



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 22, 2009

### **H.R. 2008** **Bonneville Unit Clean Hydropower Facilitation Act**

*As introduced in the U.S. House of Representatives on April, 21, 2009*

#### **SUMMARY**

H.R. 2008 would reduce the amounts that developers of hydropower resources at the Diamond Fork project in Utah 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. H.R. 2008 would effectively eliminate that obligation. Instead, sponsors would be required to pay certain annual fees, which are estimated to total about \$400,000 a year, adjusted for inflation.

CBO expects that enactment of H.R. 2008 would lead to the development of hydropower facilities by a nonfederal entity within a few years, sooner than expected under current law.

Because we expect that the hydroelectric facility would be financed with bonds exempt from federal taxation, the Joint Committee on Taxation (JCT) estimates that enacting H.R. 2008 would result in a revenue loss to the federal government totaling about \$9 million over the 2010-2019 period. In addition, CBO estimates that the government would receive payments from the hydropower developer of about \$2 million over that period. On balance, enacting the legislation would increase federal deficits over the next 10 years by around \$7 million.

H.R. 2008 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 estimated budgetary impact of H.R. 2008 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars <sup>a</sup>										2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014	2019
<b>CHANGES IN DIRECT SPENDING</b>												
Estimated Budget Authority	0	0	0	0	0	*	*	*	*	*	0	-2
Estimated Outlays	0	0	0	0	0	*	*	*	*	*	0	-2
<b>CHANGES IN REVENUES</b>												
Estimated Revenues <sup>a</sup>	0	*	-1	-1	-1	-1	-1	-1	-1	-1	-3	-9
<b>NET CHANGE IN BUDGET DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES</b>												
Change in Deficit <sup>b</sup>	0	*	1	1	1	1	1	1	1	1	3	7

Note: Components may not sum to totals because of rounding. \* = between -\$500,000 and \$500,000.

a. Provided by the Joint Committee on Taxation.

b. Positive numbers indicate an increase in the budget deficit.

## 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. 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 lowering the required annual payment to the Treasury would encourage nonfederal entities to pursue development of the hydropower resources at Diamond Fork. Assuming that H.R. 2008 is enacted near the end of 2009, 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 2015. In that case, the government would collect payments from the project developer totaling about \$400,000 a year (adjusted for inflation) for the life of the project.

Based on information from the bureau, CBO estimates that construction of hydroelectric facilities at Diamond Fork would cost around \$60 million. Because public entities are given preference over private firms to compete for the development rights to federal water projects, CBO expects that investment in the Diamond Fork facility would be financed using bonds that are exempt from federal taxation. One other hydroelectric project at a federal water facility in the region was also developed using tax-exempt bonds. JCT estimates that the added tax-exempt borrowing that would occur as a result of H.R. 2008 would lead to a revenue loss of about \$1 million a year, starting in 2011 when we expect that financing for the project would begin. JCT estimates that revenue loss would total \$9 million over the 2010-2019 period and would continue for the duration of the bonds (30 years).

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

H.R. 2008 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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