

COLUMBIA
UNIVERSITY

TECHNOLOGY MANAGEMENT

Executive Master of Science

New York
San Francisco
Paris[LEARN MORE »](#)

Opinion

Privatizing the electric grid is a bad power play



Originally published February 23, 2018 at 3:00 pm Updated February 23, 2018 at 3:33 pm



Empty transmission towers overlooking the Columbia River on the Oregon side (Steve Ringman / The Seattle Times)



WHY Quicken Loans® EXPERTS RECOMMEND SWITCHING TO A 15-YEAR FIXED

If you owe less than \$679,650, you may be shocked by how much Quicken Loans can reduce your monthly mortgage payment. Try this radically simple mortgage experience and see if you can lock in a crazy low rate that will never rise.

SELECT YOUR MORTGAGE BALANCE:

\$50k-\$100k \$100k-\$150k

\$150k-\$200k \$200k-\$250k

\$250k+

NMLS #3030

©2018

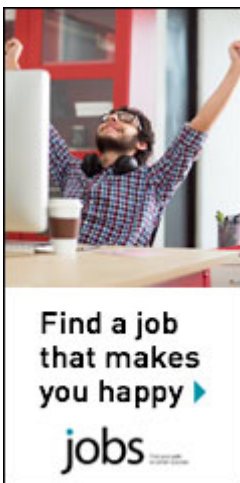
The Trump administration is proposing to private the Bonneville Power Administration, the foundation infrastructure that underpins lower cost power in Washington, Oregon, Idaho and Montana.

By [Michael Hiltzik](#)

Syndicated columnist

President Donald Trump's 2018 budget proposal is so chock-full of noxious elements — replacing food stamps with “food boxes,” drastically cutting Medicaid and Medicare, for a start — that it's unsurprising that one of its most misguided pieces has slipped under the radar.

That's the proposal to privatize the government-owned Bonneville Power Administration, which owns about three-quarters of the high-voltage electric transmission lines in a region that includes California, Washington state and Oregon, serving more than 13.5 million customers. By one authoritative estimate, any such sale would drive up the cost of transmission by 26 percent to 44 percent.



The \$5.2 billion price cited by the Trump administration, moreover, is nearly 20 percent below the actual value of the Bonneville grid — meaning that a private buyer would pocket an immediate windfall of \$1.2 billion, at the expense of federal taxpayers and Bonneville customers.

Trump's plan for Portland, Oregon-based Bonneville is part of a larger proposal to sell off other government-owned electricity bodies, including the Colorado-based Western Area Power Administration and the Oklahoma-based Southwestern Power Administration. But Bonneville is by far the largest of the three, accounting for nearly 90 percent of the total \$5.8 billion the budget anticipates collecting from the sales. The proposal is also part of the administration's infrastructure plan.

Most Read Opinion Stories

- 1 Opinion: Governor Jay Inslee must stand up for the people and veto legislative-secrecy bill

2 Not 'veto-proof': Inslee can and must kill legislative-secrecy bill | Editorial  VIEW

3 Our historic decision to counter violation of public trust | Kate Riley / Times editorial columnist

4 Washington lawmakers should take vote on assault-weapons limits | Op-Ed

5 If you invent mass knife attacks, you lose the gun-control debate | Editorial

Unlimited Digital Access: \$1 for 4 weeks

Both plans are said to be politically dead on arrival in Washington. But they offer a window into the thinking in the Trump White House.

“The word ‘muddle’ comes to mind,” says Robert McCullough, a respected Portland energy consultant, referring to the justification for the privatization sale included in the Trump budget.

The White House suggests that selling the Bonneville grid would result in lower costs. But that narrative, McCullough wrote in a blistering assessment of the proposal, “displays a severe lack of understanding about the process of setting transmission rates.”

McCullough’s assessment is an update of a similar analysis he performed when the privatization scheme was first raised by the Trump administration last year. In that analysis issued in June, McCullough said the proposal “raises the question of why these valuable assets would be sold at a discount — and who would get the benefit of the discounted price.”

The implications of a sale could be dire for Californians. Bonneville is the majority owner of the California-Oregon Intertie, an electrical transmission system that carries power, including Columbia River-generated hydropower, south to California in the summer and excess California generation to the Pacific Northwest in the winter.

But the idea has drawn fire throughout the region. When it was first broached last year, the Public Power Council, an association of utilities in the Northwest, assailed it as an apparent “transfer of value from the people of the Northwest to the U.S. Treasury.”

ADVERTISING



The region's political leaders had especially harsh words for the idea this time around. "Our investment shouldn't be put up for sale to free up money for runaway military spending or tax cuts for billionaires," said Sen. Ron Wyden (D-Ore.). Sen. Maria Cantwell (D-Wash.) promised in a statement to work to "stop this bad idea in its tracks."

The notion of privatizing Bonneville predates the Trump administration; it was raised by Bill Clinton and again by George W. Bush. Both initiatives failed.

Privatizing the transmission lines "encourages a more efficient allocation of economic resources and mitigates unnecessary risk to taxpayers," the budget asserts. "Ownership of transmission assets is best carried out by the private sector where there are appropriate market and regulatory incentives."

But that's based on a misunderstanding of how transmission rates are set, McCullough says. Transmission is essentially a monopoly enterprise, with rates overseen by the Federal Energy Regulatory Commission based on the grid's costs. There's very little in the way of market "incentives" involved in transmission, since no one has come forward to build a competing grid.

Those include the owners' cost of capital — which would be much higher for a private owner, McCullough observes. A private owner, unlike the government-owned Bonneville, also would owe federal income taxes, which would be passed along to consumers.

Then there's the profit motive. Bonneville "currently sells and delivers its power at cost," McCullough wrote last year. "Under a private regime, an investor-owned utility would likely charge a higher rate of return."



"Either there's an unsophisticated person at the Office of Management and Budget thinking up these numbers himself," McCullough told me, "or there would seem to be ongoing negotiations with an unidentified third party."

What's left is a blind faith in the magic of the market, compounded by ignorance about how the transmission market operates. Put it together, and there's reason to wonder if Trump is even serious about this plan.

© 2018, Los Angeles Times

Michael Hiltzik is a columnist for the Los Angeles Times.

 [View 14 Comments](#)

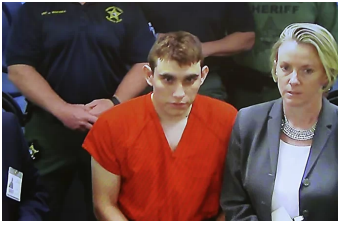
[Next Story](#)

Olympics diplomacy: 'Heartening'

[Previous Story](#)

Florida school shooting: Readers weigh in

Recommended in



Florida gunman had extra ammo at school, fired for...



'Suddenly there is a Confederate flag flying'...



Elizabeth Warren addresses Native heritage...



Melania Trump's parents are legal permanent...

Around the Web



Look for the best scheduling software out there!

(Yahoo! Search)



[Gallery] Wife of Tucker Carlson Breaks Silence

(DailySportX)



Ever look yourself up? This new site is addicting, enter your

(TruthFinder)



Capitol Hill Gives Homeowners 55+ Who Owe Less Than \$625k

(LowerMyBills.com)



The Deadliest Animals in the World To Humans

(HorizonTimes)



Forget The 30yr Mortgage If You Owe Less Than \$625k. (Do

(LowerMyBills.com)

Recommended by



Contact

About the company

Advertise



Subscriber Services

Today's Front Page

f Facebook

🐦 Twitter

Copyright © 2018 The Seattle Times | [Privacy statement](#) | [Terms of service](#)