



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

January 13, 2012

S. 499

Bonneville Unit Clean Hydropower Facilitation Act

*As ordered reported by the Senate Committee on Energy and Natural Resources
on November 10, 2011*

SUMMARY

CBO expects that enacting S. 499 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 of about \$2 million from the hydropower developer over the 2012-2022 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.

S. 499 would reduce the amounts that developers of hydropower resources at the Diamond Fork Project would have to pay to the U.S. Treasury for certain reimbursable expenses. (Reimbursable expenses are the portion of a project's costs that are repaid to the federal government by other entities.) Under current law, a sponsor of this project would have to pay about \$5.3 million annually for a period of 50 years following the start of electricity production. However, CBO expects that this resource is unlikely to be developed over the next decade. S. 499 would effectively eliminate that potential obligation. Instead, under S. 499, sponsors would be required to pay certain annual fees, which are estimated to total about \$400,000 a year, adjusted for inflation, beginning in 2017, yielding \$2 million over the five years from 2017 through 2022.

S. 499 contains no intergovernmental or private-sector mandates as defined in the 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 S. 499 would increase offsetting receipts by \$400,000 a year over the 2017-2022 period, or a total collection of \$2 million.

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.

Whether one of those entities or another nonfederal developer will propose a hydroelectric project at Diamond Fork under current law over the next decade is unclear, but CBO expects this resource is unlikely to be developed over the next 10 years under current law. Among the issues that have delayed development of the site is a requirement to pay the Treasury for the federal government’s power-related investments in the water project. According to the bureau, such payments would begin after the hydroelectric facilities go into service and would average \$5.3 million a year for 50 years.

CBO expects that eliminating the required annual payment to the Treasury would encourage nonfederal entities to pursue development of the hydropower resources at Diamond Fork. Assuming that S. 499 is enacted in 2012, we expect that the bureau 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 \$400,000 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. S. 499 would increase offsetting receipts (a credit against direct spending) by about \$400,000 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 S. 499 as ordered reported by the Senate Committee on Energy and Natural Resources November 10, 2011

	By Fiscal Year, in Millions of Dollars													
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022	
NET INCREASE OR DECREASE (-) IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	0	0	0	0	0	0	0	0	0	0	0	0	-2

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 499 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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