



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 20, 2018

H.R. 1967 **Bureau of Reclamation Pumped Storage Hydropower Development Act**

*As ordered reported by the Senate Committee on Energy and Natural Resources
on October 2, 2018*

Under current law, nonfederal entities that propose to develop hydropower at reservoirs administered by the Bureau of Reclamation (BOR) must enter into a lease contract with BOR or obtain a license from the Federal Energy Regulatory Commission (FERC). The regulatory jurisdiction of each reservoir was previously negotiated by the agencies to ensure that nonfederal entities seeking to develop hydropower at a BOR reservoir would be subject to only one permitting process.

At least one project proposed by a nonfederal entity to develop pumped storage hydropower within BOR's Columbia Basin Project (CBP) in the state of Washington would need to seek permits from both agencies because it would be constructed on two reservoirs; Banks Lake would require a BOR lease contract and Lake Roosevelt reservoir would require a FERC license. (Pumped storage hydropower is a type of storage for hydroelectric energy used by electric power systems for load balancing.) Enacting H.R. 1967 would simplify the regulatory process by making BOR the sole regulatory authority for pumped storage developers that are currently subject to regulation by both BOR and FERC.

The bill also would require a nonfederal developer to negotiate an agreement with the Confederated Tribes of Colville Reservation and the Spokane Tribe of Indians of the Spokane Reservation as a condition for a BOR lease contract on CBP facilities. The agreement would establish the terms for interactions between the developer and tribes. The plan would involve preparing studies to analyze the potential adverse effects of the project on annual payments due to the tribes under their respective settlements; on hunting, fishing, and boating rights of the Tribes; and on the environment. The bulk of the costs for that work would be incurred by the developer and any cost incurred by BOR would be paid to BOR by the developer in advance.

Enacting H.R. 1967 would increase offsetting receipts (which are recorded as reductions in direct spending) from payments the project developer would make to BOR for additional staff hours to negotiate lease agreements and to facilitate development of the planned studies and agreement between the developer and tribes. Using information from

BOR, CBO estimates that those offsetting receipts would total about \$500,000 over the 2019-2028 period; however, because BOR would spend those amounts over the same period, the net effect on direct spending would be negligible. Because enacting the bill would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

In addition, FERC recovers 100 percent of its costs, which are controlled by annual appropriations through user fees. Thus any reduction in FERC's cost resulting from shifting its licensing responsibilities to BOR would be offset by an equal change in fees, resulting in no net change in discretionary spending.

CBO estimates that enacting H.R. 1967 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 1967 contains no intergovernmental or private-sector mandates as defined in Unfunded Mandates Reform Act.

On May 31, 2017, CBO transmitted a cost estimate for H.R. 1967, the Bureau of Reclamation Pumped Storage Hydropower Development Act, as ordered reported by the House Committee on Natural Resources on April 27, 2017. CBO's estimates of the budgetary effects of implementing either piece of legislation are similar; however, CBO estimates the Senate version would affect direct spending.

The CBO staff contact for this estimate is Aurora Swanson. The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.