



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 23, 2009

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

*As ordered reported by the House Committee on Natural Resources  
on September 10, 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, beginning in 2015.

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. In addition, CBO estimates that the government would receive payments from the hydropower developer of about \$2 million over the 2010-2019 period.

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 costs of this legislation fall within budget function 300 (natural resources and environment). CBO estimates that enacting this bill would increase offsetting receipts (a credit against direct spending) by \$400,000 a year over the 2015-2019 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. 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 H.R. 2008 is enacted near the end of 2009, 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 2015. 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.

## **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.

## **PREVIOUS CBO ESTIMATE**

On June 22, 2009, CBO transmitted a cost estimate for H.R. 2008 as introduced in the House of Representatives on April 21, 2009. While the two versions of the bill are similar, in the cost estimate for the introduced bill, the Joint Committee on Taxation estimated that the use of tax-exempt financing to develop the Diamond Fork project would result in a loss of \$9 million in federal revenues over the 2010-2019 period. The version of H.R. 2008 that was ordered reported by the House Committee on Natural Resources would prohibit the use of tax-exempt financing to develop this project.

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