



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 5, 2008

S. 2974 **Arkansas Valley Conduit Act of 2008**

*As reported by the Senate Committee on Energy and Natural Resources
on September 16, 2008*

CBO estimates that enacting S. 2974 would have no significant effect on the federal budget over the 2009-2018 period. S. 2974 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

Under current law, about \$2 million a year is collected from entities that pay to use excess capacity of facilities at the Fryingpan-Arkansas Water Project in Colorado; those funds are credited toward repayment of the project's capital costs and are expected to increase to \$4 million a year within the next two years. Capital costs of the Fryingpan-Arkansas Project are scheduled to be repaid by water users after 2018, and crediting charges for excess capacity to that repayment obligation would more quickly retire those capital costs. S. 2974 would authorize the receipts derived from using this excess capacity to instead be considered as an offset against certain capital costs of the Ruedi Dam and Reservoir and the South Outlet Works at the Pueblo Dam in Colorado.

Based on information from the Bureau of Reclamation, CBO expects that authorizing those receipts to be credited toward the capital costs of the Ruedi Dam and Reservoir instead of the Fryingpan-Arkansas Project would not change the level of receipts collected by the government. Ruedi Dam was constructed in 1968 and to date, none of its capital costs have been repaid by water users, and no repayments are anticipated under current law. Similarly, a portion of the capital costs of the South Outlet Works at Pueblo Dam has not been repaid by its project users and no further repayment is anticipated under current law.

After 2018 when the receipts from using the excess capacity at the Fryingpan-Arkansas Project have fully repaid the capital costs of the Ruedi Dam and Reservoir and the South Outlet Works at Pueblo Dam, S. 2974 would authorize those annual receipts to be credited toward the capital costs of the planned Arkansas Valley Conduit, also in Colorado.

The estimated cost of building the Arkansas Valley Conduit is about \$300 million, and if funds are appropriated by the Congress to build the project, its beneficiaries would be required under current law to reimburse the federal government for the entire cost of the project. S. 2974 would change the cost-sharing arrangements for the planned project and reduce the obligation to pay for the entire cost of the Arkansas Valley Conduit.

By authorizing the use of excess receipts from the Fryingpan-Arkansas Project as an offset for a portion of the capital costs of the Arkansas Valley Conduit, S. 2974 would result in a reduction of receipts that would otherwise be paid by the users of the Arkansas Valley Conduit. However, that loss would only occur if funds are appropriated to construct the Arkansas Valley Conduit and would not begin until construction is complete after 2018. Hence, enacting this provision would not affect offsetting receipts over the 2009-2018 period.

The CBO staff contact for this estimate is Tyler Kruzich. This estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.