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Trump Wants To Sell Public Power Agencies To Wall Street

Move Will Hand Over New Deal-Era Giants TVA and Bonneville Power; Much Higher Electricity Costs for the Public and Businesses

By DAVID CAY JOHNSTON, DCREPORT EDITOR-IN-CHIEF

People and businesses would pay much higher electricity prices under revived Trump administration plans to sell nonprofit electricity grids owned by taxpayers, killing one of the most enduring and beneficial policies of the New Deal.

Last year the Trump administration said it had abandoned plans to sell these taxpayer assets, built up during the Great Depression and fostering economic growth ever since.

But now the mercurial president is itching to sell Bonneville Power Administration in the Pacific Northwest, the Tennessee Valley Authority, the Southwestern Power Administration and Western Area Power Administration. The plan is at [Page 38 of the latest Trump budget](#).



David Cay Johnston

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“ Raising electricity prices has been a consistent Trump administration policy. ”

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These valuable taxpayer-owned assets would be sold at deep discounts to their net worth, essentially another Trump scheme to transfer wealth from millions of taxpayers to a relatively few and already rich Wall Street investors.

BPA transmission charges after a sale would rise by at least 24%, [utility economist](#) Robert McCullough calculated for DCReport.

TVA would experience a whopping 41.3% increase in transmission costs. Its annual rate of return on assets would more than triple under private ownership to almost 11%.

McCullough is a cheerful Oregon utility economist. He has a long track record of exposing utility industry cost estimates as low-ball fantasies designed to trick regulators and customers. He was formerly the chief economist for Portland General Electric, a for-profit Oregon monopoly.



Energy consultant Robert McCullough

BPA's rate of return is 3.71% annually, while a Warren Buffet-controlled electric utility in Oregon, PacifiCorp, requires a return twice that high at 7.41% annually.

“A privatized BPA transmission system would be above 10%” on its required rate of return once corporate income taxes are factored in, McCullough calculated.

Three Times the Costs

TVA reports reveal its rate of return is 3.63%, McCullough noted.

“Georgia Power, a comparable private entity in the area, has a rate explicitly set at 10.95%,” McCullough said. That is three times the TVA rate of return.

Raising electricity prices has been a consistent Trump administration policy, although it contradicts his campaign promises to champion the average American. Higher electricity prices would squeeze family budgets.

Trump ran for office promising to take care of “[the forgotten men and women](#)” and by going after Wall Street. Instead, he has stocked his administration with voracious Wall Street predators, including [Treasury Secretary Steve Mnuchin](#) and [Commerce Secretary Wilbur Ross](#).

Less Competitive Manufactured Goods

Paying more for juice also would hurt industries that are big users of electricity and mom-and-pop stores that bear the costs of lighting and refrigeration. It would make some American manufactured goods less competitive on global markets at a time when Trump claims he is trying to expand exports of manufactured goods.

ACTION BOX/ What You Can Do About It

Contact Mick Mulvaney, Trump's director of the Office of Management and Budget, at 202-395-3080 or on [Twitter](#). His address: The Office of Management and Budget 725 17th Street, NW Washington, D.C. 20503

Find contact information for your U.S. senator [here](#). For your U.S. representative's contact information click [here](#).

You can also write a concise letter to the editor of your local newspaper.

Businesses would suffer reduced profit margins because of higher electricity prices unless they enjoy what economists call *market power*. Businesses with this economic muscle can pass the higher electricity costs on to customers by raising prices even in hard times, which means consumers would bear the ultimate burden.

In any event, the new electricity grid owners would get richer.

One of the [first stories we broke at DCReport](#) revealed action by Trump that signaled Wall Street to resume manipulation of electricity prices.

Just a week later we [broke the news that Trump had hamstrung](#) the Federal Energy Regulatory Commission (FERC), which lacked the quorum needed to rule on energy issues.

Trump has since [reduced pollution controls on electric power plants](#), which will mean more asthma, cancer and heart attacks in the decades ahead. He also eased safeguards against [toxic coal ash spilling into rivers](#) where it contaminates drinking water and kills fish and wildlife. The administration has also [favored Trump donors](#) with coal interests over voters.

World War II posters extolling the benefits of public power agencies

I've documented how electricity-markets rules in half the states raise prices. That's by design. You can read some of my reporting on this going back a dozen years [here](#), [here](#), [here](#) and [here](#) and in my book [Free Lunch](#).

Privatizing the four public power grids Franklin Roosevelt bequeathed to us would increase costs for a host of reasons. A recent [Congressional Research Service report](#) provides solid background on these issues.

Costs would rise because investors buying the systems would need to pay back with interest the loans they took out and pay dividends to investors who put capital into the deals. Heavily leveraged deals would put pressure on the new owners to cut back on maintenance of the grid, which we have seen in recent decades with disastrous results for the reliability of electricity supplies along with wildfires.

Higher Rates at For-Profit Utilities

For-profit owners need to earn significant returns to justify their investment, unlike the nonprofit BPA and TVA.

The new owners would collect corporate income taxes from customers, too. Utilities embed their corporate income tax in monthly bills. In fact, they collect more than the statutory tax rate because of the "gross-up" tax they can levy. When the corporate tax rate was 35% investor-owned electricity companies legally charged customers 54%, for example.

Because of tax rules set by Congress, however, utilities that collect monthly from customers can hold onto the money for years and sometimes decades before handing it over to the government. In essence, customers are forced to loan their

money to electric utilities at zero interest unless prices are adjusted to account for the value of the interest-free loan.

Trump's Rosy Picture

The Trump budget ignores this and instead paints a rosy picture of monopolists whose ownership would somehow benefit customers more than themselves. It also ignores the fact that publicly owned power systems pay their top managers far less than those owned by Wall Street investors.

Trump's *A Budget for a Better America* asserts that "Reducing or eliminating the Federal Government's role in electricity transmission infrastructure ownership, thereby increasing the private sector's role, and introducing more market-based incentives, including rates, for power sales from Federal dams would encourage a more efficient allocation of economic resources and mitigate risk to taxpayers."

The budget provides zero factual support for these claims.

McCullough applied standard economic tools used by business to evaluate costs should the four power marketing agencies be sold. The amount of revenue needed to fund a monopoly utility is its cost of operations reduced by depreciation and then calculated as an annual rate of return, aka profit, needed to sustain the operation.

Public power agencies do not pay dividends to owners and require only enough surplus to maintain and upgrade equipment.

The New Deal electricity program benefits 33 states.

If these plans proceed Trump will have enriched Wall Street, which will siphon money out of your pockets and those of your descendants. He will have killed part of the New Deal that paid huge economic, social and technological rewards. And Trump will have done so for no good reason except to further his schemes to take from the many and enrich the few he railed against on the campaign trail, but now serves.

Time for lights out on these costly no good Trump plans.

Featured image: Bonneville Power Administration

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