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PREPAYMENT OF REPAYMENT CONTRACT BETWEEN THE UNITED STATES AND THE UINTAH WATER CONSER- VANCY DISTRICT

MARCH 2, 2010.—Ordered to be printed

Mr. BINGAMAN, from the Committee on Energy and Natural
Resources, submitted the following

R E P O R T

[To accompany S. 1757]

The Committee on Energy and Natural Resources, to which was referred the bill (S. 1757) to provide for the prepayment of a repayment contract between the United States and the Uintah Water Conservancy District, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSE

The purpose of S. 1757 is to provide for the prepayment of a repayment contract between the United States and the Uintah Water Conservancy District in the State of Utah.

BACKGROUND AND NEED

The Uintah Water Conservancy District operates and maintains the Vernal and Jensen Units of the Central Utah Project, which was authorized as part of the Colorado River Storage Project Act of 1956. The district entered into a repayment contract dated June 3, 1976, requiring the repayment of the costs associated with the construction of the Jensen Unit. In 1992, the contract was amended to reduce the project water supply from 18,000 acre-feet per year to 2,000 acre-feet per year. S. 1757 is necessary in order to allow prepayment of the repayment obligations in the amended contract. According to the district, prepayment of the contract will substantially reduce the cost of water to the district. S. 1757 requires certain conditions to be met, including that the Bureau of Reclamation

must receive the present value of the full amount that would be due without any early repayment and that the total repayment must be made by September 30, 2019.

LEGISLATIVE HISTORY

Senator Bennett introduced S. 1757 on October 6, 2009. The subcommittee on Water and Power held a hearing on S. 1757 on November 5, 2009. At its business meeting on December 16, 2009, the Committee on Energy and Natural Resources ordered S. 1757 favorably reported without amendment. On September 29, 2009, the companion measure, H.R. 2950, sponsored by Representative Matheson, passed the House by voice vote.

COMMITTEE RECOMMENDATION

The Committee on Energy and Natural Resources, in open business session on December 16, 2009, by voice vote of a quorum present, recommends that the Senate pass S. 1757.

SECTION-BY-SECTION ANALYSIS

Section 1 authorizes the Secretary of the Interior to allow for prepayment of the repayment contract no. 6–05–01–00143 between the United States and the Uintah Water Conservancy District dated June 3, 1976, as supplemented and amended, under terms and conditions similar to those used in implementing section 210 of the Central Utah Project Completion Act (Public Law 102–575), as amended, and identifies certain additional conditions that must be met.

COST AND BUDGETARY CONSIDERATIONS

The following estimate of costs of this measure has been provided by the Congressional Budget Office:

S. 1757—To provide for the prepayment of a repayment contract between the United States and the Uintah Water Conservancy District, and for other purposes

S. 1757 would authorize the Uintah Water Conservancy District in Utah to prepay the net present value of certain amounts the district owes to the U.S. Treasury for its share of the cost to build the Jensen Unit of the Central Utah Project. Under current law, the district is expected to make annual payments totaling about \$5 million over the 2010–2020 period and about \$12 million more after 2020.

Based on information from the Bureau of Reclamation, CBO estimates that enacting S. 1757 would result in two payments from the district of about \$4 million in 2010 and \$6 million in 2016. Following those payments, the district would no longer make annual payments to the Treasury. The net effect of those changes would be an increase in offsetting receipts (a credit against direct spending) totaling \$2 million over the 2010–2015 period and \$4 million over the 2010–2020 period.¹ Over the 2010–2037 period the bill

¹The time periods for enforcing pay-as-you-go rules under the current budget resolution are different. CBO estimates that enacting S. 1757 would reduce direct spending by \$2 million over the 2010–2014 period and would reduce direct spending by \$5 million over the 2010–2019 period.

would result in a net loss in offsetting receipts totaling about \$7 million. Enacting the legislation would not affect revenues.

For this estimate, CBO assumes that S. 1757 will be enacted near the middle of fiscal year 2010. The bill would allow the district to repay the costs by the end of fiscal year 2019 but requires payment of costs currently allocated to the project as well as those expected to be included in the project's final cost allocation. Based on information from the district, CBO expects that the district would make one payment after enactment of the bill for costs already allocated to the project and another payment in 2016 when the final cost allocation is expected to be completed. For this estimate, CBO used its projection of the 30-year Treasury rate for the discount rate to calculate the district's estimated payment in 2010 (4.68 percent) and in 2016 (5.79 percent).

S. 1757 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.

On September 28, 2009, CBO transmitted a cost estimate for H.R. 2950, a bill to allow prepayment of certain repayment contracts between the United States and the Uintah Water Conservancy District, as ordered reported by the House Committee on Natural Resources on September 10, 2009. The two pieces of legislation are the same.

However, CBO's cost estimate for S. 1757 differs from the estimate prepared for H.R. 2950 because new information from the Bureau of Reclamation indicates that the final cost allocation for the Uintah project will not be completed until 2015 instead of 2010, as assumed in the CBO cost estimate for H.R. 2950.

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

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out S. 1757.

The bill is not a regulatory measure in the sense of imposing Government-established standards or significant economic responsibilities on private individuals and businesses.

No personal information would be collected in administering the program. Therefore, there would be no impact on personal privacy.

Little, if any, additional paperwork would result from the enactment of S. 1757, as ordered reported.

CONGRESSIONALLY DIRECTED SPENDING

S. 1757, as ordered reported, does not contain any congressionally directed spending items, limited tax benefits, or limited tariff benefits as defined in rule XLIV of the Standing Rules of the Senate.

EXECUTIVE COMMUNICATIONS

STATEMENT OF MICHAEL L. CONNOR, COMMISSIONER,
BUREAU OF RECLAMATION, DEPARTMENT OF THE INTERIOR

Madam Chairwoman and members of the Subcommittee, I am Mike Connor, Commissioner of the Bureau of Reclamation. Thank you for the opportunity to provide the Department of the Interior's views on S. 1757. The legislation allows for prepayment of the current and future repayment contract obligations of the Uintah Water Conservancy District (District) of the costs allocated to their municipal and industrial water (M&I) supply on the Jensen Unit of the Central Utah Project (CUP) and provides that the prepayment must result in the United States recovering the net present value of all repayment streams that would have been payable to the United States if S. 1757 were not enacted. S. 1757 would amend current law to change the date of repayment to 2019 from 2037. The legislation would also allow repayment to be provided in several installments and requires that the repayment be adjusted to conform to a final cost allocation. The Department supports S. 1757.

The District entered into a repayment contract dated June 3, 1976, in which they agreed to repay all reimbursable costs associated with the Jensen Unit of the CUP. However, pursuant to Section 203(g) of the Central Utah Project Completion Act of 1992 (P.L. 102-575) the District's contract was amended in 1992 to reduce the project M&I supply under repayment to 2,000 acre-feet annually and to temporarily fix repayment for this supply based upon an interim allocation developed for an uncompleted project. The 1992 contract required the District to repay about \$5.545 million through the year 2037 at the project interest rate of 3.222% with annual payments of \$226,585. The net present value of the amount remaining from this income stream starting in 2009 is \$4,028,443.¹

However, the costs allocated to the contracted M&I supply, and the M&I supply available through additional contract amendments, may be significantly revised in the future upon project completion and Final Cost Allocation. An additional currently unallocated cost of \$7,419,513 is expected to be allocated to the contracted 2,000 acre-feet.² These are the costs that paragraph 3 of S. 1757 requires to be included in the prepayment. Assuming that the costs allocated to the contracted 2,000 acre-feet will be increased by \$7,419,513 with the reallocation in 2019, the net present value of the stream of benefits from this reallocation is \$4,924,701. Therefore, under Reclamation's assumptions, the net present value of the total stream of benefits anticipated under this contract is \$4,924,701 plus

¹All net present value figures cited in this testimony were calculated by discounting the payment stream to the year 2009 using the rate from 30-year Treasury constant maturities for the week ending October 9, 2009. The exact net present value will fluctuate based on the date of the calculation and the Treasury rate.

²This allocation will be subject to revision should there be additions to the project.

\$4,028,443, or \$8,953,144. The contracted M&I amount is \$4.1 million and the adjustment amount is \$7.4 million. In total non-discounted dollars, the Conservancy District owes the Federal government \$11.6 million.

Under Reclamation law, water districts are not authorized to prepay their M&I repayment obligation based upon a discounted value of their remaining annual payments.

This legislation would authorize early repayment by the Uintah Conservancy District to the Federal government. Because there is an interest component to the M&I repayment streams to be repaid early, early repayment without an adjustment for interest would result in lower overall repayment to the United States. To keep the United States whole, the Bureau of Reclamation would collect the present value of the whole amount that would be due without early repayment. Thus, given Reclamation's assumptions the present value of the payments collected under this legislation will be at least \$8,953,144, although the legislation allows some flexibility in the timing of the repayment and under some scenarios the total amount due could be higher.

The language in S. 1757 has been amended from the language contained in an earlier version of this legislation, H.R. 2950. The amended language clarifies that this legislation requires that the Federal government be paid what it is owed by the Conservancy District. Because the United States supports the goals of providing for early repayment under this contract, and S. 1757 clearly establishes that early repayment under this legislation must be of an amount equal to the net present value of the foregone revenue stream, the Department supports this legislation.

This concludes my testimony. I will be pleased to answer any questions.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the Committee notes that no changes in existing law are made by S. 1757, as ordered reported.

