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UPDATE: Trump Fights Congress, History in Bid to Sell Tx Assets

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By Jason Fordney and Robert Mullin

Donald Trump is the fourth president since Ronald Reagan to propose selling off assets of the federal power marketing administrations (PMAs). Based on congressional response, he is unlikely to be the first to make it happen.

About three dozen members of Congress have joined publicly owned power utilities in opposing Trump's plan, part of his proposed (<https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/msar.pdf>) fiscal 2018 budget released May 23. It would sell the transmission assets of the Bonneville Power Administration, Southeastern Power Administration, Southwestern Power Administration and Western Area Power Administration to private investors for an estimated \$5.5 billion over a decade.



President Donald Trump | © RTO Insider

The four agencies own a combined 34,000 miles of transmission, nearly all of it belonging to BPA and WAPA. About 1,200 public power utilities and rural electric cooperatives in 34 states purchase electricity from federal hydropower plants via the PMAs.

The elected officials and public utilities disagreed with Trump's rationale that increasing the role of the private sector would encourage more efficient allocation of resources and lower taxpayer risk.

Twenty-one senators, including Democrats Maria Cantwell of Washington and Dianne Feinstein of California, as well as Republican James Risch of Idaho, last week wrote Energy Secretary Rick Perry to oppose the plan. "There are improvements that can and should be made to the operations of some PMAs, but the dismantling of them is simply not sound governmental policy," says the June 7 letter

(https://www.energy.senate.gov/public/index.cfm/files/serve?File_id=1932CA4B-351D-4431-B8EE-67CF91CDDD2D).

Power marketing is one of the few federal programs that pays for itself, and it actually benefits the government's balance sheet, they said. The PMAs also support flood control, navigation, irrigation and other critical services at federal dams.

Cantwell in a tweet called the proposal "a short-sighted plan that will take money out of the pockets of consumers and businesses in our states."



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Sen. Ron Wyden (D-Ore.) last week voted to oppose the nomination of Dan Brouillette as deputy secretary of energy because Brouillette would not commit to keeping BPA in public hands in response to a written question from the senator.

“I cannot support a nominee who won’t even say whether he opposes a proposal that would hike energy prices for Northwest customers who have invested in a system that runs successfully on its own,” Wyden said in a statement.

Wyden called the proposal to sell off BPA assets a “non-starter.”

Fifteen members of the House of Representatives from Northwestern states also *wrote Perry* (<http://defazio.house.gov/legislation/committees-and-caucuses>) to oppose the plan, saying it would “harm individuals and businesses, divert capital needed for further infrastructure investment in the Northwest and undermine regional utility coordination.” They include Rep. Peter DeFazio (D-Ore.), ranking member on the House Transportation and Infrastructure Committee.

Scott Corwin, executive director of the Portland-based Public Power Council, which represents publicly owned utilities in seven Western states that benefit from low-cost power sold by BPA, said there has been “excellent engagement from Congress” in opposing the proposal.

“On a bipartisan basis, every senator from the Northwest, and every member of the House from Oregon and Washington signed letters of opposition,” Corwin told *RTO Insider*. “I have not yet heard of anyone pushing [the sale of the PMA transmission] on the Hill.”

Publicly owned utilities also oppose the proposal, saying it is more likely that private owners would increase transmission rates for the same service they now receive.

“These arguments are merely a pretext for actions that would raise electricity costs for millions of people and businesses,” says a June 6 letter to Perry from the American Public Power Association and the National Rural Electric Cooperative Association.

Customers have paid “all power program expenses, plus the interest on any capital projects, and have ensured continued investment in the federal infrastructure,” they said.

The administrations of Presidents Reagan, Bill Clinton and George W. Bush also proposed selling off the PMA assets, but the efforts did not gain traction in the face of heavy Congressional opposition.

Even so, Corwin was cautious about dismissing the prospects for this latest move.

“There are a couple of things that are different this time that makes the proposal worth watching closely,” he said. “First, the fact that it was limited to the transmission systems lends a different dynamic. And, second, the level of uncertainty in Washington, D.C., in general means that it is wise to take nothing for granted.”

Portland-based energy economist Robert McCullough estimates that the budget’s proposed \$4.9 billion in revenues from the sale of Bonneville’s transmission network represents just 80% of the value of those assets, based on the power agency’s own published estimates.

“This raises the question of why these valuable assets would be sold at a discount – and who would get the benefit of the discounted price,” McCullough Research said in a June 13 *report* (http://www.mresearch.com/pdfs/20170613_Privatization_of_BPA_Transmission.pdf).

McCullough’s firm also calculated that the sale would increase transmission rates by either 44% under a “most likely scenario” in which the transmission is valued at its actual worth or 26% based on a “less likely scenario” in which FERC reduces the regulatory value – or rate base – of the assets to the proposed sale price.

“Most importantly, privatization of BPA would increase costs for consumers,” the report said. “BPA currently sells and delivers its power at cost; under a private regime, an investor-owned utility would likely charge a higher rate of return.”

Wyden called BPA a “key part” of his state’s economic future and that selling off its assets would “strangle the power supply for businesses” and “stretch” the budgets of residents.

“Pacific Northwesterners have fought this battle before and we’re going to fight these malicious efforts again,” Wyden said.

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