

## Trump proposal to privatize TVA transmission lines gets pushback

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February 16, 2018

A new member of the TVA board who is a Decatur resident nominated by President Donald Trump did not give high marks to a Trump administration proposal to privatize some TVA assets.

The White House this week published, “Legislative outline for rebuilding infrastructure in America,” part of a proposal to invest \$200 billion into U.S. infrastructure. Some portions of the proposal are aimed at raising money, not spending it.

“The Federal Government owns and operates certain infrastructure that would be more appropriately owned by State, local or private entities,” according to the document, and Congress should provide a framework for agencies to sell public assets.

“Examples of assets for potential divestiture,” according to the document, “include ... Tennessee Valley Authority transmission assets.”

A Washington, D.C.-based economist who advocates for free markets praised Trump's proposal, but it received a less-enthusiastic reception locally.

James “Skip” Thompson, a former Decatur Utilities board member, was installed on the TVA board of directors last month after the U.S. Senate approved his Sept. 21 nomination. He has concerns about the president’s proposal and its impact on electricity rates for the 9 million customers served by TVA.

“As I understand it, they’re talking about the transmission lines,” Thompson said of the divestiture proposal. “Those lines were paid for by TVA customers over the last 80-plus years.”

While TVA was created by Congress, Thompson said, it now is self-sufficient. He is troubled at the prospect of TVA assets being used to supplement the federal treasury.

“TVA gets no help from the federal government, since 1999,” Thompson said. “They’ve repaid what the federal government loaned them, plus some. The debt of TVA is not guaranteed by the U.S. government. TVA is fully independent.

“Congress has the authority to do what they want to do with TVA, but obviously this would impact rates.”

Thompson said his understanding of the White House proposal is that TVA would sell transmission lines to private companies.

“It’s the lines that carry the power, which are obviously very important to the local power companies like DU,” Thompson said. “If the federal government took these power lines and sold them to a private entity — the money wouldn’t go to TVA, it would go to the U.S. treasury — now the TVA has lost an asset that the ratepayers paid for. The government has now taken it back, which they have a right to do.

“Now somebody’s going to charge his ratepayers for those lines that he just bought.”

Thompson said TVA has three Congress-mandated missions — providing cost-effective energy, encouraging economic development and protecting the environment — and privatization of transmission lines could adversely affect the first two.

“What rates would do if the transmission lines were removed from TVA, I can’t tell you,” he said.

But, he continued, rates seem likely to increase if a private entity buys the lines and then attempts to recoup the cost and a profit from the ratepayers who originally paid for the lines.

“You would think rates would go up. And that would impact one of TVA’s other missions, which is economic development,” Thompson said.

Hampering economic development is not just bad for the region TVA covers, he said, but also for the federal government.

“As you know from looking at this Toyota-Mazda plant (which recently announced it would locate in Limestone County), the low electricity rates played a part in these jobs that are coming,” Thompson said. “TVA doesn’t get tax dollars from Washington, but it has given back in the form of all these jobs being created and federal taxes being paid. The job creation puts money back in the treasury.”

Jeremy Nails, head of the Morgan County Economic Development Association, shares Thompson’s concerns on the impact privatization would have on his effort to recruit and keep industries.

“TVA always plays an important role in the recruitment of new industry and the expansion of existing industry,” Nails said. “They’re one of our major economic development partners. It’s working well for economic development. It’s working well for the Valley. I don’t see where privatization is going to improve that, from my standpoint.”

At least outside the TVA service area, however, there is some support for Trump's proposal.

"I think Trump's on the right track here," said Chris Edwards, an economist with the D.C.-based free-market think tank Cato Institute. "This is the United States. The general economic system of the United States is a market system. Electricity should be supplied by for-profit, publicly traded utilities, just like it is in most of the country."

Edwards focuses on fairness and efficiency.

"I live in Virginia," he said. "The power's provided by Virginia Power, which pays income tax and property tax. I don't see why people in the Tennessee Valley should have a special deal where their utility doesn't pay tax."

TVA makes payments in lieu of tax to state and local governments, but Edwards said the amounts it pays are significantly lower than those paid by private utilities.

While a private entity that owns a transmission line would, unlike the TVA, have to charge enough for a profit, Edwards said market-driven efficiencies are likely to more than offset that amount for ratepayers.

"If you privatize TVA, yes, the private entity would have to start earning a return," Edwards said. "But they'd also have incentives to make investments smarter to reduce costs where they can. Privatization typically cuts costs dramatically."

Ownership of transmission assets may have to be monopolistic, he said, as power distribution is not easily shared among competing private enterprises. The solution to that is not public ownership, he said, but state regulatory authorities.

The TVA is a federally owned corporation created in 1933 by congressional charter. It employs 10,900 workers and provides power in parts of seven southeastern states, including north Alabama. The authority sells wholesale power to 155 municipal and cooperative distributors, including those in Morgan, Limestone and Lawrence counties.