The Free Market Works – Even in Energy

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Who wants higher electricity rates? Ask just about anyone and they'll agree that energy prices have risen. They're not wrong. In recent weeks there has been significant attention in the Mountain State on what is driving those costs. The question has no doubt arisen from people seeing their electricity bills steadily rise, especially since the beginning of the COVID-19 Pandemic five years ago. A review of data from the U.S. Energy Information Administration shows that electricity rates have risen for most states. For example:

- West Virginia: +27.71%
- Ohio: +30.11%
- Pennsylvania: +30.85%
- Virginia: +19.78%
- Kentucky: +17.66%
- North Carolina: +24.17%
- Texas: +27.58%

Power rates have risen by a quarter or more in five of those states. Virginia has seen slower rate increases due to significant growth in Northern Virginia, and Kentucky's increases are significantly offset by subsidies from the Tennessee Valley Authority in the western part of the state.

With the backdrop of these prices, some politicians in the West Virginia Legislature have announced plans to introduce legislation that requires coal-fired power plants in West Virginia to at least run at 69% capacity all the time or forego the ability to recoup future costs. The claim is that coal is a cheap fuel source and that such a bill will lower electric rates and put nearly 3,500 coal miners back to work. If it sounds too good to be true, it's because it is.

Your power company understands the best way to keep your rates as low as possible is to participate in the market. For our region, that market is PJM. PJM is making constant decisions about how to provide the least expensive and most efficient power. One of the key drivers in that decision is what the fuel needed to run the power plant (coal, gas or nuclear) costs. Another is going to be what the power grid needs at any given moment to provide reliable electricity to our state and region.

On a windy day, wind turbines will be called upon to provide a decent share of the power on the grid. If it's not as windy, that won't be the case. It's the same with sunny days and

solar farms. The wind and sun don't charge for their fuel, so instead those electricity costs are largely driven by the hard physical costs (solar panels, windmills) that have already been factored into the capacity market. The intermittent nature of renewable energy, however, means that those energy sources will supplement what is on the grid, but won't provide the baseload power that is required.

That brings us to the fuel sources that can provide the baseload electricity needed for the power grid – coal, natural gas and nuclear. As I write this, here's a list of the current generation fuel mix for PJM:

Total Generation – 87,551 megawatts (MW)

- Natural Gas – 33,469 MW (38.22%)
- Nuclear – 28,371 MW (32.41%)
- Coal – 13,197 MW (15.07%)
- Renewable Energy – 10,043 MW (11.47%)

The reason that natural gas is providing so much more power than coal is simple: natural gas is significantly cheaper right now. In August 2025, electricity produced with natural gas priced through the Henry Hub cost $24.11 per MWh (megawatt hour), while electricity produced from Central Appalachian Coal cost $36.37 per MWh – nearly 50% more.

So, what would be the practical effect of running coal plants at 69% when they weren't required? Even higher electric prices hitting your wallet, taking more of your hard-earned money. Power plants bid into PJM on a continuous basis to provide electricity. The first energy sources called up will be those that are less expensive, and then the more expensive will be utilized as additional capacity is needed. Think of it this way: If you park in the school pick-up line 15 minutes early on a nice day you will probably roll down the windows and turn your car off. You don't need – or want – to burn gasoline that's not needed. If the weather is too hot or too cold, you will probably keep your car running to stay comfortable. This is not unlike what is happening at power plants, except it's based on the amount of power needed. If more power is needed, additional generation is called up and more fuel is used. If less power is needed, power plants throttle back to keep costs in check.

It's understandable that some want to introduce legislation in an attempt to address electricity rates, but in this case the cure is worse than the disease. Requiring the use of a certain fuel source is picking winners and losers and will add to the cost of generating electricity - ultimately increasing your power bill.