



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 16, 2012

### **H.R. 460**

### **Bonneville Unit Clean Hydropower Facilitation Act**

*As ordered reported by the House Committee on Natural Resources on April 25, 2012*

#### **SUMMARY**

CBO expects that enacting H.R. 460 would lead to the development of hydropower facilities at the Diamond Fork Project in Utah by a nonfederal entity within a few years, sooner than expected under current law. Based on information from the Bureau of Reclamation, CBO estimates that the federal government would receive payments from the hydropower developer of about \$4 million over the 2013-2022 period. Enacting the bill would increase offsetting receipts (a credit against direct spending); therefore, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

H.R. 460 contains no intergovernmental or private-sector mandates as defined in Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The costs of this legislation fall within budget function 300 (natural resources and environment). CBO estimates that enacting H.R. 460 would increase offsetting receipts by \$600,000 a year, beginning in 2017, for a total collection of about \$4 million over the 2017-2022 period.

#### **BASIS OF ESTIMATE**

Based on information from the Bureau of Reclamation, CBO expects that the federal government is unlikely—under current law—to develop the hydropower resources of the Diamond Fork project for at least the next 10 years. Although there are no formal development proposals currently being considered by the bureau, two nonfederal entities—the Central Utah Water Conservancy District and the Strawberry Water Users' Association—have expressed interest in developing those resources since at least 1995.

Among the reasons that CBO expects the site is unlikely to be developed over the next 10 years is a requirement that project sponsors pay the Treasury for the federal government's power-related investments in the water project. According to the bureau, those payments would average about \$5 million annually, beginning after the hydroelectric facilities go into service and continuing through the life of the lease.

CBO expects that eliminating that requirement would encourage nonfederal entities to pursue development of the hydropower resources at Diamond Fork. Assuming that H.R. 460 is enacted in 2012, we expect that the Bureau of Reclamation would receive a proposal to develop the hydroelectric resources within a year or two and that such a project could be completed by 2017. In that case, the government would collect annual fees from the project developer totaling about \$600,000 a year (adjusted for inflation) for the life of the project.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. H.R. 460 would increase offsetting receipts (a credit against direct spending) by about \$600,000 annually beginning in 2017. The budgetary changes that are subject to those pay-as-you-go procedures are shown in the following table.

**CBO Estimate of Pay-As-You-Go Effects for H.R. 460 as ordered reported by the House Committee on Natural Resources on April 25, 2012**

	By Fiscal Year, in Millions of Dollars													
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022	
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b>														
Statutory Pay-As-You-Go Impact	0	0	0	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-4

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 460 contains no intergovernmental or private-sector mandates as defined in UMRA; any additional costs to state and local governments would result from participating in a voluntary federal program.

## **PREVIOUS CBO ESTIMATE**

On January 13, 2012, CBO transmitted a cost estimate for S. 499, the Bonneville Unit Clean Hydropower Facilitation Act, as ordered reported by the Senate Committee on Energy and Natural Resources on November 10, 2011. At that time, CBO estimated that offsetting receipts from lease payments under S. 499 would total \$2 million over the 2017-2022 period. H.R. 460 and S. 499 are substantively similar; however, our estimates differ because of a change in administrative policy that took effect after we estimated the impact of S. 499. Specifically, the Bureau of Reclamation's new policy for lease payments includes an additional charge of about 5 percent of the gross revenue generated from hydropower under the project. As a result of that change, we now estimate that receipts generated under either bill would total \$4 million over the 2017-2022 period.

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