

DIVEST FEDERAL ELECTRICITY TRANSMISSION ASSETS

Divesting electricity transmission assets would reduce the size of the Federal Government by limiting its role in electricity markets while simultaneously generating billions in savings.

BACKGROUND

The Federal Government “owns, operates, and maintains over 50,000 miles of electricity transmission lines and related assets.”¹ Such assets² account for about 14 percent of the nation’s transmission lines.³

While most the country’s electricity demands are met through the private sector, the Tennessee Valley Authority (TVA) and agencies within the Department of Energy (DOE) — the Southwestern, Western, and Bonneville Power Administrations — own and operate federal transmission assets.⁴

Historically, the Federal Government’s involvement in energy production dates back to the New Deal and has since expanded “to include owning and operating electric transmission assets.”⁵

The Congressional Budget Office (CBO) estimates that divesting federal transmission assets of the Southwestern Power Administration and the Western Area Power Administration alone would save about \$2 billion in mandatory spending over a nine-year period.⁶ Additionally, CBO estimates that privatizing the functions of the two agencies would reduce nearly a billion dollars in discretionary spending.⁷

In 2017, President Trump issued an Executive Order requiring the Office of Management and Budget (OMB) to propose a plan to reorganize government-wide functions.⁸ The plan, entitled *Delivering Government Solutions to the 21st Century*, also known as the Government Reorganization plan, proposed privatization of federal transmission assets to mitigate unnecessary risk to taxpayers, reduce the deficit, and encourage greater market competition and efficiency.

Divesting and privatizing federal electricity infrastructure have bipartisan support. In 1996, for example, the Clinton administration successfully sold the Alaska Power Administration. Additionally, the Obama administration announced a strategic review of the TVA, including options for potential divestiture, in the Fiscal Year 2014 budget.⁹

CONSTITUTIONAL AUTHORITY AND REPUBLICAN PRINCIPLES

Congress has the authority to dispose of property acquired by the United States.¹⁰ The Federal Government should not be a competitor in the private marketplace.

Quick Take

The Federal Government owns, operates, and maintains over 50,000 miles of electricity transmission lines and related assets.

According to the Trump administration’s government reorganization proposal, divesting federal electricity assets would save about \$9.5 billion over ten years.

POLICY SOLUTIONS

According to the Trump administration's government reorganization proposal, divesting federal electricity assets would save about \$9.5 billion over a ten-year window.¹¹ CBO reports that divesting Southwestern Power Administration and the Western Area Power Administration transmission assets would generate over \$2 billion in savings.¹²

Congress should consider divesting federal electricity assets while ensuring that current ratepayers are not adversely impacted in the process. For example, creating priority consideration for existing electric co-ops to acquire federal electricity assets could improve the speed of transition and minimize disruption for ratepayers.

Please contact Cameron Smith or Kelsey Wall with the Republican Policy Committee at (202) 225-4921 with any questions.

¹ Executive Office of the President (EOP), *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations* (2018), <https://www.performance.gov/GovReform/Reform-and-Reorg-Plan-Final.pdf>.

² Federal transmission assets include lines, towers, substations, and right-of-ways.

³ Quadrennial Energy Review, *Transforming the Nation's Electricity System: The Second Installment of the QER*, January 2017, p. A-34.

⁴ EOP, *supra*, note 1.

⁵ *Id.*

⁶ Over the 2019-2028 period.

⁷ Cong. Budget Office (CBO), 54827, *Divest Two Agencies of Their Electric Transmission Assets* (2018).

⁸ EO No. 13,781, *Comprehensive Plan for Reorganizing the Executive Branch*, 82 Fed. Reg. 13,959 (Mar. 13, 2017).

⁹ EOP, *supra*, note 1.

¹⁰ U.S. Const. art. IV, § 3.

¹¹ EOP, *supra*, note 1.

¹² CBO, *supra*, note 7.