

**Calendar No. 552**

106<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

**S. 2557**

To protect the energy security of the United States and decrease America's dependency on foreign oil sources to 50 percent by the year 2010 by enhancing the use of renewable energy resources, conserving energy resources, improving energy efficiencies, and increasing domestic energy supplies, mitigating the effect of increases in energy prices on the American consumer, including the poor and elderly, and for other purposes.

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**IN THE SENATE OF THE UNITED STATES**

MAY 16, 2000

Mr. LOTT (for himself, Mr. MURKOWSKI, and Mr. VOINOVICH) introduced the following bill; which was read the first time

MAY 17, 2000

Read the second time and placed on the calendar

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**A BILL**

To protect the energy security of the United States and decrease America's dependency on foreign oil sources to 50 percent by the year 2010 by enhancing the use of renewable energy resources, conserving energy resources, improving energy efficiencies, and increasing domestic energy supplies, mitigating the effect of increases in energy prices on the American consumer, including the poor and elderly, and for other purposes.

1        *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4        This Act may be cited as the “National Energy Secu-  
5 rity Act of 2000”.

6 **SEC. 2. FINDINGS AND PURPOSES.**

7        (a) FINDINGS.—The Congress finds that—

8            (1) increasing dependence on foreign sources of  
9            oil causes systemic harm to all sectors of the domes-  
10            tic United States economy, threatens national secu-  
11            rity, undermines the ability of federal, state, and  
12            local units of government to provide essential serv-  
13            ices, and jeopardizes the peace, security, and welfare  
14            of the American people;

15            (2) dependence on imports of foreign oil was 46  
16            percent in 1992, but has risen to more than 55 per-  
17            cent by the beginning of 2000, and is estimated by  
18            the Department of Energy to rise to 65 percent by  
19            2020 unless current policies are altered;

20            (3) at the same time, despite increased energy  
21            efficiencies, energy use in the United States is ex-  
22            pected to increase 27 percent by 2020.

23            (4) the United States lacks a comprehensive na-  
24            tional energy policy and has taken actions that limit

1 the availability and capability of the domestic energy  
2 sources of oil and gas, coal, nuclear and hydro;

3 (5) a comprehensive energy strategy needs to be  
4 developed to combat this trend, decrease the United  
5 States dependence on imported oil supplies and  
6 strengthen our national energy security;

7 (6) the goal of this comprehensive strategy  
8 must be to decrease the United States dependence  
9 on foreign oil supplies to not more than 50 percent  
10 by the year 2010;

11 (7) in order to meet this goal, this comprehen-  
12 sive energy strategy needs to be multi-faceted and  
13 include enhancing the use of renewable energy re-  
14 sources (including hydro, nuclear, solar, wind, and  
15 biomass), conserving energy resources (including im-  
16 proving energy efficiencies), and increasing domestic  
17 supplies of nonrenewable resources (including oil,  
18 natural gas, and coal);

19 (8) however, conservation efforts and alter-  
20 native fuels alone will not enable America to meet  
21 this goal as conventional energy sources supply 96  
22 percent of America's power at this time; and

23 (9) immediate actions also need to be taken in  
24 order to mitigate the effect of recent increases in oil

1 prices on the American consumer, including the poor  
2 and the elderly.

3 (b) PURPOSES.—This purposes of this Act are to pro-  
4 tect the energy security of the United States by decreasing  
5 America’s dependency of foreign oil sources to not more  
6 than 50 percent by the year 2010 by enhancing the use  
7 of renewable energy resources, conserving energy re-  
8 sources (including improving energy efficiencies), and in-  
9 creasing domestic energy supplies and to mitigate the im-  
10 mediate effect of increases in energy prices on the Amer-  
11 ican consumer, including the poor and the elderly.

12 **TITLE I—ENERGY SECURITY AC-**  
13 **TIONS REQUIRED OF THE**  
14 **SECRETARY OF ENERGY**

15 **SEC. 101. ANNUAL REPORT ON UNITED STATES ENERGY**  
16 **INDEPENDENCE.**

17 (a) REPORT.—Beginning on October 1, 2000, and  
18 annually thereafter, the Secretary of Energy, in consulta-  
19 tion with the Secretary of Defense and the heads of other  
20 Federal agencies, shall submit a report to the President  
21 and the Congress which evaluates the progress the United  
22 States has made toward obtaining the goal of not more  
23 than 50 percent dependence on foreign oil sources by  
24 2010. The Secretary shall adopt as interim goals, a reduc-

1 tion in dependence on oil imports to not more than 54  
2 percent by 2005 and 52 percent by 2008.

3 (b) ALTERNATIVES.—The report shall specify what  
4 specific legislation or administrative actions must be im-  
5 plemented to meet this goal and set forth a range of op-  
6 tions and alternatives with a benefit/cost analysis for each  
7 option or alternative together with an estimate for the con-  
8 tribution that each option or alternative could make to re-  
9 duce foreign oil imports. The report shall indicate, in de-  
10 tail, options and alternatives (1) to increase the use of re-  
11 newable domestic energy sources, including conventional  
12 and non-conventional sources such as, but not limited to,  
13 increased hydroelectric generation at existing Federal fa-  
14 cilities, (2) to conserve energy resources, including improv-  
15 ing efficiencies and decreasing consumption, and (3) to in-  
16 crease domestic production and use of oil, natural gas, and  
17 coal, including any actions that would need to be imple-  
18 mented to provide access to, and transportation of, these  
19 energy resources.

20 (c) REFINERY CAPACITY.—As part of the reports  
21 submitted in 2000, 2005, and 2008, the Secretary shall  
22 examine and report on the condition of the domestic refin-  
23 ery industry and the extent of domestic storage capacity  
24 for various categories of petroleum products and make  
25 such recommendations as he believes will enhance domes-

1 tie capabilities to respond to short-term shortages of var-  
2 ious fuels due to climate or supply interruptions.

3 **SEC. 102. REPORT OF THE NATIONAL PETROLEUM COUN-**  
4 **CIL.**

5 The Secretary of Energy shall immediately review the  
6 report of the National Petroleum Council submitted to  
7 him on December 15, 1999, and shall submit such report,  
8 together with any recommendations for administrative or  
9 legislative actions, to the President no later than June 15,  
10 2000.

11 **SEC. 103. INTERAGENCY WORK GROUP ON NATURAL GAS.**

12 (a) INTERAGENCY WORK GROUP.—The Secretary of  
13 Energy shall establish an Interagency Work Group on  
14 Natural Gas (referred to as “Group” in this subsection)  
15 within the National Economic Council. The Group shall  
16 include representatives from each Federal agency that has  
17 a significant role in the development and implementation  
18 of natural gas policy, resource assessment, or technologies  
19 for natural gas exploration, production, transportation,  
20 and use.

21 (b) STRATEGY AND COMPREHENSIVE POLICY.—The  
22 Group shall develop a strategy and comprehensive policy  
23 for the use of natural gas as an essential component of  
24 overall national objectives of energy security, economic  
25 growth, and environmental protection. In developing the

1 strategy and policy, the Group shall solicit and consider  
2 suggestions from States and local units of government, in-  
3 dustry, and other non-Federal groups, organizations, or  
4 individuals possessing information or expertise in one or  
5 more areas under review by the Group. The policy shall  
6 recognize the significant lead times required for the devel-  
7 opment of additional natural gas supplies and the delivery  
8 infrastructure required to transport those supplies. The  
9 Group shall consider, but is not limited to, issues of access  
10 to and development of resources, transportation, tech-  
11 nology development, environmental regulation and the as-  
12 sociated economic and environmental costs of alternatives,  
13 education of future workforce, financial incentives related  
14 to exploration, production, transportation, development,  
15 and use of natural gas.

16 (c) REPORT.—The Group shall prepare a report set-  
17 ting forth its recommendations on a comprehensive policy  
18 for the use of natural gas and the specific elements of a  
19 national strategy to achieve the objectives of the policy.  
20 The report shall be transmitted to the Secretary of Energy  
21 within six months from the date of the enactment of this  
22 Act.

23 (d) SECRETARY REVIEW.—The Secretary of Energy  
24 shall review the report and, within 3 months, submit the  
25 report, together with any recommendations for adminis-

1 trative or legislative actions, to the President and the Con-  
2 gress.

3 (e) TRENDS.—The Group shall monitor trends for  
4 the assumptions used in developing its report, including  
5 the specific elements of a national strategy to achieve the  
6 objectives of the comprehensive policy and shall advise the  
7 Secretary whenever it anticipates changes that might re-  
8 quire alterations in the strategy.

9 (f) PROGRESS REPORT.—On June 1, 2002, and every  
10 two years thereafter, the Group shall submit a report to  
11 the President and the Congress evaluating the progress  
12 that has been made in the prior two years in implementing  
13 the strategy and accomplishing the objectives of the com-  
14 prehensive policy.

15 **TITLE II—AMENDMENTS TO EN-**  
16 **ERGY POLICY AND CON-**  
17 **SERVATION ACT AND AC-**  
18 **TIONS AFFECTING THE STRA-**  
19 **TEGIC PETROLEUM RESERVE**

20 **SEC. 201. AMENDMENTS TO TITLE I OF EPCA.**

21 Title I of the Energy Policy and Conservation Act  
22 (42 U.S.C. 6211–6251) is amended—

- 23 (1) in section 161(h) (42 U.S.C. 6241), by—  
24 (A) striking “and” at the end of (1)(A),



1 (B) striking “,” and inserting “; and” at  
2 the end of (1)(B), and

3 (C) inserting after paragraph (B) the fol-  
4 lowing new paragraph:

5 “(C) concurs in the determination of the  
6 Secretary of Defense that action taken under  
7 this subsection will not impair national secu-  
8 rity.”, and

9 (D) striking “Reserve” and inserting “Re-  
10 serve, if the Secretary finds that action taken  
11 under this subsection will not have an adverse  
12 effect on the domestic petroleum industry.” at  
13 the end of (1).;

14 (2) in section 166 (42 U.S.C. 6246), by striking  
15 “March 31, 2000” and inserting “December 31,  
16 2003”; and

17 (3) in section 181 (42 U.S.C. 6251), by striking  
18 “March 31, 2000” each place it appears and insert-  
19 ing “December 31, 2003”.

20 **SEC. 202. AMENDMENTS TO TITLE II OF EPCA.**

21 Title II of the Energy Policy and Conservation Act  
22 (42 U.S.C. 6261–6285) is amended—

23 (1) in section 256(h) (42 U.S.C. 6276(h)), by  
24 inserting “through 2003” after “1997”; and

1           (2) in section 281 (42 U.S.C. 6285), by striking  
2           ‘March 31, 2000’ each place it appears and inserting  
3           “December 31, 2003”.

4 **SEC. 203. STRATEGIC PETROLEUM RESERVE STUDY AND**  
5 **REPORT.**

6           The President shall immediately establish an Inter-  
7 agency Panel on the Strategic Petroleum Study (referred  
8 to as the “Panel” in this section) to study oil markets  
9 and estimate the extent and frequency of fluctuations in  
10 the supply and price of, and demand for crude oil in the  
11 future and determine appropriate capacity of and uses for  
12 the Strategic Petroleum Reserve. The Panel may rec-  
13 ommend changes in existing authorities to provide addi-  
14 tional flexibility for and strengthen the ability of the Stra-  
15 tegic Petroleum Reserve to respond to energy require-  
16 ments. The Panel shall complete its study and submit a  
17 report containing its findings and any recommendations  
18 to the President and the Congress within six months from  
19 the date of enactment of this Act.

1 **TITLE III—PROVISIONS TO PRO-**  
2 **TECT CONSUMERS AND LOW**  
3 **INCOME FAMILIES AND EN-**  
4 **COURAGE ENERGY EFFI-**  
5 **CIENCIES**

6 **SEC. 301. CHANGES IN WEATHERIZATION PROGRAM TO**  
7 **PROTECT LOW-INCOME PERSONS.**

8 (a) The matter under the heading “ENERGY CON-  
9 SERVATION (INCLUDING TRANSFER OF FUNDS)” in title II  
10 of the Department of the Interior and Related Agencies  
11 Appropriations Act, 2000 (113 Stat. 1535, 1501A–180),  
12 is amended by striking “grants:” and all that follows and  
13 inserting “grants.”.

14 (b) Section 415 of the Energy Conservation and Pro-  
15 duction Act (42 U.S.C. 6865) is amended—

16 (1) in subsection (a)(1) by striking the first  
17 sentence;

18 (2) in subsection (a)(2) by—

19 (A) striking “(A)”,

20 (B) striking “approve a State’s application  
21 to waive the 40 percent requirement established  
22 in paragraph (1) if the State includes in its  
23 plan” and inserting “establish”, and

24 (C) striking subparagraph (B);

25 (3) in subsection (c)(1) by—

1 (A) striking “paragraphs (3) and (4)” and  
2 inserting “paragraph (3)”,

3 (B) striking “\$1600” and inserting  
4 “\$2500”,

5 (C) striking “and” at the end of subpara-  
6 graph (C),

7 (D) striking the period and inserting  
8 “, and” in subparagraph (D), and

9 (E) inserting after subparagraph (D) the  
10 following new subparagraph:

11 “(E) the cost of making heating and cool-  
12 ing modifications, including replacement”;

13 (4) in subsection (c)(3) by—

14 (A) striking “1991, the \$1600 per dwelling  
15 unit limitation” and inserting “2000, the \$2500  
16 per dwelling unit average”,

17 (B) striking “limitation” and inserting “aver-  
18 age” each time it appears, and

19 (C) inserting “the” after “beginning of” in  
20 subparagraph (B); and

21 (5) by striking subsection (c)(4).

22 **SEC. 302. SUMMER FILL AND FUEL BUDGETING PROGRAMS.**

23 (a) Part C of title II of the Energy Policy and Con-  
24 servation Act (42 U.S.C. 6211 et seq.) is amended by add-  
25 ing at the end the following:

1 **“SEC. 273. SUMMER FILL AND FUEL BUDGETING PRO-**  
2 **GRAMS.**

3 “(a) DEFINITIONS.—In this section:

4 “(1) BUDGET CONTRACT.—The term ‘budget  
5 contract’ means a contract between a retailer and a  
6 consumer under which the heating expenses of the  
7 consumer are spread evenly over a period of months.

8 “(2) FIXED-PRICE CONTRACT.—The term  
9 ‘fixed-price contract’ means a contract between a re-  
10 tailer and a consumer under which the retailer  
11 charges the consumer a set price for propane, ker-  
12 osene, or heating oil without regard to market price  
13 fluctuations.

14 “(3) PRICE CAP CONTRACT.—The term ‘price  
15 cap contract’ means a contract between a retailer  
16 and a consumer under which the retailer charges the  
17 consumer the market price for propane, kerosene, or  
18 heating oil, but the cost of the propane, kerosene, or  
19 heating oil may not exceed a maximum amount stat-  
20 ed in the contract.

21 “(b) ASSISTANCE.—At the request of the chief execu-  
22 tive officer of a State, the Secretary shall provide informa-  
23 tion, technical assistance, and funding—

24 “(1) to develop education and outreach pro-  
25 grams to encourage consumers to fill their storage

1 facilities for propane, kerosene, and heating oil dur-  
2 ing the summer months; and

3 “(2) to promote the use of budget contracts,  
4 price cap contracts, fixed-price contracts, and other  
5 advantageous financial arrangements;

6 to avoid severe seasonal price increases for and supply  
7 shortages of those products.

8 “(c) PREFERENCE.—In implementing this section,  
9 the Secretary shall give preference to States that con-  
10 tribute public funds or leverage private funds to develop  
11 State summer fill and fuel budgeting programs.

12 “(d) AUTHORIZATION OF APPROPRIATIONS.—There  
13 are authorized to be appropriated to carry out this  
14 section—

15 “(1) \$25,000,000 for fiscal year 2001; and

16 “(2) such sums as are necessary for each fiscal  
17 year thereafter.

18 “(e) INAPPLICABILITY OF EXPIRATION PROVISION.—  
19 Section 281 does not apply to this section.”.

20 (b) The table of contents in the first section of the  
21 Energy Policy and Conservation Act (42 U.S.C. prec.  
22 6201) is amended by inserting after the item relating to  
23 section 272 the following:

“Sec. 273. Summer fill and fuel budgeting programs.”.

1 **SEC. 303. ENERGY EFFICIENCY SCIENCE INITIATIVE.**

2       There are authorized to be appropriated \$25,000,000  
3 for fiscal year 2001 and such sums as are necessary for  
4 each fiscal year thereafter be for an Energy Efficiency  
5 Science Initiative to be managed by the Assistant Sec-  
6 retary for Energy Efficiency and Renewable Energy in  
7 consultation with the Director of the Office of Science, for  
8 grants to be competitively awarded and subject to peer re-  
9 view for research relating to energy efficiency. The Sec-  
10 retary of Energy shall submit to the Committee on Science  
11 and the Committee on Appropriations of the House of  
12 Representatives, and to the Committee on Energy and  
13 Natural Resources and the Committee on Appropriations  
14 of the Senate, an annual report on the activities of the  
15 Energy Efficiency Science Initiative, including a descrip-  
16 tion of the process used to award the funds and an expla-  
17 nation of how the research relates to energy efficiency.

18 **SEC. 304. NORTHEAST HOME HEATING OIL RESERVE.**

19       (a) AMENDMENT.—Title I of the Energy Policy and  
20 Conservation Act is amended by—

21           (1) redesignating part D as part E;

22           (2) redesignating section 181 as section 191;

23       and

24           (3) inserting after part C the following new  
25       part D—

1       **“PART D—NORTHEAST HOME HEATING OIL**

2                               **RESERVE**

3                                       “ESTABLISHMENT

4           “SEC. 181. (a) Notwithstanding any other provision  
5 of this Act, the Secretary may establish, maintain, and  
6 operate in the Northeast, a Northeast Home Heating Oil  
7 Reserve. A Reserve established under this part is not a  
8 component of the Strategic Petroleum Reserve established  
9 under part B of this title. A Reserve established under  
10 this part shall contain no more than 2 million barrels of  
11 petroleum distillate.

12           “(b) For the purposes of this part—

13                       “(1) the term ‘Northeast’ means the States of  
14 Maine, New Hampshire, Vermont, Massachusetts,  
15 Connecticut, Rhode Island, New York, Pennsylvania,  
16 and New Jersey; and

17                       “(2) the term ‘petroleum distillate’ includes  
18 heating oil and diesel fuel.

19                                       “AUTHORITY

20           “SEC. 182. To the extent necessary or appropriate  
21 to carry out this part, the Secretary may—

22                       “(1) purchase, contract for, lease, or otherwise  
23 acquire, in whole or in part, storage and related fa-  
24 cilities, and storage services;



1           “(2) use, lease, maintain, sell, or otherwise dis-  
2           pose of storage and related facilities acquired under  
3           this part;

4           “(3) acquire by purchase, exchange (including  
5           exchange of petroleum product from the Strategic  
6           Petroleum Reserve or received as royalty from Fed-  
7           eral lands), lease, or otherwise, petroleum distillate  
8           for storage in the Northeast Home Heating Oil Re-  
9           serve;

10           “(4) store petroleum distillate in facilities not  
11           owned by the United States;

12           “(5) sell, exchange, or otherwise dispose of pe-  
13           troleum distillate from the Reserve established under  
14           this part; and

15           “(6) notwithstanding paragraph (5), on terms  
16           the Secretary considers reasonable, sell, exchange, or  
17           otherwise dispose of petroleum distillate from the  
18           Reserve established under this part in order to  
19           maintain the quality or quantity of the petroleum  
20           distillate in the Reserve or to maintain the oper-  
21           ational capability of the Reserve.

22           “CONDITIONS FOR RELEASE; PLAN

23           “SEC. 183. (a) The Secretary may release petroleum  
24           distillate from the Reserve under section 182(5) only in  
25           the event of—

26           “(1) a severe energy supply disruption;

1           “(2) a severe price increase; or

2           “(3) another emergency affecting the North-  
3 east, which the President determines to merit a re-  
4 lease from the Reserve.

5           “(b) Within 45 days of the date of the enactment of  
6 this section, the Secretary shall transmit to the President  
7 and, if the President approves, to the Congress a plan  
8 describing—

9           “(1) the acquisition of storage and related fa-  
10 cilities or storage services for the Reserve;

11           “(2) the acquisition of petroleum distillate for  
12 storage in the Reserve;

13           “(3) the anticipated methods of disposition of  
14 petroleum distillate from the Reserve; and

15           “(4) the estimated costs of establishment, main-  
16 tenance, and operation of the Reserve.

17 The storage of petroleum distillate in a storage facility  
18 that meets existing environmental requirements is not a  
19 ‘major Federal action significantly affecting the quality of  
20 the human environment’ as that term is used in section  
21 102(2)(C) of the National Environmental Policy Act of  
22 1969.

23       “NORTHEAST HOME HEATING OIL RESERVE ACCOUNT

24       “SEC. 184. (a) Upon a decision of the Secretary of  
25 Energy to establish a Reserve under this part, the Sec-  
26 retary of the Treasury shall establish in the Treasury of

1 the United States an account known as the ‘Northeast  
2 Home Heating Oil Reserve Account’ (referred to in this  
3 section as the ‘Account’).

4 “(b) The Secretary of the Treasury shall deposit in  
5 the Account any amounts appropriated to the Account and  
6 any receipts from the sale, exchange, or other disposition  
7 of petroleum distillate from the Reserve.

8 “(c) The Secretary of Energy may obligate amounts  
9 in the Account to carry out activities under this part with-  
10 out the need for further appropriation, and amounts avail-  
11 able to the Secretary of Energy for obligation under this  
12 section shall remain available without fiscal year limita-  
13 tion.

14 “EXEMPTIONS

15 “SEC. 185. An action taken under this part—

16 “(1) is not subject to the rulemaking require-  
17 ments of section 523 of this Act, section 501 of the  
18 Department of Energy Organization Act, or section  
19 553 of title 5, United States Code; and

20 “(2) is not subject to laws governing the Fed-  
21 eral procurement of goods and services, including  
22 the Federal Property and Administrative Services  
23 Act of 1949 (including the Competition in Con-  
24 tracting Act) and the Small Business Act.”.

25 (b) AUTHORIZATION OF APPROPRIATIONS.—There  
26 are authorized to be appropriated such sums as may be

1 necessary to carry out part D of title I of the Energy Pol-  
2 icy and Conservation Act.

3 **TITLE IV—PROVISIONS TO EN-**  
4 **HANCE THE USE OF DOMES-**  
5 **TIC ENERGY RESOURCES**

6 **Subtitle A—Hydroelectric**  
7 **Resources**

8 **SEC. 401. USE OF FEDERAL FACILITIES.**

9 (a) The Secretary of the Interior and the Secretary  
10 of the Army shall each inventory all dams, impoundments,  
11 and other facilities under their jurisdiction.

12 (b) Based on this inventory and other information,  
13 the Secretary of the Interior and Secretary of the Army  
14 shall each submit a report to the Congress within six  
15 months from the date of enactment of this Act. Each re-  
16 port shall—

17 (1) Describe, in detail, each facility that is ca-  
18 pable, with or without modification, of producing ad-  
19 ditional hydroelectric power. For each such facility,  
20 the report shall state the full potential for the facil-  
21 ity to generate hydroelectric power, whether the fa-  
22 cility is currently generating hydroelectric power,  
23 and the costs to install, upgrade, modify, or take  
24 other actions to increase the hydroelectric generating  
25 capability of the facility. For each facility that cur-

1       rently has hydroelectric generating equipment, the  
2       report shall indicate the condition of such equip-  
3       ment, the maintenance requirements, and the sched-  
4       ule for any improvements as well as the purposes for  
5       which power is generated.

6               (2) Describe what actions are planned and un-  
7       derway to increase the hydroelectric production from  
8       facilities under his jurisdiction and shall include any  
9       recommendations the Secretary deems advisable to  
10      increase such production, reduce costs, and improve  
11      efficiency at Federal facilities, including, but not  
12      limited to, use of lease of power privilege and con-  
13      tracting with non-Federal entities for operation and  
14      maintenance.

15   **SEC. 402. EXPEDITED FERC HYDROELECTRIC LICENSING**  
16                           **PROCEDURES.**

17      The Federal Energy Regulatory Commission shall  
18      immediately undertake a comprehensive review of policies,  
19      procedures and regulations for the licensing of hydro-  
20      electric projects to determine how to reduce the cost and  
21      time of obtaining a license. The Commission shall report  
22      its findings within six months of the date of enactment  
23      to the Congress, including any recommendations for legis-  
24      lative changes.

## 1       **Subtitle B—Nuclear Resources**

### 2       **SEC. 410. NUCLEAR GENERATION.**

3           The Chairman of the Nuclear Regulatory Commis-  
4 sion shall submit a report to the Congress within six  
5 months from the date of enactment of this Act on the state  
6 of nuclear power generation and production in the United  
7 States and the potential for increasing nuclear generating  
8 capacity and production as part of this nation’s energy  
9 mix. The report shall also review the status of the reli-  
10 censing process for civilian nuclear power plants, including  
11 current and anticipated applications, and recommenda-  
12 tions for improvements in the process, including, but not  
13 limited to recommendations for expediting the process and  
14 ensuring that relicensing is accomplished in a timely man-  
15 ner.

### 16       **SEC. 411. NRC HEARING PROCEDURE.**

17           Section 189(a)(1) of the Atomic Energy Act of 1954  
18 (42 U.S.C. 2239(a)(1)) is amended by adding at the end  
19 the following—

20                       “(C) HEARINGS.—A hearing under this  
21 section shall be conducted using informal adju-  
22 dicatory procedures established under sections  
23 553 and 555 of title 5, United States Code, un-  
24 less the Commission determines that formal ad-  
25 judicatory procedures are necessary—

1 “(i) to develop a sufficient record; or

2 “(ii) to achieve fairness.”.

3 **Subtitle C—Development of a Na-**  
4 **tional Spent Nuclear Fuel Strat-**  
5 **egy**

6 **SEC. 415. FINDINGS.**

7 (a) Prior to permanent closure of the geologic reposi-  
8 tory in Yucca Mountain, Congress must determine wheth-  
9 er the spent fuel in the repository should be treated as  
10 waste subject to permanent burial or should be considered  
11 an energy resource that is needed to meet future energy  
12 requirements;

13 (b) Future use of nuclear energy may require con-  
14 struction of a second geologic repository unless Yucca  
15 Mountain can safely accommodate additional spent fuel.  
16 Improved spent fuel strategies may increase the capacity  
17 of Yucca Mountain.

18 (c) Prior to construction of any second permanent  
19 geologic repository, the nation’s current plans for perma-  
20 nent burial of spent fuel should be reevaluated.

21 **SEC. 416. OFFICE OF SPENT NUCLEAR FUEL RESEARCH.**

22 (a) ESTABLISHMENT.—There is hereby established  
23 an Office of Spent Nuclear Fuel Research (referred to as  
24 the “Office” in this section) within the Office of Nuclear  
25 Energy Science and Technology of the Department of En-

1 ergy. The Office shall be headed by the Associate Director,  
2 who shall be a member of the Senior Executive Service  
3 appointed by the Director of the Office of Nuclear Energy  
4 Science and Technology, and compensated at a rate deter-  
5 mined by applicable law.

6 (b) ASSOCIATE DIRECTOR.—The Associate Director  
7 of the Office of Spent Nuclear Fuel Research shall be re-  
8 sponsible for carrying out an integrated research, develop-  
9 ment, and demonstration program on technologies for  
10 treatment, recycling, and disposal of high-level nuclear ra-  
11 dioactive waste and spent nuclear fuel, subject to the gen-  
12 eral supervision of the Secretary. The Associate Director  
13 of the Office shall report to the Director of the Office of  
14 Nuclear Energy Science and Technology. The first such  
15 Associate Director shall be appointed within 90 days of  
16 the enactment of this Act.

17 (c) GRANT AND CONTRACT AUTHORITY.—In car-  
18 rying out his responsibilities under this section, the Sec-  
19 retary may make grants, or enter into contracts, for the  
20 purposes of the research projects and activities described  
21 in (d)(2).

22 (d)(1) DUTIES.—The Associate Director of the Office  
23 shall involve national laboratories, universities, the com-  
24 mercial nuclear industry, and other organizations to inves-  
25 tigate technologies for the treatment, recycling, and dis-



1 disposal of spent nuclear fuel and high-level radioactive  
2 waste.

3 (2) The Associate Director of the Office shall:

4 (A) develop a research plan to provide rec-  
5 ommendations by 2015;

6 (B) identify technologies for the treatment, re-  
7 cycling, and disposal of spent nuclear fuel and high-  
8 level radioactive waste;

9 (C) conduct research and development activities  
10 on such technologies;

11 (D) ensure that all activities include as key ob-  
12 jectives minimization of proliferation concerns and  
13 risk to health of the general public or site workers,  
14 as well as development of cost-effective technologies;

15 (E) require research on both reactor- and accel-  
16 erator-based transmutation systems;

17 (F) require research on advanced processing  
18 and separations;

19 (G) encourage that research efforts include par-  
20 ticipation of international collaborators;

21 (H) be authorized to fund international collabo-  
22 rators when they bring unique capabilities not avail-  
23 able in the United States and their host country is  
24 unable to provide for their support;

1 (I) ensure that research efforts with the Office  
2 are coordinated with research on advance fuel cycles  
3 and reactors conducted within the Office of Nuclear  
4 Energy Science and Technology.

5 (e) REPORT.—The Associate Director of the Office  
6 of Spent Nuclear Fuel Research shall annually prepare  
7 and submit a report to the Congress on the activities and  
8 expenditures of the Office, including the process that has  
9 been made to achieve the objectives of paragraph (b).

## 10 **Subtitle D—Coal Resources**

### 11 **SEC. 420. COAL GENERATING CAPACITY.**

12 The Secretary of Energy shall examine existing coal-  
13 fired power plants and submit a report to the Congress  
14 within six months from the enactment of this Act on the  
15 potential of such plants for increased generation and any  
16 impediments to achieving such increase. The report shall  
17 describe, in detail, options for improving the efficiency of  
18 these plants. The report shall include recommendations for  
19 a program of research, development, demonstration, and  
20 commercial application to develop economically and envi-  
21 ronmentally acceptable advanced technologies for current  
22 electricity generation facilities using coal as the primary  
23 feedstock, including commercial-scale applications of ad-  
24 vanced clean coal technologies. The report shall also in-  
25 clude an assessment of the costs to develop and dem-

1 onstrate such technologies and the time required to under-  
2 take such development and demonstration.

3 **SEC. 425. COAL LIQUEFACTION.**

4       The Secretary of Energy shall provide grants for the  
5 refinement and demonstration of new technologies for the  
6 conversion of coal to liquids. Such grants shall be for the  
7 design and construction of an indirect liquefaction plant  
8 capable of production in commercial quantities. There are  
9 authorized to be appropriated for the purpose of this sec-  
10 tion such sums as may be necessary through fiscal year  
11 2004.

12 **TITLE       V—ARCTIC       COASTAL**  
13 **PLAIN DOMESTIC ENERGY SE-**  
14 **CURITY ACT OF 2000**

15 **SEC. 501. SHORT TITLE**

16       This title may be cited as the “Arctic Coastal Plain  
17 Domestic Energy Security Act of 2000”.

18 **SEC. 502. DEFINITIONS.**

19       When used in this title the term—

20           (1) “Coastal Plain” means that area identified  
21 as such in the map entitled “Arctic National Wildlife  
22 Refuge”, dated August 1980, as referenced in sec-  
23 tion 1002(b) of the Alaska National Interest Lands  
24 Conservation Act of 1980 (16 U.S.C. 3142(b)(1))  
25 comprising approximately 1,549,000 acres; and

1           (2) “Secretary”, except as otherwise provided,  
2           means the Secretary of the Interior or the Sec-  
3           retary’s designee.

4 **SEC. 503. LEASING PROGRAM FOR LANDS WITHIN THE**  
5 **COASTAL PLAIN.**

6           (a) AUTHORIZATION.—The Congress hereby author-  
7 izes and directs the Secretary, acting through the Bureau  
8 of Land Management in consultation with the Fish and  
9 Wildlife Service and other appropriate Federal offices and  
10 agencies, to take such actions as are necessary to establish  
11 and implement a competitive oil and gas leasing program  
12 that will result in an environmentally sound program for  
13 the exploration, development, and production of the oil  
14 and gas resources of the Coastal Plain and to administer  
15 the provisions of this title through regulations, lease  
16 terms, conditions, restrictions, prohibitions, stipulations,  
17 and other provisions that ensure the oil and gas explo-  
18 ration, development, and production activities on the  
19 Coastal Plain will result in no significant adverse effect  
20 on fish and wildlife, their habitat, subsistence resources,  
21 and the environment, and shall require the application of  
22 the best commercially available technology for oil and gas  
23 exploration, development, and production, on all new ex-  
24 ploration, development, and production operations, and  
25 whenever practicable, on existing operations, and in a

1 manner to ensure the receipt of fair market value by the  
2 public for the mineral resources to be leased.

3 (b) REPEAL.—The prohibitions and limitations con-  
4 tained in section 1003 of the Alaska National Interest  
5 Lands Conservation Act of 1980 (16 U.S.C. 3143) are  
6 hereby repealed.

7 (c) COMPATIBILITY.—Congress hereby determines  
8 that the oil and gas leasing program and activities author-  
9 ized by this section in the Coastal Plain are compatible  
10 with the purposes for which the Arctic National Wildlife  
11 Refuge was established, and that no further findings or  
12 decisions are required to implement this determination.

13 (d) SOLE AUTHORITY.—This title shall be the sole  
14 authority for leasing on the Coastal Plain: *Provided*, That  
15 nothing in this title shall be deemed to expand or limit  
16 State and local regulatory authority.

17 (e) FEDERAL LAND.—The Coastal Plain shall be  
18 considered “Federal land” for the purposes of the Federal  
19 Oil and Gas Royalty Management Act of 1982.

20 (f) SPECIAL AREAS.—The Secretary, after consulta-  
21 tion with the State of Alaska, City of Kaktovik, and the  
22 North Slope Borough, is authorized to designate up to a  
23 total of 45,000 acres of the Coastal Plain as Special Areas  
24 and close such areas to leasing if the Secretary determines  
25 that these Special Areas are of such unique character and

1 interest so as to require special management and regu-  
2 latory protection. The Secretary may, however, permit  
3 leasing of all or portions of any Special Areas within the  
4 Coastal Plain by setting lease terms that limit or condition  
5 surface use and occupancy by lessees of such lands but  
6 permit the use of horizontal drilling technology from sites  
7 on leases located outside the designated Special Areas.

8 (g) LIMITATION ON CLOSED AREAS.—The Sec-  
9 retary's sole authority to close lands within the Coastal  
10 Plain to oil and gas leasing and to exploration, develop-  
11 ment, and production is that set forth in this title.

12 (h) CONVEYANCE.—In order to maximize Federal  
13 revenues by removing clouds on title of lands and clari-  
14 fying land ownership patterns within the Coastal Plain,  
15 the Secretary, notwithstanding the provisions of section  
16 1302(h)(2) of the Alaska National Interest Lands Con-  
17 servation Act (16 U.S.C. 3192(h)(2)), is authorized and  
18 directed to convey (1) to the Kaktovik Inupiat Corporation  
19 the surface estate of the lands described in paragraph 2  
20 of the Public Land Order 6959, to the extent necessary  
21 to fulfill the Corporation's entitlement under section 12  
22 of the Alaska Native Claims Settlement Act (43 U.S.C.  
23 1611), and (2) to the Arctic Slope Regional Corporation  
24 the subsurface estate beneath such surface estate pursu-  
25 ant to the August 9, 1983, agreement between the Arctic

1 Slope Regional Corporation and the United States of  
2 America.

3 **SEC. 504. RULES AND REGULATIONS.**

4 (a) PROMULGATION.—The Secretary shall prescribe  
5 such rules and regulations as may be necessary to carry  
6 out the purposes and provisions of this title, including  
7 rules and regulations relating to protection of the fish and  
8 wildlife, their habitat, subsistence resources, and the envi-  
9 ronment of the Coastal Plain. Such rules and regulations  
10 shall be promulgated no later than fourteen months after  
11 the date of enactment of this title and shall, as of their  
12 effective date, apply to all operations conducted under a  
13 lease issued or maintained under the provisions of this  
14 title and all operations on the Coastal Plain related to the  
15 leasing, exploration, development, and production of oil  
16 and gas.

17 (b) REVISION OF REGULATIONS.—The Secretary  
18 shall periodically review and, if appropriate, revise the  
19 rules and regulations issued under subsection (a) of this  
20 section to reflect any significant biological, environmental,  
21 or engineering data which come to the Secretary's atten-  
22 tion.

1 **SEC. 505. ADEQUACY OF THE DEPARTMENT OF THE INTE-**  
2 **RIOR'S LEGISLATIVE ENVIRONMENTAL IM-**  
3 **PACT STATEMENT.**

4 The "Final Legislative Environmental Impact State-  
5 ment" (April 1987) on the Coastal Plain prepared pursu-  
6 ant to section 1002 of the Alaska National Interest Lands  
7 Conservation Act of 1980 (16 U.S.C. 3142) and section  
8 102(2)(C) of the National Environmental Policy Act of  
9 1969 (42 U.S.C. 4332(2)(C)) is hereby found by the Con-  
10 gress to be adequate to satisfy the legal and procedural  
11 requirements of the National Environmental Policy Act of  
12 1969 with respect to actions authorized to be taken by  
13 the Secretary to develop and promulgate the regulations  
14 for the establishment of the leasing program authorized  
15 by this title, to conduct the first lease sale and any subse-  
16 quent lease sale authorized by this title, and to grant  
17 rights-of-way and easements to carry out the purposes of  
18 this title.

19 **SEC. 506. LEASE SALES.**

20 (a) LEASE SALES.—Lands may be leased pursuant  
21 to the provisions of this title to any person qualified to  
22 obtain a lease for deposits of oil and gas under the Mineral  
23 Leasing Act, as amended (30 U.S.C. 181).

24 (b) PROCEDURES.—The Secretary shall, by regula-  
25 tion, establish procedures for—



1           (1) receipt and consideration of sealed nomina-  
2           tions for any area in the Coastal Plain for inclusion  
3           in, or exclusion (as provided in subsection (c)) from,  
4           a lease sale; and

5           (2) public notice of and comment on designa-  
6           tion of areas to be included in, or excluded from, a  
7           lease sale.

8           (c) LEASE SALES ON COASTAL PLAIN.—The Sec-  
9           retary shall, by regulation, provide for lease sales of lands  
10          on the Coastal Plain. When lease sales are to be held, they  
11          shall occur after the nomination process provided for in  
12          subsection (b) of this section. For the first lease sale, the  
13          Secretary shall offer for lease those acres receiving the  
14          greatest number of nominations, but no less than two hun-  
15          dred thousand acres and no more than three hundred  
16          thousand acres shall be offered. If the total acreage nomi-  
17          nated is less than two hundred thousand acres, the Sec-  
18          retary shall include in such sale any other acreage which  
19          he believes has the highest resource potential, but in no  
20          event shall more than three hundred thousand acres of  
21          the Coastal Plain be offered in such sale. With respect  
22          to subsequent lease sales, the Secretary shall offer for  
23          lease no less than two hundred thousand acres of the  
24          Coastal Plain. The initial lease sale shall be held within  
25          twenty months of the date of enactment of this title. The

1 second lease sale shall be held no later than twenty-four  
2 months after the initial sale, with additional sales con-  
3 ducted no later than twelve months thereafter so long as  
4 sufficient interest in development exists to warrant, in the  
5 Secretary's judgment, the conduct of such sales.

6 **SEC. 507. GRANT OF LEASES BY THE SECRETARY.**

7 (a) IN GENERAL.—The Secretary is authorized to  
8 grant to the highest responsible qualified bidder by sealed  
9 competitive cash bonus bid any lands to be leased on the  
10 Coastal Plain upon payment by the lessee of such bonus  
11 as may be accepted by the Secretary and of such royalty  
12 as may be fixed in the lease, which shall be not less than  
13 12½ per centum in amount or value of the production  
14 removed or sold from the lease.

15 (b) ANTITRUST REVIEW.—Following each notice of  
16 a proposed lease sale and before the acceptance of bids  
17 and the issuance of leases based on such bids, the Sec-  
18 retary shall allow the Attorney General, in consultation  
19 with the Federal Trade Commission, thirty days to per-  
20 form an antitrust review of the results of such lease sale  
21 on the likely effects the issuance of such leases would have  
22 on competition and the Attorney General shall advise the  
23 Secretary with respect to such review, including any rec-  
24 ommendation for the nonacceptance of any bid or the im-  
25 position of terms or conditions on any lease, as may be

1 appropriate to prevent any situation inconsistent with the  
2 antitrust laws.

3 (c) SUBSEQUENT TRANSFERS.—No lease issued  
4 under this title may be sold, exchanged, assigned, sublet,  
5 or otherwise transferred except with the approval of the  
6 Secretary. Prior to any such approval the Secretary shall  
7 consult with, and give due consideration to the views of,  
8 the Attorney General.

9 (d) IMMUNITY.—Nothing in this title shall be deemed  
10 to convey to any person, association, corporation, or other  
11 business organization immunity from civil or criminal li-  
12 ability, or to create defenses to actions, under any anti-  
13 trust law.

14 (e) DEFINITIONS.—As used in this section, the  
15 term—

16 (1) “antitrust review” shall be deemed an  
17 “antitrust investigation” for the purposes of the  
18 Antitrust Civil Process Act (15 U.S.C. 1311); and

19 (2) “antitrust laws” means those Acts set forth  
20 in section 1 of the Clayton Act (15 U.S.C. 12) as  
21 amended.

22 **SEC. 508. LEASE TERMS AND CONDITIONS.**

23 An oil or gas lease issued pursuant to this title  
24 shall—

1           (1) be for a tract consisting of a compact area  
2 not to exceed five thousand seven hundred sixty  
3 acres, or nine surveyed or protracted sections which  
4 shall be as compact in form as possible;

5           (2) be for an initial period of ten years and  
6 shall be extended for so long thereafter as oil or gas  
7 is produced in paying quantities from the lease or  
8 unit area to which the lease is committed or for so  
9 long as drilling or reworking operations, as approved  
10 by the Secretary, are conducted on the lease or unit  
11 area;

12           (3) require the payment of royalty as provided  
13 for in section 507 of this title;

14           (4) require that exploration activities pursuant  
15 to any lease issued or maintained under this title  
16 shall be conducted in accordance with an exploration  
17 plan or a revision of such plan approved by the Sec-  
18 retary;

19           (5) require that all development and production  
20 pursuant to a lease issued or maintained pursuant  
21 to this title shall be conducted in accordance with  
22 development and production plans approved by the  
23 Secretary;

24           (6) require posting of bond as required by sec-  
25 tion 509 of this title;

1           (7) provide that the Secretary may close, on a  
2 seasonal basis, portions of the Coastal Plain to ex-  
3 ploratory drilling activities as necessary to protect  
4 caribou calving areas and other species of fish and  
5 wildlife;

6           (8) contain such provisions relating to rental  
7 and other fees as the Secretary may prescribe at the  
8 time of offering the area for lease;

9           (9) provide that the Secretary may direct or as-  
10 sent to the suspension of operations and production  
11 under any lease granted under the terms of this title  
12 in the interest of conservation of the resource or  
13 where there is no available system to transport the  
14 resource. If such a suspension is directed or as-  
15 sented to by the Secretary, any payment of rental  
16 prescribed by such lease shall be suspended during  
17 such period of suspension of operations and produc-  
18 tion, and the term of the lease shall be extended by  
19 adding any such suspension period thereto;

20           (10) provide that whenever the owner of a non-  
21 producing lease fails to comply with any of the pro-  
22 visions of this Act, or of any applicable provision of  
23 Federal or State environmental law, or of the lease,  
24 or of any regulation issued under this title, such  
25 lease may be canceled by the Secretary if such de-

1 fault continues for more than thirty days after mail-  
2 ing of notice by registered letter to the lease owner  
3 at the lease owner's post office address of record;

4 (11) provide that whenever the owner of any  
5 producing lease fails to comply with any of the pro-  
6 visions of this title, or of any applicable provision of  
7 Federal or State environmental law, or of the lease,  
8 or of any regulation issued under this title, such  
9 lease may be forfeited and canceled by any appro-  
10 priate proceeding brought by the Secretary in any  
11 United States district court having jurisdiction  
12 under the provisions of this title;

13 (12) provide that cancellation of a lease under  
14 this title shall in no way release the owner of the  
15 lease from the obligation to provide for reclamation  
16 of the lease site;

17 (13) allow the lessee, at the discretion of the  
18 Secretary, to make written relinquishment of all  
19 rights under any lease issued pursuant to this title.  
20 The Secretary shall accept such relinquishment by  
21 the lessee of any lease issued under this title where  
22 there has not been surface disturbance on the lands  
23 covered by the lease;

24 (14) provide that for the purpose of conserving  
25 the natural resources of any oil or gas pool, field, or

1       like area, or any part thereof, and in order to avoid  
2       the unnecessary duplication of facilities, to protect  
3       the environment of the Coastal Plain, and to protect  
4       correlative rights, the Secretary shall require that, to  
5       the greatest extent practicable, lessees unite with  
6       each other in collectively adopting and operating  
7       under a cooperative or unit plan of development for  
8       operation of such pool, field, or like area, or any  
9       part thereof, and the Secretary is also authorized  
10      and directed to enter into such agreements as are  
11      necessary or appropriate for the protection of the  
12      United States against drainage;

13           (15) require that the holder of a lease or leases  
14      on lands within the Coastal Plain shall be fully re-  
15      sponsible and liable for the reclamation of lands  
16      within the Coastal Plain and any other Federal  
17      lands adversely affected in connection with explo-  
18      ration, development, production or transportation  
19      activities on a lease within the Coastal Plain by the  
20      holder of a lease or as a result of activities con-  
21      ducted on the lease by any of the leaseholder's sub-  
22      contractors or agents;

23           (16) provide that the holder of a lease may not  
24      delegate or convey, by contract or otherwise, the rec-  
25      lamation responsibility and liability to another party

1 without the express written approval of the Sec-  
2 retary;

3 (17) provide that the standard of reclamation  
4 for lands required to be reclaimed under this title  
5 be, as nearly as practicable, a condition capable of  
6 supporting the uses which the lands were capable of  
7 supporting prior to any exploration, development, or  
8 production activities, or upon application by the les-  
9 see, to a higher or better use as approved by the  
10 Secretary;

11 (18) contain the terms and conditions relating  
12 to protection of fish and wildlife, their habitat, and  
13 the environment, as required by section 503(a) of  
14 this title;

15 (19) provide that the holder of a lease, its  
16 agents, and contractors use best efforts to provide a  
17 fair share, as determined by the level of obligation  
18 previously agreed to in the 1974 agreement imple-  
19 menting section 29 of the Federal Agreement and  
20 Grant of Right of Way for the Operation of the  
21 Trans-Alaska Pipeline, of employment and con-  
22 tracting for Alaska Natives and Alaska Native Cor-  
23 porations from throughout the State;

24 (20) require project agreements to the extent  
25 feasible that will ensure productivity and consistency



1 recognizing a national interest in both labor stability  
2 and the ability of construction labor and manage-  
3 ment to meet the particular needs and conditions of  
4 projects to be developed under leases issued pursu-  
5 ant to this Act; and

6 (21) contain such other provisions as the Sec-  
7 retary determines necessary to ensure compliance  
8 with the provisions of this title and the regulations  
9 issued under this title.

10 **SEC. 509. BONDING REQUIREMENTS TO ENSURE FINANCIAL**  
11 **RESPONSIBILITY OF LESSEE AND AVOID FED-**  
12 **ERAL LIABILITY.**

13 (a) REQUIREMENT.—The Secretary shall, by rule or  
14 regulation, establish such standards as may be necessary  
15 to ensure that an adequate bond, surety, or other financial  
16 arrangement will be established prior to the commence-  
17 ment of surface disturbing activities on any lease, to en-  
18 sure the complete and timely reclamation of the lease  
19 tract, and the restoration of any lands or surface waters  
20 adversely affected by lease operations after the abandon-  
21 ment or cessation of oil and gas operations on the lease.  
22 Such bond, surety, or financial arrangement is in addition  
23 to, and not in lieu, of any bond, surety, or financial ar-  
24 rangement required by any other regulatory authority or  
25 required by any other provision of law.

1 (b) AMOUNT.—The bond, surety, or financial ar-  
2 rangement shall be in an amount—

3 (1) to be determined by the Secretary to pro-  
4 vide for reclamation of the lease site in accordance  
5 with an approved or revised exploration or develop-  
6 ment and production plan; plus

7 (2) set by the Secretary consistent with the  
8 type of operations proposed, to provide the means  
9 for rapid and effective cleanup, and to minimize  
10 damages resulting from an oil spill, the escape of  
11 gas, refuse, domestic wastewater, hazardous or toxic  
12 substances, or fire caused by oil and gas activities.

13 (c) ADJUSTMENT.—In the event that an approved ex-  
14 ploration or development and production plan is revised,  
15 the Secretary may adjust the amount of the bond, surety,  
16 or other financial arrangement to conform to such modi-  
17 fied plan.

18 (d) DURATION.—The responsibility and liability of  
19 the lessee and its surety under the bond, surety, or other  
20 financial arrangement shall continue until such time as  
21 the Secretary determines that there has been compliance  
22 with the terms and conditions of the lease and all applica-  
23 ble law.

24 (e) TERMINATION.—Within sixty days after deter-  
25 mining that there has been compliance with the terms and

1 conditions of the lease and all applicable laws, the Sec-  
2 retary, after consultation with affected Federal and State  
3 agencies, shall notify the lessee that the period of liability  
4 under the bond, surety, or other financial arrangement has  
5 been terminated.

6 **SEC. 510. OIL AND GAS INFORMATION.**

7 (a) IN GENERAL.—(1) Any lessee or permittee con-  
8 ducting any exploration for, or development or production  
9 of, oil or gas pursuant to this title shall provide the Sec-  
10 retary access to all data and information from any lease  
11 granted pursuant to this title (including processed and  
12 analyzed) obtained from such activity and shall provide  
13 copies of such data and information as the Secretary may  
14 request. Such data and information shall be provided in  
15 accordance with regulations which the Secretary shall pre-  
16 scribe.

17 (2) If processed and analyzed information provided  
18 pursuant to paragraph (1) is provided in good faith by  
19 the lessee or permittee, such lessee or permittee shall not  
20 be responsible for any consequence of the use or of reliance  
21 upon such processed and analyzed information.

22 (3) Whenever any data or information is provided to  
23 the Secretary, pursuant to paragraph (1)—

24 (A) by a lessee or permittee, in the form and  
25 manner of processing which is utilized by such lessee

1 or permittee in the normal conduct of business, the  
2 Secretary shall pay the reasonable cost of reproduc-  
3 ing such data and information; or

4 (B) by a lessee or permittee, in such other form  
5 and manner of processing as the Secretary may re-  
6 quest, the Secretary shall pay the reasonable cost of  
7 processing and reproducing such data and informa-  
8 tion.

9 (b) REGULATIONS.—The Secretary shall prescribe  
10 regulations to: (1) assure that the confidentiality of privi-  
11 leged or proprietary information received by the Secretary  
12 under this section will be maintained; and (2) set forth  
13 the time periods and conditions which shall be applicable  
14 to the release of such information.

15 **SEC. 511. EXPEDITED JUDICIAL REVIEW.**

16 (a) Any complaint seeking judicial review of any pro-  
17 vision in this title, or any other action of the Secretary  
18 under this title may be filed in any appropriate district  
19 court of the United States, and such complaint must be  
20 filed within ninety days from the date of the action being  
21 challenged, or after such date if such complaint is based  
22 solely on grounds arising after such ninetieth day, in  
23 which case the complaint must be filed within ninety days  
24 after the complainant knew or reasonably should have  
25 known of the grounds for the complaint: *Provided*, That

1 any complaint seeking judicial review of an action of the  
2 Secretary in promulgating any regulation under this title  
3 may be filed only in the United States Court of Appeals  
4 for the District of Columbia.

5 (b) Actions of the Secretary with respect to which re-  
6 view could have been obtained under this section shall not  
7 be subject to judicial review in any civil or criminal pro-  
8 ceeding for enforcement.

9 **SEC. 512. RIGHTS-OF-WAY ACROSS THE COASTAL PLAIN.**

10 Notwithstanding title XI of the Alaska National In-  
11 terest Lands Conservation Act of 1980 (16 U.S.C. 3161  
12 et seq.), the Secretary is authorized and directed to grant,  
13 in accordance with the provisions of section 28 (c) through  
14 (t) and (v) through (y) of the Mineral Leasing Act of 1920  
15 (30 U.S.C. 185), rights-of-way and easements across the  
16 Coastal Plain for the transportation of oil and gas under  
17 such terms and conditions as may be necessary so as not  
18 to result in a significant adverse effect on the fish and  
19 wildlife, subsistence resources, their habitat, and the envi-  
20 ronment of the Coastal Plain. Such terms and conditions  
21 shall include requirements that facilities be sited or modi-  
22 fied so as to avoid unnecessary duplication of roads and  
23 pipelines. The regulations issued as required by section  
24 504 of this title shall include provisions granting rights-  
25 of-way and easements across the Coastal Plain.

1 **SEC. 513. ENFORCEMENT OF SAFETY AND ENVIRON-**  
2 **MENTAL REGULATIONS TO ENSURE COMPLI-**  
3 **ANCE WITH TERMS AND CONDITIONS OF**  
4 **LEASE.**

5 (a) **RESPONSIBILITY OF THE SECRETARY.**—The Sec-  
6 retary shall diligently enforce all regulations, lease terms,  
7 conditions, restrictions, prohibitions, and stipulations pro-  
8 mulgated pursuant to this title.

9 (b) **RESPONSIBILITY OF HOLDERS OF LEASE.**—It  
10 shall be the responsibility of any holder of a lease under  
11 this title to—

12 (1) maintain all operations within such lease  
13 area in compliance with regulations intended to pro-  
14 tect persons and property on, and fish and wildlife,  
15 their habitat, subsistence resources, and the environ-  
16 ment of, the Coastal Plain; and

17 (2) allow prompt access at the site of any oper-  
18 ations subject to regulation under this title to any  
19 appropriate Federal or State inspector, and to pro-  
20 vide such documents and records which are pertinent  
21 to occupational or public health, safety, or environ-  
22 mental protection, as may be requested.

23 (c) **ON-SITE INSPECTION.**—The Secretary shall pro-  
24 mulgate regulations to provide for—

25 (1) scheduled onsite inspection by the Sec-  
26 retary, at least twice a year, of facility on the Coast-

1 al Plain which is subject to any environmental or  
2 safety regulation promulgated pursuant to this title  
3 or conditions contained in any lease issue pursuant  
4 to this title to assure compliance with such environ-  
5 mental or safety regulations or conditions; and

6 (2) periodic onsite inspection by the Secretary  
7 at least once a year without advance notice to the  
8 operator of such facility to assure compliance with  
9 all environmental or safety regulations.

10 **SEC. 514. NEW REVENUES.**

11 Notwithstanding any other provision of law, all reve-  
12 nues received by the Federal Government from competitive  
13 bids, sales, bonuses, royalties, rents, fees, or interest de-  
14 rived from the leasing of oil and gas within the Coastal  
15 Plain shall be deposited into the Treasury of the United  
16 States, solely as provided in this section. The Secretary  
17 of the Treasury shall pay to the State of Alaska the same  
18 percentage of such revenues as is set forth under the head-  
19 ing “EXPLORATION OF NATIONAL PETROLEUM  
20 RESERVE IN ALASKA” in Public Law 96-514 (94  
21 Stat. 2957, 2964) semiannually to the State of Alaska,  
22 on March 30 and September 30 of each year and shall  
23 deposit the balance of all such revenues as miscellaneous  
24 receipts in the Treasury.

1 **TITLE VI—IMPROVEMENTS TO**  
2 **FEDERAL OIL AND GAS LEASE**  
3 **MANAGEMENT**

4 **SEC. 601. TITLE.**

5 This title may be cited as the “Federal Oil and Gas  
6 Lease Management Improvement Act of 2000”.

7 **SEC. 602. DEFINITIONS.**

8 In this title—

9 (a) **APPLICATION FOR A PERMIT TO DRILL.**—The  
10 term “application for a permit to drill” means a drilling  
11 plan including design, mechanical, and engineering aspects  
12 for drilling a well.

13 (b) **FEDERAL LAND.**—

14 (1) **IN GENERAL.**—The term “Federal land”  
15 means all land and interests in land owned by the  
16 United States that are subject to the mineral leasing  
17 laws, including mineral resources or mineral estates  
18 reserved to the United States in the conveyance of  
19 a surface or nonmineral estate.

20 (2) **EXCLUSION.**—The term “Federal land”  
21 does not include—

22 (i) Indian land (as defined in section 3 of  
23 the Federal Oil and Gas Royalty Management  
24 Act of 1982 (30 U.S.C. 1702)); or



1                   (ii) submerged land on the Outer Conti-  
2                    ental Shelf (as defined in section 2 of the  
3                    Outer Continental Shelf Lands Act (43 U.S.C.  
4                    1331)).

5           (c) OIL AND GAS CONSERVATION AUTHORITY.—The  
6 term “oil and gas conservation authority” means the agen-  
7 cy or agencies in each State responsible for regulating for  
8 conservation purposes operations to explore for and  
9 produce oil and natural gas.

10          (d) PROJECT.—The term “project” means an activity  
11 by a lessee, an operator, or an operating rights owner to  
12 explore for, develop, produce, or transport oil or gas re-  
13 sources.

14          (e) SECRETARY.—The term “Secretary” means—

15               (1) the Secretary of the Interior, with respect  
16 to land under the administrative jurisdiction of the  
17 Department of the Interior; and

18               (2) the Secretary of Agriculture, with respect to  
19 land under the administrative jurisdiction of the De-  
20 partment of Agriculture.

21          (f) SURFACE USE PLAN OF OPERATIONS.—The term  
22 “surface use plan of operations” means a plan for surface  
23 use, disturbance, and reclamation.

1 **SEC. 603. NO PROPERTY RIGHT.**

2 Nothing in this title gives a State a property right  
3 or interest in any Federal lease or land.

4 **Subtitle A—State Option To Regu-**  
5 **late Oil and Gas Lease Oper-**  
6 **ations on Federal Land**

7 **SEC. 610. TRANSFER OF AUTHORITY.**

8 (a) NOTIFICATION.—Not before the date that is 180  
9 days after the date of enactment of this Act, a State may  
10 notify the Secretary of its intent to accept authority for  
11 regulation of operations, as described in subparagraphs  
12 (A) through (K) of subsection (b)(2), under oil and gas  
13 leases on Federal land within the State.

14 (b) TRANSFER OF AUTHORITY.—

15 (1) IN GENERAL.—Effective 180 days after the  
16 Secretary receives the State's notice, authority for  
17 the regulation of oil and gas leasing operations is  
18 transferred from the Secretary to the State.

19 (2) AUTHORITY INCLUDED.—The authority  
20 transferred under paragraph (1) includes—

21 (A) processing and approving applications  
22 for permits to drill, subject to surface use  
23 agreements and other terms and conditions de-  
24 termined by the Secretary;

25 (B) production operations;

26 (C) well testing;

- 1 (D) well completion;
- 2 (E) well spacing;
- 3 (F) communization;
- 4 (G) conversion of a producing well to a
- 5 water well;
- 6 (H) well abandonment procedures;
- 7 (I) inspections;
- 8 (J) enforcement activities; and
- 9 (K) site security.

10 (c) **RETAINED AUTHORITY.**—The Secretary shall—

11 (1) retain authority over the issuance of leases  
12 and the approval of surface use plans of operations  
13 and project-level environmental analyses; and

14 (2) spend appropriated funds to ensure that  
15 timely decisions are made respecting oil and gas  
16 leasing, taking into consideration multiple uses of  
17 Federal land, socioeconomic and environmental im-  
18 pacts, and the results of consultations with State  
19 and local government officials.

20 **SEC. 611. ACTIVITY FOLLOWING TRANSFER OF AUTHORITY.**

21 (a) **FEDERAL AGENCIES.**—Following the transfer of  
22 authority, no Federal agency shall exercise the authority  
23 formerly held by the Secretary as to oil and gas lease oper-  
24 ations and related operations on Federal land.

25 (b) **STATE AUTHORITY.**—

1           (1) IN GENERAL.—Following the transfer of au-  
2           thority, each State shall enforce its own oil and gas  
3           conservation laws and requirements pertaining to  
4           transferred oil and gas lease operations and related  
5           operations with due regard to the national interest  
6           in the expedited, environmentally sound development  
7           of oil and gas resources in a manner consistent with  
8           oil and gas conservation principles.

9           (2) APPEALS.—Following a transfer of author-  
10          ity under section 610, an appeal of any decision  
11          made by a State oil and gas conservation authority  
12          shall be made in accordance with State administra-  
13          tive procedures.

14          (c) PENDING ENFORCEMENT ACTIONS.—The Sec-  
15          retary may continue to enforce any pending actions re-  
16          specting acts committed before the date on which author-  
17          ity is transferred to a State under section 610 until those  
18          proceedings are concluded.

19          (d) PENDING APPLICATIONS.—

20               (1) TRANSFER TO STATE.—All applications re-  
21               specting oil and gas lease operations and related op-  
22               erations on Federal land pending before the Sec-  
23               retary on the date on which authority is transferred  
24               under section 610 shall be immediately transferred

1 to the oil and gas conservation authority of the  
2 State in which the lease is located.

3 (2) ACTION BY THE STATE.—The oil and gas  
4 conservation authority shall act on the application in  
5 accordance with State laws (including regulations)  
6 and requirements.

7 **Subtitle B—Use of Cost Savings**  
8 **From State Regulation**

9 **SEC. 621. COMPENSATION FOR COSTS.**

10 (a) IN GENERAL.—Subject to the availability of ap-  
11 propriations, the Secretary shall compensate any State for  
12 costs incurred to carry out the authorities transferred  
13 under section 610.

14 (b) PAYMENT SCHEDULE.—Payments shall be made  
15 not less frequently than every quarter.

16 (c) COST BREAKDOWN REPORT.—Each State seek-  
17 ing compensation shall report to the Secretary a cost  
18 breakdown for the authorities transferred.

19 (d) LIMITATION ON AMOUNT.—

20 (1) IN GENERAL.—Compensation to a State  
21 may not exceed 50 percent of the Secretary’s allo-  
22 cated cost for oil and gas leasing activities under  
23 section 35(b) of the Act of February 25, 1920 (com-  
24 monly known as the “Mineral Leasing Act”) (30  
25 U.S.C. 191(b)) for the State for fiscal year 1997.

1           (2) ADJUSTMENT.—The Secretary shall adjust  
2           the maximum level of cost compensation at least  
3           once every 2 years to reflect any increases in the  
4           Consumer Price Index (all items, United States city  
5           average) as prepared by the Department of Labor,  
6           using 1997 as the baseline year.

7   **SEC. 622. EXCLUSION OF COSTS OF PREPARING PLANNING**  
8                                   **DOCUMENTS AND ANALYSES.**

9           Section 35 of the Act of February 25, 1920 (30  
10   U.S.C. 191(b)) is amended by adding at the end the fol-  
11   lowing:

12                   “(6) The Secretary shall not include, for the  
13           purpose of calculating the deduction under para-  
14           graph (1), costs of preparing resource management  
15           planning documents and analyses for areas in which  
16           mineral leasing is excluded or areas in which the pri-  
17           mary activity under review is not mineral leasing  
18           and development.”.

19   **SEC. 623. RECEIPT SHARING.**

20           Section 35(b) of the Act of February 25, 1920 (30  
21   U.S.C. 191(b)) is amended by striking “paid to States”  
22   and inserting “paid to States (other than States that ac-  
23   cept a transfer of authority under section 610 of the Fed-  
24   eral Oil and Gas Lease Management Act of 2000)”.

1    **Subtitle C—Streamlining and Cost**  
2                                   **Reduction**

3    **SEC. 631. APPLICATIONS.**

4           (a) **LIMITATION ON COST RECOVERY.**—Notwith-  
5 standing sections 304 and 504 of the Federal Land Policy  
6 and Management Act of 1976 (43 U.S.C. 1734, 1764) and  
7 section 9701 of title 31, United State Code, the Secretary  
8 shall not recover the Secretary’s costs with respect to ap-  
9 plications and other documents relating to oil and gas  
10 leases.

11           (b) **COMPLETION OF PLANNING DOCUMENTS AND**  
12 **ANALYSES.**—

13                 (1) **IN GENERAL.**—The Secretary shall complete  
14 any resource management planning documents and  
15 analyses not later than 90 days after receiving any  
16 offer, application, or request for which a planning  
17 document or analysis is required to be prepared.

18                 (2) **PREPARATION BY APPLICANT OR LESSEE.**—  
19 If the Secretary is unable to complete the document  
20 or analysis within the time prescribed by paragraph  
21 (1), the Secretary shall notify the applicant or lessee  
22 of the opportunity to prepare the required document  
23 or analysis for the agency’s review and use in deci-  
24 sionmaking.

1 (c) REIMBURSEMENT FOR COSTS OF NEPA OF  
2 ANALYSES, DOCUMENTATION, AND STUDIES.—If—

3 (1) adequate funding to enable the Secretary to  
4 timely prepare a project-level analysis required  
5 under the National Environmental Policy Act of  
6 1969 (42 U.S.C. 4321 et seq.) with respect to an oil  
7 or gas lease is not appropriated; and

8 (2) the lessee, operator, or operating rights  
9 owner voluntarily pays for the cost of the required  
10 analysis, documentation, or related study;

11 the Secretary shall reimburse the lessee, operator, or oper-  
12 ating rights owner for its costs through royalty credits at-  
13 tributable to the lease, unit agreement, or project area.

14 **SEC. 632. TIMELY ISSUANCE OF DECISIONS.**

15 (a) IN GENERAL.—The Secretary shall ensure the  
16 timely issuance of Federal agency decisions respecting oil  
17 and gas leasing and operations on Federal land.

18 (b) OFFER TO LEASE.—

19 (1) DEADLINE.—The Secretary shall accept or  
20 reject an offer to lease not later than 90 days after  
21 the filing of the offer.

22 (2) FAILURE TO MEET DEADLINE.—If an offer  
23 is not acted upon within that time, the offer shall be  
24 deemed to have been accepted.

25 (c) APPLICATION FOR PERMIT TO DRILL.—



1           (1) DEADLINE.—The Secretary and a State  
2           that has accepted a transfer of authority under sec-  
3           tion 610 shall approve or disapprove an application  
4           for permit to drill not later than 30 days after re-  
5           ceiving a complete application.

6           (2) FAILURE TO MEET DEADLINE.—If the ap-  
7           plication is not acted on within the time prescribed  
8           by paragraph (1), the application shall be deemed to  
9           have been approved.

10          (d) SURFACE USE PLAN OF OPERATIONS.—The Sec-  
11          retary shall approve or disapprove a surface use plan of  
12          operations not later than 30 days after receipt of a com-  
13          plete plan.

14          (e) ADMINISTRATIVE APPEALS.—

15               (1) DEADLINE.—From the time that a Federal  
16               oil and gas lessee or operator files a notice of admin-  
17               istrative appeal of a decision or order of an officer  
18               or employee of the Department of the Interior or the  
19               Forest Service respecting a Federal oil and gas Fed-  
20               eral lease, the Secretary shall have 2 years in which  
21               to issue a final decision in the appeal.

22               (2) FAILURE TO MEET DEADLINE.—If no final  
23               decision has been issued within the time prescribed  
24               by paragraph (1), the appeal shall be deemed to  
25               have been granted.

1 **SEC. 633. ELIMINATION OF UNWARRANTED DENIALS AND**  
2 **STAYS.**

3 (a) IN GENERAL.—The Secretary shall ensure that  
4 unwarranted denials and stays of lease issuance and un-  
5 warranted restrictions on lease operations are eliminated  
6 from the administration of oil and gas leasing on Federal  
7 land.

8 (b) LAND DESIGNATED FOR MULTIPLE USE.—

9 (1) IN GENERAL.—Land designated as available  
10 for multiple use under Bureau of Land Management  
11 resource management plans and Forest Service leas-  
12 ing analyses shall be available for oil and gas leasing  
13 without lease stipulations more stringent than re-  
14 strictions on surface use and operations imposed  
15 under the laws (including regulations) of the State  
16 oil and gas conservation authority unless the Sec-  
17 retary includes in the decision approving the man-  
18 agement plan or leasing analysis a written expla-  
19 nation why more stringent stipulations are war-  
20 ranted.

21 (2) APPEAL.—Any decision to require a more  
22 stringent stipulation shall be administratively ap-  
23 pealable and, following a final agency decision, shall  
24 be subject to judicial review.

25 (c) REJECTION OF OFFER TO LEASE.—

1           (1) IN GENERAL.—If the Secretary rejects an  
2 offer to lease on the ground that the land is unavail-  
3 able for leasing, the Secretary shall provide a writ-  
4 ten, detailed explanation of the reasons the land is  
5 unavailable for leasing.

6           (2) PREVIOUS RESOURCE MANAGEMENT DECI-  
7 SION.—If the determination of unavailability is  
8 based on a previous resource management decision,  
9 the explanation shall include a careful assessment of  
10 whether the reasons underlying the previous decision  
11 are still persuasive.

12           (3) SEGREGATION OF AVAILABLE LAND FROM  
13 UNAVAILABLE LAND.—The Secretary may not reject  
14 an offer to lease land available for leasing on the  
15 ground that the offer includes land unavailable for  
16 leasing, and the Secretary shall segregate available  
17 land from unavailable land, on the offeror's request  
18 following notice by the Secretary, before acting on  
19 the offer to lease.

20           (d) DISAPPROVAL OR REQUIRED MODIFICATION OF  
21 SURFACE USE PLANS OF OPERATIONS AND APPLICATION  
22 FOR PERMIT TO DRILL.—The Secretary shall provide a  
23 written, detailed explanation of the reasons for dis-  
24 approving or requiring modifications of any surface use  
25 plan of operations or application for permit to drill.

1 (e) EFFECTIVENESS OF DECISION.—A decision of the  
2 Secretary respecting an oil and gas lease shall be effective  
3 pending administrative appeal to the appropriate office  
4 within the Department of the Interior or the Department  
5 of Agriculture unless that office grants a stay in response  
6 to a petition satisfying the criteria for a stay established  
7 by section 4.21(b) of title 43, Code of Federal Regulations  
8 (or any successor regulation).

9 **SEC. 634. REPORTS.**

10 (a) IN GENERAL.—Not later than March 31, 2001,  
11 the Secretaries shall jointly submit to the Congress a re-  
12 port explaining the most efficient means of eliminating  
13 overlapping jurisdiction, duplication of effort, and incon-  
14 sistent policymaking and policy implementation as be-  
15 tween the Bureau of Land Management and the Forest  
16 Service.

17 (b) RECOMMENDATIONS.—The report shall include  
18 recommendations on statutory changes needed to imple-  
19 ment the report's conclusions.

20 **SEC. 635. SCIENTIFIC INVENTORY OF OIL AND GAS RE-**  
21 **SERVES.**

22 (a) IN GENERAL.—Not later than March 31, 2001,  
23 the Secretary of the Interior, in consultation with the Di-  
24 rector of the United States Geological Survey, shall pub-  
25 lish, through notice in the Federal Register, a science-

1 based national inventory of the oil and gas reserves and  
2 potential resources underlying Federal land and the Outer  
3 Continental Shelf.

4 (b) CONTENTS.—The inventory shall—

5 (1) indicate what percentage of the oil and gas  
6 reserves and resources is currently available for leas-  
7 ing and development; and

8 (2) specify the percentages of the reserves and  
9 resources that are on—

10 (A) land that is open for leasing as of the  
11 date of enactment of this Act that has never  
12 been leased;

13 (B) land that is open for leasing or devel-  
14 opment subject to no surface occupancy stipula-  
15 tions; and

16 (C) land that is open for leasing or devel-  
17 opment subject to other lease stipulations that  
18 have significantly impeded or prevented, or are  
19 likely to significantly impede or prevent, devel-  
20 opment; and

21 (3) indicate the percentage of oil and gas re-  
22 sources that are not available for leasing or are  
23 withdrawn from leasing.

24 (c) PUBLIC COMMENT.—

1           (1) IN GENERAL.—The Secretary of the Inte-  
 2           rior shall invite public comment on the inventory to  
 3           be filed not later than September 30, 2001.

4           (2) RESOURCE MANAGEMENT DECISIONS.—Spe-  
 5           cifically, the Secretary of the Interior shall invite  
 6           public comment on the effect of Federal resource  
 7           management decisions on past and future oil and  
 8           gas development.

9           (d) REPORT.—

10           (1) IN GENERAL.—Not later than March 31,  
 11           2002, the Secretary of the Interior shall submit to  
 12           the President of the Senate and the Speaker of the  
 13           House of Representatives a report comprised of the  
 14           revised inventory and responses to the public com-  
 15           ments.

16           (2) CONTENTS.—The report shall specifically  
 17           indicate what steps the Secretaries believe are nec-  
 18           essary to increase the percentage of land open for  
 19           development of oil and gas resources.

20           **Subtitle D—Federal Royalty**  
 21           **Certainty**

22           **SEC. 641. DEFINITIONS.**

23           In this subtitle.—

24           (a) MARKETABLE CONDITION.—The term “market-  
 25           able condition” means lease production that is sufficiently

1 free from impurities and otherwise in a condition that the  
2 production will be accepted by a purchaser under a sales  
3 contract typical for the field or area.

4 (b) REASONABLE COMMERCIAL RATE.—

5 (1) IN GENERAL.—The term “reasonable com-  
6 mercial rate” means—

7 (A) in the case of an arm’s-length con-  
8 tract, the actual cost incurred by the lessee; or

9 (B) in the case of a non-arm’s-length  
10 contract—

11 (i) the rate charged in a contract for  
12 similar services in the same area between  
13 parties with opposing economic interests;  
14 or

15 (ii) if there are no arm’s-length con-  
16 tracts for similar services in the same area,  
17 the just and reasonable rate for the trans-  
18 portation service rendered by the lessee or  
19 lessee’s affiliate.

20 (2) DISPUTES.—Disputes between the Sec-  
21 retary and a lessee over what constitutes a just and  
22 reasonable rate for such service shall be resolved by  
23 the Federal Energy Regulatory Commission.

1 **SEC. 642. AMENDMENT OF OUTER CONTINENTAL SHELF**  
2 **LANDS ACT.**

3 Section 8(b)(3) of the Outer Continental Shelf Lands  
4 Act (43 U.S.C. 1337(b)(3)) is amended by striking the  
5 semicolon at the end and adding the following:

6 “: *Provided*, That if the payment is in value or  
7 amount, the royalty due in value shall be based on  
8 the value of oil or gas production at the lease in  
9 marketable condition, and the royalty due in amount  
10 shall be based on the royalty share of production at  
11 the lease; if the payment in value or amount is cal-  
12 culated from a point away from the lease, the pay-  
13 ment shall be adjusted for quality and location dif-  
14 ferentials, and the lessee shall be allowed reimburse-  
15 ments at a reasonable commercial rate for transpor-  
16 tation (including transportation to the point where  
17 the production is put in marketable condition), mar-  
18 keting, processing, and other services beyond the  
19 lease through the point of sale, other disposition, or  
20 delivery;”.

21 **SEC. 643. AMENDMENT OF MINERAL LEASING ACT.**

22 Section 17(c) of the Act of February 25, 1920 (30  
23 U.S.C. 226(c)) (commonly known as the “Mineral Leasing  
24 Act”), is amended by adding at the end the following:

25 “(3) ROYALTY DUE IN VALUE.—



1           “(A) IN GENERAL.—Royalty due in value  
2 shall be based on the value of oil or gas produc-  
3 tion at the lease in marketable condition, and  
4 the royalty due in amount shall be based on the  
5 royalty share of production at the lease.

6           “(B) CALCULATION OF VALUE OR AMOUNT  
7 FROM A POINT AWAY FROM A LEASE.—If the  
8 payment in value or amount is calculated from  
9 a point away from the lease—

10                   “(i) the payment shall be adjusted for  
11 quality and location differentials; and

12                   “(ii) the lessee shall be allowed reim-  
13 bursements at a reasonable commercial  
14 rate for transportation (including transpor-  
15 tation to the point where the production is  
16 put in marketable condition), marketing,  
17 processing, and other services beyond the  
18 lease through the point of sale, other dis-  
19 position, or delivery;”.

20 **SEC. 644. INDIAN LAND.**

21           This subtitle shall not apply with respect to Indian  
22 land.

1    **Subtitle E—Royalty Reinvestment**  
2                                   **in America**

3    **SEC. 651. ROYALTY INCENTIVE PROGRAM.**

4           (a) IN GENERAL.—To encourage exploration and de-  
5 velopment expenditures on Federal land and the Outer  
6 Continental Shelf for the development of oil and gas re-  
7 sources when the cash price of West Texas Intermediate  
8 crude oil, as posted on the Dow Jones Commodities Index  
9 chart is less than \$18 per barrel for 90 consecutive pricing  
10 days or when natural gas prices as delivered at Henry  
11 Hub, Louisiana, are less than \$2.30 per million British  
12 thermal units for 90 consecutive days, the Secretary shall  
13 allow a credit against the payment of royalties on Federal  
14 oil production and gas production, respectively, in an  
15 amount equal to 20 percent of the capital expenditures  
16 made on exploration and development activities on Federal  
17 oil and gas leases.

18           (b) NO CREDITING AGAINST ONSHORE FEDERAL  
19 ROYALTY OBLIGATIONS.—In no case shall such capital ex-  
20 penditures made on Outer Continental Shelf leases be  
21 credited against onshore Federal royalty obligations.

22    **SEC. 652. MARGINAL WELL PRODUCTION INCENTIVES.**

23           To enhance the economics of marginal oil and gas  
24 production by increasing the ultimate recovery from mar-  
25 ginal wells when the cash price of West Texas Inter-

1 mediate crude oil, as posted on the Dow Jones Commod-  
2 ities Index Chart is less than \$18 per barrel for 90 con-  
3 secutive pricing days or when natural gas prices are deliv-  
4 ered at Henry Hub, Louisiana, are less than \$2.30 per  
5 million British thermal units for 90 consecutive days, the  
6 Secretary shall reduce the royalty rate as production de-  
7 clines for—

8 (1) onshore oil wells producing less than 30  
9 barrels per day;

10 (2) onshore gas wells producing less than 120  
11 million British thermal units per day;

12 (3) offshore oil wells producing less than 300  
13 barrels of oil per day; and

14 (4) offshore gas wells producing less than 1,200  
15 million British thermal units per day.

16 **SEC. 653. SUSPENSION OF PRODUCTION ON OIL AND GAS**  
17 **OPERATIONS.**

18 (a) IN GENERAL.—Any person operating an oil well  
19 under a lease issued under the Act of February 25, 1920  
20 (commonly known as the “Mineral Leasing Act”) (30  
21 U.S.C. 181 et seq.) or the Mineral Leasing Act for Ac-  
22 quired Lands (30 U.S.C. 351 et seq.) may submit a notice  
23 to the Secretary of the Interior of suspension of operation  
24 and production at the well.

1           (b) PRODUCTION QUANTITIES NOT A FACTOR.—A  
2 notice under subsection (a) may be submitted without re-  
3 gard to per day production quantities at the well and with-  
4 out regard to the requirements of subsection (a) of section  
5 3103.4–4 of title 43 of the Code of Federal Regulations  
6 (or any successor regulation) respecting the granting of  
7 such relief, except that the notice shall be submitted to  
8 an office in the Department of the Interior designated by  
9 the Secretary of the Interior.

10           (c) PERIOD OF RELIEF.—On submission of a notice  
11 under subsection (a) for an oil well, the operator of the  
12 well may suspend operation and production at the well for  
13 a period beginning on the date of submission of the notice  
14 and ending on the later of—

15                 (1) the date that is 2 years after the date on  
16 which the suspension of operation and production  
17 commences; or

18                 (2) the date on which the cash price of West  
19 Texas Intermediate crude oil, as posted on the Dow  
20 Jones Commodities Index chart is greater than \$15  
21 per barrel for 90 consecutive pricing days.

1 **TITLE VII—FRONTIER OIL AND**  
2 **GAS EXPLORATION AND DE-**  
3 **VELOPMENT INCENTIVES**

4 **SEC. 701. TITLE.**

5 This title may be cited as the “Frontier Exploration  
6 and Development Incentives Act of 2000”.

7 **SEC. 702. AMENDMENTS TO THE OUTER CONTINENTAL**  
8 **SHELF LANDS ACT.**

9 (a) Section 8(a)(1)(D) of the Outer Continental Shelf  
10 Lands Act, (43 U.S.C. 1337(a)(1)(D)) is amended by  
11 striking the word “area;” and inserting in lieu thereof the  
12 word “area,” and the following new text: “except in the  
13 Arctic areas of Alaska, where the Secretary is authorized  
14 to set the net profit share at 16<sup>2</sup>/<sub>3</sub> percent. For purposes  
15 of this section, ‘Arctic areas’ means the Beaufort Sea and  
16 Chukchi Sea Planning Areas of Alaska.”.

17 (b) Section 8(a) of the Outer Continental Shelf Lands  
18 Act (43 U.S.C. 1337(a)) is amended by adding a new sub-  
19 paragraph (10) at the end thereof:

20 “(10) After an oil and gas lease is granted pur-  
21 suant to any of the bidding systems of paragraph  
22 (1) of this subsection, the Secretary shall reduce any  
23 future royalty or rental obligation of the lessee on  
24 any lease issued by the Secretary (and proposed by  
25 the lessee for such reduction) by an amount equal to

1 (a) 10 percent of the qualified costs of exploratory  
2 wells drilled or geophysical work performed on any  
3 lease issued by the Secretary, whichever is greater,  
4 pursuant to this Act in Arctic areas and (b) an addi-  
5 tional 10 percent of the qualified costs of any such  
6 exploratory wells which are located ten or more miles  
7 from another well drilled for oil and gas. For pur-  
8 poses of this Act—‘qualified costs’ shall mean the  
9 costs allocated to the exploratory well or geophysical  
10 work in support of an exploration program pursuant  
11 to 26 U.S.C. as amended; ‘exploratory well’ shall  
12 mean either an exploratory well as defined by the  
13 United States Securities and Exchange Commission  
14 in 17 C.F.R. 210.4–10(a)(10), as amended, or a well  
15 three or more miles from any oil or gas well or a  
16 pipeline which transports oil or gas to a market or  
17 terminal; ‘geophysical work’ shall mean all geo-  
18 physical data gathering methods used in hydro-  
19 carbon exploration and includes seismic, gravity,  
20 magnetic, and electromagnetic measurements; and,  
21 all distances shall be measured in horizontal dis-  
22 tance. When a measurement beginning or ending  
23 point is a well, the measurement point shall be the  
24 bottom hole location of that well.”.

1 **TITLE VII—TAX MEASURES TO**  
2 **ENHANCE DOMESTIC OIL AND**  
3 **GAS PRODUCTION**

4 **Subtitle A—Marginal Well**  
5 **Preservation**

6 **SEC. 801. SHORT TITLE; PURPOSE; AMENDMENT OF 1986**  
7 **CODE.**

8 (a) This subtitle may be cited as the “Marginal Well  
9 Preservation Act of 2000”.

10 (b) The purpose of section 802 is to prevent the aban-  
11 donment of marginal oil and gas wells responsible for half  
12 of the domestic production of oil and gas in the United  
13 States and of section 803 is to recognize that geological  
14 and geophysical expenditures and delay rentals are ordi-  
15 nary and necessary business expenses that should be de-  
16 ducted in the year the expense is incurred.

17 (c) Except as otherwise expressly provided, whenever  
18 in this subtitle an amendment or repeal is expressed in  
19 terms of an amendment to, or repeal of, a section or other  
20 provision, the reference shall be considered to be made to  
21 a section or other provision of the Internal Revenue Code  
22 of 1986.

1 **SEC. 802. TAX CREDIT FOR MARGINAL DOMESTIC OIL AND**  
2 **NATURAL GAS WELL PRODUCTION.**

3 (a) Subpart D of part IV of subchapter A of chapter  
4 1 (relating to business credits) is amended by adding at  
5 the end the following new section:

6 **“SEC. 45D. CREDIT FOR PRODUCING OIL AND GAS FROM**  
7 **MARGINAL WELLS.**

8 “(a) GENERAL RULE.—For purposes of section 38,  
9 the marginal well production credit for any taxable year  
10 is an amount equal to the product of—

11 “(1) the credit amount, and

12 “(2) the qualified crude oil production and the  
13 qualified natural gas production which is attrib-  
14 utable to the taxpayer.

15 “(b) CREDIT AMOUNT.—For purposes of this  
16 section—

17 “(1) IN GENERAL.—The credit amount is—

18 “(A) \$3 per barrel of qualified crude oil  
19 production, and

20 “(B) 50 cents per 1,000 cubic feet of  
21 qualified natural gas production.

22 “(2) REDUCTION AS OIL AND GAS PRICES IN-  
23 CREASE.—

24 “(A) IN GENERAL.—The \$3 and 50 cents  
25 amounts under paragraph (1) shall each be re-  
26 duced (but not below zero) by an amount which



1 bears the same ratio to such amount (deter-  
2 mined without regard to this paragraph) as—

3 “(i) the excess (if any) of the applica-  
4 ble reference price over \$14 (\$1.56 for  
5 qualified natural gas production), bears to

6 “(ii) \$3 (\$0.33 for qualified natural  
7 gas production).

8 The applicable reference price for a taxable  
9 year is the reference price for the calendar year  
10 preceding the calendar year in which the tax-  
11 able year begins.

12 “(B) INFLATION ADJUSTMENT.—In the  
13 case of any taxable year beginning in a calendar  
14 year after 2000, each of the dollar amounts  
15 contained in subparagraph (A) shall be in-  
16 creased to an amount equal to such dollar  
17 amount multiplied by the inflation adjustment  
18 factor for such calendar year (determined under  
19 section 43(b)(3)(B) by substituting ‘1999’ for  
20 ‘1990’).

21 “(C) REFERENCE PRICE.—For purposes of  
22 this paragraph, the term ‘reference price’  
23 means, with respect to any calendar year—

1                   “(i) in the case of qualified crude oil  
2                   production, the reference price determined  
3                   under section 29(d)(2)(C), and

4                   “(ii) in the case of qualified natural  
5                   gas production, the Secretary’s estimate of  
6                   the annual average wellhead price per  
7                   1,000 cubic feet for all domestic natural  
8                   gas.

9                   “(c) QUALIFIED CRUDE OIL AND NATURAL GAS  
10                  PRODUCTION.—For purposes of this section—

11                  “(1) IN GENERAL.—The terms ‘qualified crude  
12                  oil production’ and ‘qualified natural gas production’  
13                  mean domestic crude oil or natural gas which is pro-  
14                  duced from a marginal well.

15                  “(2) LIMITATION ON AMOUNT OF PRODUCTION  
16                  WHICH MAY QUALIFY.—

17                  “(A) IN GENERAL.—Crude oil or natural  
18                  gas produced during any taxable year from any  
19                  well shall not be treated as qualified crude oil  
20                  production or qualified natural gas production  
21                  to the extent production from the well during  
22                  the taxable year exceeds 1,095 barrels or barrel  
23                  equivalents.

24                  “(B) PROPORTIONATE REDUCTIONS.—

1           “(i) SHORT TAXABLE YEARS.—In the  
2 case of a short taxable year, the limitations  
3 under this paragraph shall be proportion-  
4 ately reduced to reflect the ratio which the  
5 number of days in such taxable year bears  
6 to 365.

7           “(ii) WELLS NOT IN PRODUCTION EN-  
8 TIRE YEAR.—In the case of a well which is  
9 not capable of production during each day  
10 of a taxable year, the limitations under  
11 this paragraph applicable to the well shall  
12 be proportionately reduced to reflect the  
13 ratio which the number of days of produc-  
14 tion bears to the total number of days in  
15 the taxable year.

16       “(3) DEFINITIONS.—

17           “(A) MARGINAL WELL.—The term ‘mar-  
18 ginal well’ means a domestic well—

19           “(i) the production from which during  
20 the taxable year is treated as marginal  
21 production under section 613A(c)(6), or

22           “(ii) which, during the taxable year—

23           “(I) has average daily production  
24 of not more than 25 barrel equiva-  
25 lents, and

1                   “(II) produces water at a rate  
2                   not less than 95 percent of total well  
3                   effluent.

4                   “(B) CRUDE OIL, ETC.—The terms ‘crude  
5                   oil’, ‘natural gas’, ‘domestic’, and ‘barrel’ have  
6                   the meanings given such terms by section  
7                   613A(e).

8                   “(C) BARREL EQUIVALENT.—The term  
9                   ‘barrel equivalent’ means, with respect to nat-  
10                  ural gas, a conversion ratio of 6,000 cubic feet  
11                  of natural gas to 1 barrel of crude oil.

12                  “(d) OTHER RULES.—

13                  “(1) PRODUCTION ATTRIBUTABLE TO THE TAX-  
14                  PAYER.—In the case of a marginal well in which  
15                  there is more than one owner of operating interests  
16                  in the well and the crude oil or natural gas produc-  
17                  tion exceeds the limitation under subsection (c)(2),  
18                  qualifying crude oil production or qualifying natural  
19                  gas production attributable to the taxpayer shall be  
20                  determined on the basis of the ratio which tax-  
21                  payer’s revenue interest in the production bears to  
22                  the aggregate to the revenue interests of all oper-  
23                  ating interest owners in the production.

24                  “(2) OPERATING INTEREST REQUIRED.—Any  
25                  credit under this section may be claimed only on

1 production which is attributable to the holder of an  
2 operating interest.

3 “(3) PRODUCTION FROM NONCONVENTIONAL  
4 SOURCES EXCLUDED.—In the case of production  
5 from a marginal well which is eligible for the credit  
6 allowed under section 29 for the taxable year, no  
7 credit shall be allowable under this section unless  
8 the taxpayer elects not to claim credit under section  
9 29 with respect to the well.”.

10 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-  
11 tion 38(b) is amended by striking “plus” at the end of  
12 paragraph (11), by striking the period at the end of para-  
13 graph (12) and inserting”, plus”, and by adding at the  
14 end of the following new paragraph—

15 “(13) the marginal oil and gas well production  
16 credit determined under section 45D(a).”.

17 (c) CREDIT ALLOWED AGAINST REGULAR AND MIN-  
18 IMUM TAX.—

19 (1) IN GENERAL.—Subsection (c) of section 38  
20 (relating to limitation based on amount of tax) is  
21 amended by redesignating paragraph (3) as para-  
22 graph (4) and by inserting after paragraph (2) the  
23 following new paragraph—

24 “(3) SPECIAL RULES FOR MARGINAL OIL AND  
25 GAS WELL PRODUCTION CREDIT.—

1           “(A) IN GENERAL.—In the case of the  
2 marginal oil and gas well production credit—

3           “(i) this section and section 39 shall  
4 be applied separately with respect to the  
5 credit, and

6           “(ii) in applying paragraph (1) to the  
7 credit—

8           “(I) subparagraphs (A) and (B)  
9 thereof shall not apply, and

10           “(II) the limitation under para-  
11 graph (1) (as modified by subclause  
12 (I)) shall be reduced by the credit al-  
13 lowed under subsection (a) for the  
14 taxable year (other than the marginal  
15 oil and gas well production credit).

16           “(B) MARGINAL OIL AND GAS WELL PRO-  
17 Duction CREDIT.—For purposes of this sub-  
18 section, the term ‘marginal oil and gas well pro-  
19 duction credit’ means the credit allowable under  
20 subsection (a) by reason of section 45D(a).”.

21           (2) CONFORMING AMENDMENT.—Subclause (II)  
22 of section 38(c)(2)(A)(ii) is amended by inserting  
23 “or the marginal oil and gas well production credit”  
24 after “employment credit”.

1 (d) CARRYBACK.—Subsection (a) of section 39 (relat-  
2 ing to carryback and carryforward of unused credits gen-  
3 erally) is amended by adding at the end the following new  
4 paragraph—

5 “(3) 10-YEAR CARRYBACK FOR MARGINAL OIL  
6 AND GAS WELL PRODUCTION CREDIT.—In the case  
7 of the marginal oil and gas well production credit—

8 “(A) this section shall be applied sepa-  
9 rately from the business credit (other than the  
10 marginal oil and gas well production credit),

11 “(B) paragraph (1) shall be applied by  
12 substituting ‘10 taxable year’ for ‘1 taxable  
13 year’ in subparagraph (A) thereof, and

14 “(C) paragraph (2) shall be applied—

15 “(i) by substituting ‘31 taxable years’  
16 for ‘21 taxable years’ in subparagraph (A)  
17 thereof, and

18 “(ii) by substituting ‘30 taxable years’  
19 for ‘20 taxable years’ in subparagraph (B)  
20 thereof.”.

21 (e) COORDINATION WITH SECTION 29.—Section  
22 29(a) is amended by striking “There” and inserting “At  
23 the election of the taxpayer, there.”

1 (f) CLERICAL AMENDMENT—The table of sections  
2 for subpart D of part IV of subchapter A of chapter 1  
3 is amended by adding at the end the following item:

“Sec. 45D. Credit for producing oil and gas from marginal  
wells.”

4 (g) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to production in taxable years be-  
6 ginning after December 31, 1999.

7 **SEC. 803. ELECTION TO EXPENSE GEOLOGICAL AND GEO-**  
8 **PHYSICAL EXPENDITURES AND DELAY RENT-**  
9 **AL PAYMENTS.**

10 (a) Section 263 (relating to capital expenditures) is  
11 amended by adding at the end the following new sub-  
12 section:

13 “(j) GEOLOGICAL AND GEOPHYSICAL EXPENDI-  
14 TURES FOR OIL AND WELLS.—Notwithstanding sub-  
15 section (a), a taxpayer may elect to treat geological and  
16 geophysical expenses incurred in connection with the ex-  
17 ploration for, or development of, oil or gas as expenses  
18 which are not chargeable to capital account. Any expenses  
19 so treated shall be allowed as a deduction in the taxable  
20 year in which paid or incurred.”.

21 (b) Section 263A(c)(3) is amended by inserting  
22 “263(j),” after “263(i),”.



1           (c)(1) The amendments made by subsections (a) and  
2 (b) shall apply to expenses paid or incurred after the date  
3 of the enactment of this Act.

4           (2) In the case of any expenses described in section  
5 263(j) of the Internal Revenue Code of 1986, as added  
6 by subsections (a) and (b), which were paid or incurred  
7 on or before the date of the enactment of this Act, the  
8 taxpayer may elect, at such time and in such manner as  
9 the Secretary of the Treasury may prescribe, to amortize  
10 the suspended portion of such expenses over the 36-month  
11 period beginning with the month in which the date of the  
12 enactment of this Act occurs. For purposes of this para-  
13 graph, the suspended portion of any expense is that por-  
14 tion of such expense which, as of the first day of the 36-  
15 month period, has not been included in the cost of a prop-  
16 erty or otherwise deducted.

17           (d) Section 263 (relating to capital expenditures), as  
18 amended by subsection (b), is amended by adding at the  
19 end the following new subsection—

20           “(k) DELAY RENTAL PAYMENTS FOR DOMESTIC OIL  
21 AND GAS WELLS.—

22           “(1) IN GENERAL.—Notwithstanding subsection  
23 (a), a taxpayer may elect to treat delay rental pay-  
24 ments incurred in connection with the development  
25 of oil or gas within the United States (as defined in

1 section 638) as payments which are not chargeable  
 2 to capital account. Any payments so treated shall be  
 3 allowed as a deduction in the taxable year in which  
 4 paid or incurred.

5 “(2) DELAY RENTAL PAYMENTS.—For purposes  
 6 of paragraph (1), the term ‘delay rental payment’  
 7 means an amount paid for the privilege of deferring  
 8 the drilling of an oil or gas well under an oil or gas  
 9 lease.”.

## 10 **Subtitle B—Independent Oil and** 11 **Gas Producers**

### 12 **SEC. 810. 5-YEAR NET OPERATING LOSS CARRYBACK FOR** 13 **LOSSES ATTRIBUTABLE TO OPERATING MIN-** 14 **ERAL INTERESTS OF INDEPENDENT OIL AND** 15 **GAS PRODUCERS.**

16 (a) Paragraph (1) of section 172(b) (relating to years  
 17 to which loss may be carried) is amended by adding at  
 18 the end the following new subparagraph—

19 “(H) LOSSES ON OPERATING MINERAL IN-  
 20 TERESTS OF INDEPENDENT OIL AND GAS PRO-  
 21 DUCERS.—In the case of a taxpayer—

22 “(i) which has an eligible oil and gas  
 23 loss (as defined in subsection (j)) for a tax-  
 24 able year, and

1                   “(ii) which is not an integrated oil  
2                   company (as defined in section 291(b)(4)),  
3                   such eligible oil and gas loss shall be a net  
4                   operating loss carryback to each of the 5  
5                   taxable years preceding the taxable year of  
6                   such loss.”.

7           (b) ELIGIBLE OIL AND GAS LOSS.—Section 172 is  
8 amended by redesignating subsection (j) as subsection (k)  
9 and by inserting after subsection (i) the following new  
10 subsection—

11           “(j) ELIGIBLE OIL AND GAS LOSS.—For purposes of  
12 this section—

13                   “(1) IN GENERAL.—The term ‘eligible oil and  
14                   gas loss’ means the lesser of—

15                           “(A) the amount which would be the net  
16                           operating loss for the taxable year if only in-  
17                           come and deductions attributable to operating  
18                           mineral interests (as defined in section 614(d))  
19                           in oil and gas wells are taken into account, or

20                           “(B) the amount of the net operating loss  
21                           for such taxable year.

22                   “(2) COORDINATION WITH SUBSECTION  
23                   (b)(2).—For purposes of applying subsection (b)(2),  
24                   an eligible oil and gas loss for any taxable year shall

1 be treated in a manner similar to the manner in  
2 which a specified liability loss is treated.

3 “(3) ELECTION.—Any taxpayer entitled to a 5-  
4 year carryback under subsection (b)(1)(H) from any  
5 loss year may elect to have the carryback period  
6 with respect to such loss year determined without re-  
7 gard to subsection (b)(1)(H).”.

8 (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to net operating losses for taxable  
10 years beginning after December 31, 1998.

11 **SEC. 811. TEMPORARY SUSPENSION OF LIMITATION BASED**  
12 **ON 65 PERCENT OF TAXABLE INCOME.**

13 (a) IN GENERAL.—Subsection (d) of section 613A  
14 (relating to limitation on percentage depletion in case of  
15 oil and gas wells) is amended by adding at the end the  
16 following new paragraph—

17 “(6) TEMPORARY SUSPENSION OF TAXABLE IN-  
18 COME LIMIT.—Paragraph (1) shall not apply to tax-  
19 able years beginning after December 31, 1998, and  
20 before January 1, 2005, including with respect to  
21 amounts carried under the second sentence of para-  
22 graph (1) to such taxable years.”.

23 (b) EFFECTIVE DATE.—The amendment made by  
24 this section shall apply to taxable years beginning after  
25 December 31, 1998.

1 **TITLE IX—TAX MEASURES TO**  
2 **ENHANCE THE USE OF RE-**  
3 **NEWABLE ENERGY SOURCES,**  
4 **IMPROVE ENERGY EFFI-**  
5 **CIENCIES, PROTECT CON-**  
6 **SUMERS AND CONVERSION**  
7 **TO CLEAN BURNING FUELS**

8 **SEC. 901. CREDIT FOR ELECTRICITY PRODUCED FROM RE-**  
9 **NEWABLE RESOURCES.**

10 (a) EXTENSION AND MODIFICATION OF PLACED-IN-  
11 SERVICE RULES.—Paragraph (3) of section 45(c) of the  
12 Internal Revenue Code of 1986 is amended to read as fol-  
13 lows:

14 “(3) QUALIFIED FACILITY.—

15 “(A) WIND FACILITIES.—In the case of a  
16 facility using wind to produce electricity, the  
17 term ‘qualified facility’ means any facility  
18 owned by the taxpayer which is originally  
19 placed in service after December 31, 1993, and  
20 before July 1, 2004.

21 “(B) BIOMASS FACILITIES.—In the case of  
22 a facility using biomass to produce electricity,  
23 the term ‘qualified facility’ means, with respect  
24 to any month, any facility owned, leased, or op-  
25 erated by the taxpayer which is originally

1 placed in service before July 1, 2004, if, for  
2 such month—

3 “(i) biomass comprises not less than  
4 75 percent (on a Btu basis) of the average  
5 monthly fuel input of the facility for the  
6 taxable year which includes such month, or

7 “(ii) in the case of a facility prin-  
8 cipally using coal to produce electricity,  
9 biomass comprises not more than 25 per-  
10 cent (on a Btu basis) of the average  
11 monthly fuel input of the facility for the  
12 taxable year which includes such month.

13 “(C) SPECIAL RULES.—

14 “(i) in the case of a qualified facility  
15 described in paragraph (B)(i)—

16 “(I) the 10-year period referred  
17 to in subsection (a) shall be treated as  
18 beginning no earlier than the date of  
19 the enactment of this paragraph, and

20 “(II) subsection (b)(3) shall not  
21 apply to any such facility originally  
22 placed in service before January 1,  
23 1997.

24 “(ii) in the case of a qualified facility  
25 described in subparagraph (B)(ii)—

1                   “(I) the 10-year period referred  
2                   to in subsection (a) shall be treated as  
3                   beginning no earlier than the date of  
4                   the enactment of this paragraph, and

5                   “(II) the amount of the credit  
6                   determined under subsection (a) with  
7                   respect to any project for any taxable  
8                   year shall be adjusted by multiplying  
9                   such amount (determined without re-  
10                  gard to this clause) by 0.59.”.

11           (b) CREDIT NOT TO APPLY TO ELECTRICITY SOLD  
12 TO UTILITIES UNDER CERTAIN CONTRACTS.—Section  
13 45(b) of the Internal Revenue Code of 1986 (relating to  
14 limitations and adjustments) is amended by adding at the  
15 end the following—

16                   “(4) CREDIT NOT TO APPLY TO ELECTRICITY  
17                   SOLD TO UTILITIES UNDER CERTAIN CONTRACTS.—

18                   “(A) IN GENERAL.—The credit determined  
19                   under subsection (a) shall not apply to  
20                   electricity—

21                   “(i) produced at a qualified facility  
22                   placed in service by the taxpayer after  
23                   June 30, 1999, and

24                   “(ii) sold to a utility pursuant to a  
25                   contract originally entered into before Jan-

1 uary 1, 1987 (whether or not amended or  
2 restated after that date).

3 “(B) EXCEPTION.—Subparagraph (A)  
4 shall not apply if—

5 “(i) the prices for energy and capacity  
6 from such facility are established pursuant  
7 to an amendment to the contract referred  
8 to in subparagraph (A)(ii);

9 “(ii) such amendment provides that  
10 the prices set forth in the contract which  
11 exceed avoided cost prices determined at  
12 the time of delivery shall apply only to an-  
13 nual quantities of electricity (prorated for  
14 partial years) which do not exceed the  
15 greater of—

16 “(I) the average annual quantity  
17 of electricity sold to the utility under  
18 the contract during calendar years  
19 1994, 1995, 1996, 1997, and 1998,  
20 or

21 “(II) the estimate of the annual  
22 electricity production set forth in the  
23 contract, or, if there is no such esti-  
24 mate, the greatest annual quantity of  
25 electricity sold to the utility under the



1 contract in any of the calendar years  
2 1996, 1997, or 1998; and

3 “(iii) such amendment provides that  
4 energy and capacity in excess of the limita-  
5 tion in clause (ii) may be—

6 “(I) sold to the utility only at  
7 prices that do not exceed avoided cost  
8 prices determined at the time of deliv-  
9 ery, or

10 “(II) sold to a third party subject  
11 to a mutually agreed upon advance  
12 notice to the utility.

13 For purposes of this subparagraph,  
14 avoided cost prices shall be deter-  
15 mined as provided for in 18 CFR  
16 292.304(d)(1) or any successor regu-  
17 lation.”.

18 (c) QUALIFIED FACILITIES INCLUDE ALL BIOMASS  
19 FACILITIES.—

20 (1) IN GENERAL.—Subparagraph (B) of section  
21 45(c)(1) of the Internal Revenue Code of 1986 (de-  
22 fining qualified energy resources) is amended to read  
23 as follows—

24 “(B) biomass.”.

1           (2) BIOMASS DEFINED.—Paragraph (2) of sec-  
2           tion 45(c) of such Code (relating to definitions) is  
3           amended to read as follows—

4           “(2) BIOMASS.—The term ‘biomass’ means—

5           “(A) any organic material from a plant  
6           which is planted exclusively for purposes of  
7           being used at a qualified facility to produce  
8           electricity, or

9           “(B) any solid, nonhazardous, cellulosic  
10          waste material which is segregated from other  
11          waste materials and which is derived from—

12          “(i) any of the following forest-related  
13          resources: mill residues, precommercial  
14          thinnings, slash, and brush, but not includ-  
15          ing old-growth timber,

16          “(ii) poultry waste,

17          “(iii) urban sources, including waste  
18          pallets, crates, and dunnage, manufac-  
19          turing and construction wood wastes, and  
20          landscape or right-of-way trimmings, but  
21          not including unsegregated municipal solid  
22          waste (garbage) or paper that is commonly  
23          recycled, or

24          “(iv) agriculture sources, including or-  
25          chard tree crops, vineyard, grain, legumes,

1                   sugar, and other crop by-products or resi-  
2                   dues.”.

3           (d) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply to electricity produced after the  
5 date of the enactment of this Act.

6 **SEC. 902. CERTAIN AMOUNTS RECEIVED BY ELECTRIC EN-**  
7                   **ERGY, GAS, OR STEAM UTILITIES EXCLUDED**  
8                   **FROM GROSS INCOME AS CONTRIBUTIONS TO**  
9                   **CAPITAL.**

10           (a) Subsection (c) of section 118 of the Internal Rev-  
11 enue Code of 1986 (relating to special rules for water and  
12 sewerage disposal utilities) is amended—

13                   (1) in the heading, by striking, “WATER AND  
14           SEWERAGE DISPOSAL” and inserting “CER-  
15           TAIN”,

16                   (2) in paragraph (1)—

17                           (A) in the matter preceding paragraph (1),  
18                           by striking “water or” and inserting “electric  
19                           energy, gas (through a local distribution system  
20                           or transportation by pipeline), steam, water,  
21                           or” and

22                           (B) in subparagraph (B), by striking  
23                           “water or” and inserting “electric energy, gas,  
24                           steam, water, or”,

1 (3) in paragraph (2)(A)(ii), by striking “water  
 2 or” and inserting “electric energy, gas, steam,  
 3 water, or”, and

4 (4) in paragraph (3)—

5 (A) in subparagraph (A), by inserting  
 6 “such term shall include amounts paid as cus-  
 7 tomer connection fees (including amounts paid  
 8 to connect the customer’s line to an electric  
 9 line, a gas main, a steam line, or a main water  
 10 or sewer line) and” after “except that”, and

11 (B) in subparagraph (C), by striking  
 12 “water or” and inserting “electric energy, gas,  
 13 steam, water, or”.

14 (b) The amendments made by subsection (a) shall  
 15 apply to amounts received after the date of the enactment  
 16 of this Act.

17 **SEC. 903. EXTENSION OF CREDIT FOR ELECTRICITY PRO-**  
 18 **DUCED FROM STEEL COGENERATION.**

19 (a) EXTENSION OF CREDIT FOR COKE PRODUCTION  
 20 AND STEEL MANUFACTURING FACILITIES.—Section  
 21 45(c)(1) (defining qualified energy resources) is amended  
 22 by striking “and” at the end of the next to last subpara-  
 23 graph, by striking the period at the end of the last sub-  
 24 paragraph and inserting “, and”, and by adding at the  
 25 end the following new subparagraph—

1 “( ) steel cogeneration.”

2 (b) STEEL COGENERATION.—Section 45(e) is amend-  
3 ed by adding at the end the following—

4 “( ) STEEL COGENERATION.—The term ‘steel  
5 cogeneration’ means the production of steam or  
6 other form of thermal energy of at least 20 percent  
7 of total production and the production of electricity  
8 or mechanical energy (or both) of at least 20 percent  
9 of total production (meaning production from all  
10 waste sources in subparagraphs (A), (B), and (C)  
11 from the entire facility that produces coke, iron ore,  
12 iron, or steel), provided that the cogeneration meets  
13 any regulatory energy-efficiency standards estab-  
14 lished by the Secretary, and only to the extent that  
15 such energy is produced from—

16 “(A) gases or heat generated during the  
17 production of coke,

18 “(B) blast furnace gases or heat generated  
19 during the production of iron ore or iron, or

20 “(C) waste gases or heat generated from  
21 the manufacture of steel that uses at least 20  
22 percent recycled material.”.

23 (c) MODIFICATION OF PLACED IN SERVICE  
24 RULES FOR STEEL COGENERATION FACILITIES.—

1 Section 45(c)(3) (defining qualified facility) is  
2 amended by adding at the end the following—

3 ( ) STEEL COGENERATION FACILITIES.—In the  
4 case of a facility using steel cogeneration to produce  
5 electricity, the term ‘qualified facility’ means any fa-  
6 cility permitted to operate under the environmental  
7 requirements of the Clean Air Act Amendments of  
8 1990 which is owned by the taxpayer and originally  
9 placed in service after December 31, 1999, and be-  
10 fore January 1, 2005. Such a facility may be treated  
11 as originally placed in service when such facility was  
12 last upgraded to increase efficiency or generation ca-  
13 pability. However, no facility shall be allowed a cred-  
14 it for more than 10 years of production.”.

15 (d) CONFORMING AMENDMENTS.—

16 (1) The heading for section 45 is amended by  
17 inserting “and waste energy” after “renewable”.

18 (2) The item relating to section 45 in the table  
19 of sections subpart D of part IV of subchapter A of  
20 chapter 1 is amended by inserting “and waste en-  
21 ergy” after “renewable”.

22 (e) EFFECTIVE DATE.—The amendments made by  
23 this section shall take effect for taxable years beginning  
24 after December 31, 2001, and before January 1, 2005.

1 **SEC. 904. FULL EXPENSING OF HOME HEATING OIL STOR-**  
 2 **AGE FACILITIES.**

3 (a) IN GENERAL.—Section 179(b) of the Internal  
 4 Revenue Code of 1986 (relating to limitations) is amended  
 5 by adding at the end of the following—

6 “(5) FULL EXPENSING OF HOME HEATING OIL  
 7 STORAGE FACILITIES.—Paragraphs (1) and (2) shall  
 8 not apply to section 179 property which is any stor-  
 9 age facility (not including a building or its structural  
 10 components) used in connection with the distribution  
 11 of home heating oil.”.

12 (b) EFFECTIVE DATE.—The amendment made by  
 13 this section shall apply to property placed in service in  
 14 taxable years beginning after the date of the enactment  
 15 of this Act.”

16 **SEC. 905. RESIDENTIAL SOLAR ENERGY TAX CREDIT.**

17 (a) IN GENERAL.—Subpart A of part IV of sub-  
 18 chapter A of chapter 1 of the Internal Revenue Code of  
 19 1986 (relating to nonrefundable personal credits) is  
 20 amended by inserting after section 25A the following new  
 21 section—

22 **“SEC. 25B. RESIDENTIAL SOLAR ENERGY PROPERTY.**

23 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
 24 dividual, there shall be allowed as a credit against the tax  
 25 imposed by this chapter for the taxable year an amount  
 26 equal to the sum of—

1           “(1) 15 percent of the qualified photovoltaic  
2 property expenditures made by the taxpayer during  
3 such year, and

4           “(2) 15 percent of the qualified solar water  
5 heating property expenditures made by the taxpayer  
6 during the taxable year.

7           “(b) LIMITATIONS.—

8           “(1) MAXIMUM CREDIT.—The credit allowed  
9 under subsection (a)(2) shall not exceed \$2,000 for  
10 each system of solar energy property.

11           “(2) TYPE OF PROPERTY.—No expenditure may  
12 be taken into account under this section unless such  
13 expenditure is made by the taxpayer for property in-  
14 stalled on or in connection with a dwelling unit  
15 which is located in the United States and which is  
16 used as a residence.

17           “(3) SAFETY CERTIFICATIONS.—No credit shall  
18 be allowed under this section for an item of property  
19 unless—

20           “(A) in the case of solar water heating  
21 equipment, such equipment is certified for per-  
22 formance and safety by the non-profit Solar  
23 Rating Certification Corporation or a com-  
24 parable entity endorsed by the government of



1 the State in which such property is installed,  
2 and

3 “(B) in the case of a photovoltaic system,  
4 such system meets appropriate fire and electric  
5 code requirements.

6 “(c) DEFINITIONS.—For purposes of this section—

7 “(1) QUALIFIED SOLAR WATER HEATING PROP-  
8 ERTY EXPENDITURE.—The term ‘qualified solar  
9 water heating property expenditure’ means an ex-  
10 penditure for property that uses solar energy to heat  
11 water for use in a dwelling unit with respect to  
12 which a majority of the energy is derived from the  
13 sun.

14 “(2) QUALIFIED PHOTOVOLTAIC PROPERTY EX-  
15 PENDITURE.—The term ‘qualified photovoltaic prop-  
16 erty expenditure’ means an expenditure for property  
17 that uses solar energy to generate electricity for use  
18 in a dwelling unit.

19 “(3) SOLAR PANELS.—No expenditure relating  
20 to a solar panel or other property installed as a roof  
21 (or portion thereof) shall fail to be treated as prop-  
22 erty described in paragraph (1) or (2) solely because  
23 it constitutes a structural component of the struc-  
24 ture on which it is installed.

1           “(4) LABOR COSTS.—Expenditures for labor  
2 costs properly allocable to the onsite preparation, as-  
3 sembly, or original installation of the property de-  
4 scribed in paragraph (1) or (2) and for piping or  
5 wiring to interconnect such property to the dwelling  
6 unit shall be taken into account for purposes of this  
7 section.

8           “(5) SWIMMING POOLS, ETC., USED AS STOR-  
9 AGE MEDIUM.—Expenditures which are properly al-  
10 locable to a swimming pool, hot tub, or any other  
11 energy storage medium which has a function other  
12 than the function of such storage shall not be taken  
13 into account for purposes of this section.

14           “(d) SPECIAL RULES.—For purposes of this  
15 section—

16           “(1) DOLLAR AMOUNTS IN CASE OF JOINT OC-  
17 CUPANCY.—In the case of any dwelling unit which is  
18 jointly occupied and used during any calendar year  
19 as a residence by 2 or more individuals the following  
20 shall apply—

21           “(A) The amount of the credit allowable  
22 under subsection (a) by reason of expenditures  
23 (as the case may be) made during such cal-  
24 endar year by any of such individuals with re-  
25 spect to such dwelling unit shall be determined

1 by treating all of such individuals as 1 taxpayer  
2 whose taxable year is such calendar year.

3 “(B) There shall be allowable with respect  
4 to such expenditures to each of such individ-  
5 uals, a credit under subsection (a) for the tax-  
6 able year in which such calendar year ends in  
7 an amount which bears the same ratio to the  
8 amount determined under subparagraph (A) as  
9 the amount of such expenditures made by such  
10 individual during such calendar year bears to  
11 the aggregate of such expenditures made by all  
12 of such individuals during such calendar year.

13 “(2) TENANT-STOCKHOLDER IN COOPERATIVE  
14 HOUSING CORPORATION.—In the case of an indi-  
15 vidual who is a tenant-stockholder (as defined in sec-  
16 tion 216) in a cooperative housing corporation (as  
17 defined in such section), such individual shall be  
18 treated as having made his tenant-stockholder’s pro-  
19 portionate share (as defined in section 216(b)(3)) of  
20 any expenditures of such corporation.

21 “(3) CONDOMINIUMS.—

22 “(A) IN GENERAL.—In the case of an indi-  
23 vidual who is a member of a condominium man-  
24 agement association with respect to a condo-  
25 minium which he owns, such individual shall be

1 treated as having made his proportionate share  
2 of any expenditures of such association.

3 “(B) CONDOMINIUM MANAGEMENT ASSO-  
4 CIATION.—For purposes of this paragraph, the  
5 term ‘condominium management association’  
6 means an organization which meets the require-  
7 ments of paragraph (1) of section 528(c) (other  
8 than subparagraph (E) thereof) with respect to  
9 a condominium project substantially all of the  
10 units of which are used as residences.

11 “(4) JOINT OWNERSHIP OF ITEMS OF SOLAR  
12 ENERGY PROPERTY.—

13 “(A) IN GENERAL.—Any expenditure oth-  
14 erwise qualifying as an expenditure described in  
15 paragraph (1) or (2) of subsection (c) shall not  
16 be treated as failing to so qualify merely be-  
17 cause such expenditure was made with respect  
18 to 2 or more dwelling units.

19 “(B) LIMITS APPLIED SEPARATELY.—In  
20 the case of any expenditure described in sub-  
21 paragraph (A), the amount of the credit allow-  
22 able under subsection (a) shall (subject to para-  
23 graph (1)) be computed separately with respect  
24 to the amount of the expenditure made for each  
25 dwelling unit.

1           “(5) ALLOCATION IN CERTAIN CASES.—If less  
2 than 80 percent of the use of an item is for nonbusi-  
3 ness residential purposes, only that portion of the  
4 expenditures for such item which is properly allo-  
5 cable to use for nonbusiness residential purposes  
6 shall be taken into account. For purposes of this  
7 paragraph, use for a swimming pool shall be treated  
8 as use which is not for residential purposes.

9           “(6) WHEN EXPENDITURE MADE; AMOUNT OF  
10 EXPENDITURE.—

11           “(A) IN GENERAL.—Except as provided in  
12 subparagraph (B), an expenditure with respect  
13 to an item shall be treated as made when the  
14 original installation of the item is completed.

15           “(B) EXPENDITURES PART OF BUILDING  
16 CONSTRUCTION.—In the case of an expenditure  
17 in connection with the construction or recon-  
18 struction of a structure, such expenditure shall  
19 be treated as made when the original use of the  
20 constructed or reconstructed structure by the  
21 taxpayer begins.

22           “(C) AMOUNT.—The amount of an ex-  
23 penditure shall be the cost thereof.

24           “(e) BASIS ADJUSTMENTS.—For purposes of this  
25 subtitle, if a credit is allowed under this section for any

1 expenditure with respect to any property, the increase in  
2 the basis of such property which would (but for this sub-  
3 section) result from such expenditure shall be reduced by  
4 the amount of the credit so allowed.”.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Subsection (a) of section 1016 of such Code  
7 is amended by striking ‘and’ at the end of paragraph  
8 (26), by striking the period at the end of paragraph  
9 (27) and inserting “; and”, and by adding at the  
10 end the following new paragraph:

11 “(28) to the extent provided in section 25B(e),  
12 in the case of amounts with respect to which a credit  
13 has been allowed under section 25B.”.

14 (2) The table of sections for subpart A of part  
15 IV of subchapter A of chapter 1 of such Code is  
16 amended by inserting after the item relating to sec-  
17 tion 25A the following new item—

“Sec. 25B. Residential solar energy property.”

18 (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to taxable years ending after De-  
20 cember 31, 1999 and before December 31, 2004.



**Calendar No. 552**

106TH CONGRESS  
2D SESSION

**S. 2557**

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**A BILL**

To protect the energy security of the United States and decrease America's dependency on foreign oil sources to 50 percent by the year 2010 by enhancing the use of renewable energy resources, conserving energy resources, improving energy efficiencies, and increasing domestic energy supplies, mitigating the effect of increases in energy prices on the American consumer, including the poor and the elderly, and for other purposes.

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MAY 17, 2000

Read the second time and placed on the calendar