can minimize these concerns.

Done well, competitive supply options for large power customers would strengthen West Virginia's regional competitive position. The strategy pairs open entry for large electricity consumers with a requirement that they bear the incremental costs they create rather than shifting risk onto household bills. A business that wishes to obtain renewable energy supplies should be allowed to do so. So, too, should a company that prefers to use inexpensive coal-fired power or West Virginia natural gas. Ultimately, this strategy assures households that economic development will not automatically translate into socialized risk. This competitive access strategy ensures that economic growth becomes pro-consumer by putting the risks on the responsible decision-making party.

## Conclusion: Responsibility and Reform

West Virginia enjoys electricity prices below the national average, but the state's electricity bargain continues to shrink. Fuel swings explain part of the story, and the reset of multiple bill riders around 2015 and 2016 pushed prices noticeably closer to national averages. In addition, accumulating add-on charges remain one of the quiet ways bills rise even when headline rates looks stable.

Despite stable averages, affordability remains uneven. The typical West Virginian residential customer has spent about 3 percent of income on electricity since 2010, but these averages obscure the disproportionate burden on lower-income households, which especially plagues the state. Business customers still benefit from below-average rates, but that advantage has thinned as well.

This context explains why the state's 50-by-50 development goals matter for consumers. Adding generating capacity and attracting new load can produce economic benefits—more jobs, more investment, and a broader tax base. It is reasonable to expect West Virginia to remain an energy-producing powerhouse for decades to come. But if the rules governing energy expansion are poorly structured, growth can become an expensive buildout in which utilities capture the economic gains while households absorb risk through base rates and riders. The state can attempt to reach 50 gigawatts through utility-led construction or competitive investment that succeeds only if it delivers value. Both approaches can build a lot of generating capacity, but only one disciplines costs while protecting smaller consumers.

The regional comparison functions as a policy benchmark. It focuses on rules that attract new load without shifting new costs onto existing customers. That approach depends on three rule sets: competitive supply options for large customers, a utility role focused on reliable power delivery, and PSC authority to stop cost shifting. West Virginia's microgrid law is a step in the right direction. Providing options to the state's existing large electricity consumers is logical next step. Successful reform means growth that expands the grid without burdening small customers.

28 Major utilities in West Virginia filed updates to their IRPs in October 2025. https://www.firstenergycorp.com/newsroom/news_articles/mp-pe-submit-plan-to-support-power-needs-in-wv.html, https://www.appalachianpower.com/company/news/view?releaseID=10482.

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