

108TH CONGRESS  
2D SESSION

# H. R. 4503

To enhance energy conservation and research and development, to provide for security and diversity in the energy supply for the American people, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 3, 2004

Mr. BARTON of Texas introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Science, Ways and Means, Resources, Education and the Workforce, Transportation and Infrastructure, Financial Services, Agriculture, and Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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# A BILL

To enhance energy conservation and research and development, to provide for security and diversity in the energy supply for the American people, 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; TABLE OF CONTENTS.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Energy Policy Act of 2004”.

6       (b) TABLE OF CONTENTS.—The table of contents for  
7       this Act is as follows:

Sec. 1. Short title; table of contents.

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- Sec. 101. Energy and water saving measures in congressional buildings.
- Sec. 102. Energy management requirements.
- Sec. 103. Energy use measurement and accountability.
- Sec. 104. Procurement of energy efficient products.
- Sec. 105. Energy Savings Performance Contracts.
- Sec. 106. Energy Savings Performance Contracts pilot program for nonbuilding applications.
- Sec. 107. Voluntary commitments to reduce industrial energy intensity.
- Sec. 108. Advanced Building Efficiency Testbed.
- Sec. 109. Federal building performance standards.
- Sec. 110. Increased use of recovered mineral component in Federally funded projects involving procurement of cement or concrete.

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- Sec. 122. Weatherization assistance.
- Sec. 123. State energy programs.
- Sec. 124. Energy efficient appliance rebate programs.
- Sec. 125. Energy efficient public buildings.
- Sec. 126. Low income community energy efficiency pilot program.

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- Sec. 131. Energy Star Program.
- Sec. 132. HVAC maintenance consumer education program.
- Sec. 133. Energy conservation standards for additional products.
- Sec. 134. Energy labeling.

### Subtitle D—Public housing

- Sec. 141. Capacity building for energy-efficient, affordable housing.
- Sec. 142. Increase of cdbg public services cap for energy conservation and efficiency activities.
- Sec. 143. FHA mortgage insurance incentives for energy efficient housing.
- Sec. 144. Public housing capital fund.
- Sec. 145. Grants for energy-conserving improvements for assisted housing.
- Sec. 146. North American Development Bank.
- Sec. 147. Energy-efficient appliances.
- Sec. 148. Energy efficiency standards.
- Sec. 149. Energy strategy for HUD.

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- Sec. 202. Renewable energy production incentive.
- Sec. 203. Federal purchase requirement.
- Sec. 204. Insular areas energy security.
- Sec. 205. Use of photovoltaic energy in public buildings.

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Sec. 213. Direct use.

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Sec. 218. Assessment of Geothermal energy potential.

Sec. 219. Cooperative or Unit plans.

Sec. 220. Royalty on byproducts.

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Sec. 222. Crediting of rental toward royalty.

Sec. 223. Lease duration and work commitment requirements.

Sec. 224. Advanced royalties required for suspension of production.

Sec. 225. Annual rental.

Sec. 226. Leasing and permitting on Federal lands withdrawn for military purposes.

Sec. 227. Technical amendments.

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- Sec. 1602. Natural gas supply shortage report.
- Sec. 1603. Split-estate Federal oil and gas leasing and development practices.
- Sec. 1604. Resolution of Federal resource development conflicts in the Powder River Basin.

See. 1605. Study of energy efficiency standards.  
See. 1606. Telecommuting study.  
See. 1607. Liheap report.  
See. 1608. Oil bypass filtration technology.  
See. 1609. Total integrated thermal systems.  
See. 1610. University collaboration.  
See. 1611. Reliability and consumer protection assessment.

## 1      **TITLE I—ENERGY EFFICIENCY**

### 2      **Subtitle A—Federal Programs**

#### 3      **SEC. 101. ENERGY AND WATER SAVING MEASURES IN CON-**

#### 4                   **GRESSIONAL BUILDINGS.**

5               (a) IN GENERAL.—Part 3 of title V of the National  
6      Energy Conservation Policy Act (42 U.S.C. 8251 et seq.)  
7      is amended by adding at the end the following:

#### 8      **“SEC. 552. ENERGY AND WATER SAVINGS MEASURES IN**

#### 9                   **CONGRESSIONAL BUILDINGS.**

10     “(a) IN GENERAL.—The Architect of the Capitol—  
11       “(1) shall develop, update, and implement a  
12      cost-effective energy conservation and management  
13      plan (referred to in this section as the ‘plan’) for all  
14      facilities administered by Congress (referred to in  
15      this section as ‘congressional buildings’) to meet the  
16      energy performance requirements for Federal build-  
17      ings established under section 543(a)(1); and

18       “(2) shall submit the plan to Congress, not  
19      later than 180 days after the date of enactment of  
20      this section.

21     “(b) PLAN REQUIREMENTS.—The plan shall in-  
22      clude—

1           “(1) a description of the life cycle cost analysis  
2 used to determine the cost-effectiveness of proposed  
3 energy efficiency projects;

4           “(2) a schedule of energy surveys to ensure  
5 complete surveys of all congressional buildings every  
6 5 years to determine the cost and payback period of  
7 energy and water conservation measures;

8           “(3) a strategy for installation of life cycle cost-  
9 effective energy and water conservation measures;

10          “(4) the results of a study of the costs and ben-  
11 efits of installation of submetering in congressional  
12 buildings; and

13          “(5) information packages and ‘how-to’ guides  
14 for each Member and employing authority of Con-  
15 gress that detail simple, cost-effective methods to  
16 save energy and taxpayer dollars in the workplace.

17          “(c) ANNUAL REPORT.—The Architect of the Capitol  
18 shall submit to Congress annually a report on congres-  
19 sional energy management and conservation programs re-  
20 quired under this section that describes in detail—

21           “(1) energy expenditures and savings estimates  
22 for each facility;

23           “(2) energy management and conservation  
24 projects; and

1               “(3) future priorities to ensure compliance with  
2               this section.”.

3               (b) TABLE OF CONTENTS AMENDMENT.—The table  
4               of contents of the National Energy Conservation Policy  
5               Act is amended by adding at the end of the items relating  
6               to part 3 of title V the following new item:

“Sec. 552. Energy and water savings measures in congressional buildings.”.

7               (c) REPEAL.—Section 310 of the Legislative Branch  
8               Appropriations Act, 1999 (2 U.S.C. 1815), is repealed.

9               (d) ENERGY INFRASTRUCTURE.—The Architect of  
10              the Capitol, building on the Master Plan Study completed  
11              in July 2000, shall commission a study to evaluate the  
12              energy infrastructure of the Capital Complex to determine  
13              how the infrastructure could be augmented to become  
14              more energy efficient, using unconventional and renewable  
15              energy resources, in a way that would enable the Complex  
16              to have reliable utility service in the event of power fluc-  
17              tuations, shortages, or outages.

18              (e) AUTHORIZATION OF APPROPRIATIONS.—There  
19              are authorized to be appropriated to the Architect of the  
20              Capitol to carry out subsection (d), \$2,000,000 for each  
21              of fiscal years 2004 through 2008.

22 **SEC. 102. ENERGY MANAGEMENT REQUIREMENTS.**

23              (a) ENERGY REDUCTION GOALS.—

24               (1) AMENDMENT.—Section 543(a)(1) of the  
25               National Energy Conservation Policy Act (42 U.S.C.

1       8253(a)(1)) is amended by striking “its Federal  
 2       buildings so that” and all that follows through the  
 3       end and inserting “the Federal buildings of the  
 4       agency (including each industrial or laboratory facil-  
 5       ity) so that the energy consumption per gross square  
 6       foot of the Federal buildings of the agency in fiscal  
 7       years 2004 through 2013 is reduced, as compared  
 8       with the energy consumption per gross square foot  
 9       of the Federal buildings of the agency in fiscal year  
 10      2001, by the percentage specified in the following  
 11      table:

| <b>“Fiscal Year</b> | <b>Percentage reduction</b> |
|---------------------|-----------------------------|
| 2004 .....          | 2                           |
| 2005 .....          | 4                           |
| 2006 .....          | 6                           |
| 2007 .....          | 8                           |
| 2008 .....          | 10                          |
| 2009 .....          | 12                          |
| 2010 .....          | 14                          |
| 2011 .....          | 16                          |
| 2012 .....          | 18                          |
| 2013 .....          | 20.”.                       |

12           (2) REPORTING BASELINE.—The energy reduc-  
 13       tion goals and baseline established in paragraph (1)  
 14       of section 543(a) of the National Energy Conserva-  
 15       tion Policy Act (42 U.S.C. 8253(a)(1)), as amended  
 16       by this subsection, supersede all previous goals and  
 17       baselines under such paragraph, and related report-  
 18       ing requirements.

19           (b) REVIEW AND REVISION OF ENERGY PERFORM-  
 20       ANCE REQUIREMENT.—Section 543(a) of the National

1 Energy Conservation Policy Act (42 U.S.C. 8253(a)) is  
2 further amended by adding at the end the following:

3       “(3) Not later than December 31, 2012, the Sec-  
4 retary shall review the results of the implementation of  
5 the energy performance requirement established under  
6 paragraph (1) and submit to Congress recommendations  
7 concerning energy performance requirements for fiscal  
8 years 2014 through 2023.”.

9       (c) EXCLUSIONS.—Section 543(c)(1) of the National  
10 Energy Conservation Policy Act (42 U.S.C. 8253(c)(1))  
11 is amended by striking “An agency may exclude” and all  
12 that follows through the end and inserting “(A) An agency  
13 may exclude, from the energy performance requirement  
14 for a fiscal year established under subsection (a) and the  
15 energy management requirement established under sub-  
16 section (b), any Federal building or collection of Federal  
17 buildings, if the head of the agency finds that—

18           “(i) compliance with those requirements would  
19 be impracticable;

20           “(ii) the agency has completed and submitted  
21 all federally required energy management reports;

22           “(iii) the agency has achieved compliance with  
23 the energy efficiency requirements of this Act, the  
24 Energy Policy Act of 1992, Executive orders, and  
25 other Federal law; and

1           “(iv) the agency has implemented all practicable, life cycle cost-effective projects with respect to the Federal building or collection of Federal buildings to be excluded.

5           “(B) A finding of impracticability under subparagraph (A)(i) shall be based on—

7           “(i) the energy intensiveness of activities carried out in the Federal building or collection of Federal buildings; or

10           “(ii) the fact that the Federal building or collection of Federal buildings is used in the performance of a national security function.”.

13           (d) REVIEW BY SECRETARY.—Section 543(c)(2) of  
14 the National Energy Conservation Policy Act (42 U.S.C.  
15 8253(c)(2)) is amended—

16           (1) by striking “impracticability standards” and  
17 inserting “standards for exclusion”;

18           (2) by striking “a finding of impracticability”  
19 and inserting “the exclusion”; and

20           (3) by striking “energy consumption requirements” and inserting “requirements of subsections  
21 (a) and (b)(1)”.

23           (e) CRITERIA.—Section 543(c) of the National Energy Conservation Policy Act (42 U.S.C. 8253(c)) is further amended by adding at the end the following:

1       “(3) Not later than 180 days after the date of enact-  
2 ment of this paragraph, the Secretary shall issue guide-  
3 lines that establish criteria for exclusions under paragraph  
4 (1).”.

5       (f) RETENTION OF ENERGY AND WATER SAVINGS.—  
6 Section 546 of the National Energy Conservation Policy  
7 Act (42 U.S.C. 8256) is amended by adding at the end  
8 the following new subsection:

9       “(e) RETENTION OF ENERGY AND WATER SAV-  
10 INGS.—An agency may retain any funds appropriated to  
11 that agency for energy expenditures, water expenditures,  
12 or wastewater treatment expenditures, at buildings subject  
13 to the requirements of section 543(a) and (b), that are  
14 not made because of energy savings or water savings. Ex-  
15 cept as otherwise provided by law, such funds may be used  
16 only for energy efficiency, water conservation, or uncon-  
17 ventional and renewable energy resources projects.”.

18       (g) REPORTS.—Section 548(b) of the National En-  
19 ergy Conservation Policy Act (42 U.S.C. 8258(b)) is  
20 amended—

21           (1) in the subsection heading, by inserting  
22       “THE PRESIDENT AND” before “CONGRESS”; and  
23           (2) by inserting “President and” before “Con-  
24       gress”.

1       (h) CONFORMING AMENDMENT.—Section 550(d) of  
2 the National Energy Conservation Policy Act (42 U.S.C.  
3 8258b(d)) is amended in the second sentence by striking  
4 “the 20 percent reduction goal established under section  
5 543(a) of the National Energy Conservation Policy Act  
6 (42 U.S.C. 8253(a)).” and inserting “each of the energy  
7 reduction goals established under section 543(a).”.

8 **SEC. 103. ENERGY USE MEASUREMENT AND ACCOUNT-  
9                     ABILITY.**

10       Section 543 of the National Energy Conservation  
11 Policy Act (42 U.S.C. 8253) is further amended by adding  
12 at the end the following:

13       “(e) METERING OF ENERGY USE.—

14           “(1) DEADLINE.—By October 1, 2010, in ac-  
15 cordance with guidelines established by the Sec-  
16 retary under paragraph (2), all Federal buildings  
17 shall, for the purposes of efficient use of energy and  
18 reduction in the cost of electricity used in such  
19 buildings, be metered or submetered. Each agency  
20 shall use, to the maximum extent practicable, ad-  
21 vanced meters or advanced metering devices that  
22 provide data at least daily and that measure at least  
23 hourly consumption of electricity in the Federal  
24 buildings of the agency. Such data shall be incor-  
25 porated into existing Federal energy tracking sys-

1       tems and made available to Federal facility energy  
2       managers.

3           “(2) GUIDELINES.—

4               “(A) IN GENERAL.—Not later than 180  
5       days after the date of enactment of this sub-  
6       section, the Secretary, in consultation with the  
7       Department of Defense, the General Services  
8       Administration, representatives from the meter-  
9       ing industry, utility industry, energy services in-  
10      dustry, energy efficiency industry, energy effi-  
11      ciency advocacy organizations, national labora-  
12      tories, universities, and Federal facility energy  
13      managers, shall establish guidelines for agencies  
14      to carry out paragraph (1).

15               “(B) REQUIREMENTS FOR GUIDELINES.—

16       The guidelines shall—

17               “(i) take into consideration—

18                       “(I) the cost of metering and  
19       submetering and the reduced cost of  
20       operation and maintenance expected  
21       to result from metering and sub-  
22       metering;

23                       “(II) the extent to which meter-  
24       ing and submetering are expected to  
25       result in increased potential for en-

9                         “(ii) include recommendations con-  
10                         cerning the amount of funds and the num-  
11                         ber of trained personnel necessary to gath-  
12                         er and use the metering information to  
13                         track and reduce energy use;

14                             “(iii) establish priorities for types and  
15                             locations of buildings to be metered and  
16                             submetered based on cost-effectiveness and  
17                             a schedule of 1 or more dates, not later  
18                             than 1 year after the date of issuance of  
19                             the guidelines, on which the requirements  
20                             specified in paragraph (1) shall take effect;  
21                             and

“(iv) establish exclusions from the requirements specified in paragraph (1) based on the de minimis quantity of energy

1                   use of a Federal building, industrial proc-  
2                   ess, or structure.

3                 “(3) PLAN.—Not later than 6 months after the  
4                 date guidelines are established under paragraph (2),  
5                 in a report submitted by the agency under section  
6                 548(a), each agency shall submit to the Secretary a  
7                 plan describing how the agency will implement the  
8                 requirements of paragraph (1), including (A) how  
9                 the agency will designate personnel primarily respon-  
10                sible for achieving the requirements and (B) dem-  
11                onstration by the agency, complete with documenta-  
12                tion, of any finding that advanced meters or ad-  
13                vanced metering devices, as defined in paragraph  
14                (1), are not practicable.”.

15 **SEC. 104. PROCUREMENT OF ENERGY EFFICIENT PROD-**  
16                   **UCTS.**

17                 (a) REQUIREMENTS.—Part 3 of title V of the Na-  
18                 tional Energy Conservation Policy Act (42 U.S.C. 8251  
19                 et seq.), as amended by section 101, is amended by adding  
20                 at the end the following:

21                 **“SEC. 553. FEDERAL PROCUREMENT OF ENERGY EFFI-**  
22                   **CIENT PRODUCTS.**

23                 “(a) DEFINITIONS.—In this section:

1           “(1) ENERGY STAR PRODUCT.—The term ‘En-  
2 ergy Star product’ means a product that is rated for  
3 energy efficiency under an Energy Star program.

4           “(2) ENERGY STAR PROGRAM.—The term ‘En-  
5 ergy Star program’ means the program established  
6 by section 324A of the Energy Policy and Conserva-  
7 tion Act.

8           “(3) EXECUTIVE AGENCY.—The term ‘executive  
9 agency’ has the meaning given the term in section  
10 4 of the Office of Federal Procurement Policy Act  
11 (41 U.S.C. 403).

12         “(4) FEMP DESIGNATED PRODUCT.—The term  
13 ‘FEMP designated product’ means a product that is  
14 designated under the Federal Energy Management  
15 Program of the Department of Energy as being  
16 among the highest 25 percent of equivalent products  
17 for energy efficiency.

18         “(b) PROCUREMENT OF ENERGY EFFICIENT PROD-  
19 UCTS.—

20           “(1) REQUIREMENT.—To meet the require-  
21 ments of an executive agency for an energy con-  
22 suming product, the head of the executive agency  
23 shall, except as provided in paragraph (2), procure—

24           “(A) an Energy Star product; or

25           “(B) a FEMP designated product.

1           “(2) EXCEPTIONS.—The head of an executive  
2 agency is not required to procure an Energy Star  
3 product or FEMP designated product under para-  
4 graph (1) if the head of the executive agency finds  
5 in writing that—

6           “(A) an Energy Star product or FEMP  
7 designated product is not cost-effective over the  
8 life of the product taking energy cost savings  
9 into account; or

10          “(B) no Energy Star product or FEMP  
11 designated product is reasonably available that  
12 meets the functional requirements of the execu-  
13 tive agency.

14          “(3) PROCUREMENT PLANNING.—The head of  
15 an executive agency shall incorporate into the speci-  
16 fications for all procurements involving energy con-  
17 suming products and systems, including guide speci-  
18 fications, project specifications, and construction,  
19 renovation, and services contracts that include provi-  
20 sion of energy consuming products and systems, and  
21 into the factors for the evaluation of offers received  
22 for the procurement, criteria for energy efficiency  
23 that are consistent with the criteria used for rating  
24 Energy Star products and for rating FEMP des-  
25 ignated products.

1       “(c) LISTING OF ENERGY EFFICIENT PRODUCTS IN  
2 FEDERAL CATALOGS.—Energy Star products and FEMP  
3 designated products shall be clearly identified and promi-  
4 nently displayed in any inventory or listing of products  
5 by the General Services Administration or the Defense Lo-  
6 gistics Agency. The General Services Administration or  
7 the Defense Logistics Agency shall supply only Energy  
8 Star products or FEMP designated products for all prod-  
9 uct categories covered by the Energy Star program or the  
10 Federal Energy Management Program, except in cases  
11 where the agency ordering a product specifies in writing  
12 that no Energy Star product or FEMP designated product  
13 is available to meet the buyer’s functional requirements,  
14 or that no Energy Star product or FEMP designated  
15 product is cost-effective for the intended application over  
16 the life of the product, taking energy cost savings into ac-  
17 count.

18       “(d) SPECIFIC PRODUCTS.—(1) In the case of elec-  
19 tric motors of 1 to 500 horsepower, agencies shall select  
20 only premium efficient motors that meet a standard des-  
21 ignated by the Secretary. The Secretary shall designate  
22 such a standard not later than 120 days after the date  
23 of the enactment of this section, after considering the rec-  
24 ommendations of associated electric motor manufacturers  
25 and energy efficiency groups.

1       “(2) All Federal agencies are encouraged to take ac-  
2 tions to maximize the efficiency of air conditioning and  
3 refrigeration equipment, including appropriate cleaning  
4 and maintenance, including the use of any system treat-  
5 ment or additive that will reduce the electricity consumed  
6 by air conditioning and refrigeration equipment. Any such  
7 treatment or additive must be—

8           “(A) determined by the Secretary to be effective  
9 in increasing the efficiency of air conditioning and  
10 refrigeration equipment without having an adverse  
11 impact on air conditioning performance (including  
12 cooling capacity) or equipment useful life;

13           “(B) determined by the Administrator of the  
14 Environmental Protection Agency to be environ-  
15 mentally safe; and

16           “(C) shown to increase seasonal energy effi-  
17 ciency ratio (SEER) or energy efficiency ratio  
18 (EER) when tested by the National Institute of  
19 Standards and Technology according to Department  
20 of Energy test procedures without causing any ad-  
21 verse impact on the system, system components, the  
22 refrigerant or lubricant, or other materials in the  
23 system.

24 Results of testing described in subparagraph (C) shall be  
25 published in the Federal Register for public review and

1 comment. For purposes of this section, a hardware device  
2 or primary refrigerant shall not be considered an additive.

3       “(e) REGULATIONS.—Not later than 180 days after  
4 the date of the enactment of this section, the Secretary  
5 shall issue guidelines to carry out this section.”.

6       (b) CONFORMING AMENDMENT.—The table of con-  
7 tents of the National Energy Conservation Policy Act is  
8 further amended by inserting after the item relating to  
9 section 552 the following new item:

“Sec. 553. Federal procurement of energy efficient products.”.

10 **SEC. 105. ENERGY SAVINGS PERFORMANCE CONTRACTS.**

11       (a) PERMANENT EXTENSION.—Effective September  
12 30, 2003, section 801(c) of the National Energy Conserva-  
13 tion Policy Act (42 U.S.C. 8287(c)) is repealed.

14       (b) PAYMENT OF COSTS.—Section 802 of the Na-  
15 tional Energy Conservation Policy Act (42 U.S.C. 8287a)  
16 is amended by inserting “, water, or wastewater treat-  
17 ment” after “payment of energy”.

18       (c) ENERGY SAVINGS.—Section 804(2) of the Na-  
19 tional Energy Conservation Policy Act (42 U.S.C.  
20 8287c(2)) is amended to read as follows:

21           “(2) The term ‘energy savings’ means a reduc-  
22 tion in the cost of energy, water, or wastewater  
23 treatment, from a base cost established through a  
24 methodology set forth in the contract, used in an ex-

1       isting federally owned building or buildings or other  
2       federally owned facilities as a result of—

3               “(A) the lease or purchase of operating  
4               equipment, improvements, altered operation and  
5               maintenance, or technical services;

6               “(B) the increased efficient use of existing  
7               energy sources by cogeneration or heat recov-  
8               ery, excluding any cogeneration process for  
9               other than a federally owned building or build-  
10          ings or other federally owned facilities; or

11               “(C) the increased efficient use of existing  
12          water sources in either interior or exterior ap-  
13          plications.”.

14       (d) ENERGY SAVINGS CONTRACT.—Section 804(3) of  
15      the National Energy Conservation Policy Act (42 U.S.C.  
16      8287c(3)) is amended to read as follows:

17               “(3) The terms ‘energy savings contract’ and  
18          ‘energy savings performance contract’ mean a con-  
19          tract that provides for the performance of services  
20          for the design, acquisition, installation, testing, and,  
21          where appropriate, operation, maintenance, and re-  
22          pair, of an identified energy or water conservation  
23          measure or series of measures at 1 or more loca-  
24          tions. Such contracts shall, with respect to an agen-  
25          cy facility that is a public building (as such term is

1 defined in section 3301 of title 40, United States  
2 Code), be in compliance with the prospectus require-  
3 ments and procedures of section 3307 of title 40,  
4 United States Code.”.

5 (e) ENERGY OR WATER CONSERVATION MEASURE.—  
6 Section 804(4) of the National Energy Conservation Pol-  
7 icy Act (42 U.S.C. 8287c(4)) is amended to read as fol-  
8 lows:

9 “(4) The term ‘energy or water conservation  
10 measure’ means—

11 “(A) an energy conservation measure, as  
12 defined in section 551; or

13 “(B) a water conservation measure that  
14 improves the efficiency of water use, is life-cycle  
15 cost-effective, and involves water conservation,  
16 water recycling or reuse, more efficient treat-  
17 ment of wastewater or stormwater, improve-  
18 ments in operation or maintenance efficiencies,  
19 retrofit activities, or other related activities, not  
20 at a Federal hydroelectric facility.”.

21 (f) REVIEW.—Not later than 180 days after the date  
22 of the enactment of this Act, the Secretary of Energy shall  
23 complete a review of the Energy Savings Performance  
24 Contract program to identify statutory, regulatory, and  
25 administrative obstacles that prevent Federal agencies

1 from fully utilizing the program. In addition, this review  
2 shall identify all areas for increasing program flexibility  
3 and effectiveness, including audit and measurement  
4 verification requirements, accounting for energy use in de-  
5 termining savings, contracting requirements, including the  
6 identification of additional qualified contractors, and en-  
7 ergy efficiency services covered. The Secretary shall report  
8 these findings to Congress and shall implement identified  
9 administrative and regulatory changes to increase pro-  
10 gram flexibility and effectiveness to the extent that such  
11 changes are consistent with statutory authority.

12       (g) EXTENSION OF AUTHORITY.—Any energy sav-  
13 ings performance contract entered into under section 801  
14  of the National Energy Conservation Policy Act (42  
15 U.S.C. 8287) after October 1, 2003, and before the date  
16 of enactment of this Act, shall be deemed to have been  
17 entered into pursuant to such section 801 as amended by  
18 subsection (a) of this section.

19 SEC. 106. ENERGY SAVINGS PERFORMANCE CONTRACTS  
20 PILOT PROGRAM FOR NONBUILDING APPLI-  
21 CATIONS.

22 (a) IN GENERAL.—The Secretary of Defense and the  
23 heads of other interested Federal agencies are authorized  
24 to enter into up to 10 energy savings performance con-  
25 tracts using procedures, established under subsection (b),

1 based on the procedures under title VIII of the National  
2 Energy Conservation Policy Act (42 U.S.C. 8287 et seq.),  
3 for the purpose of achieving energy or water savings, sec-  
4 ondary savings, and benefits incidental to those purposes,  
5 in nonbuilding applications. The payments to be made by  
6 the Federal Government under such contracts shall not  
7 exceed a total of \$200,000,000 for all such contracts com-  
8 bined.

9 (b) PROCEDURES.—The Secretary of Energy, in con-  
10 sultation with the Administrator of General Services and  
11 the Secretary of Defense, shall establish procedures based  
12 on the procedures under title VIII of the National Energy  
13 Conservation Policy Act (42 U.S.C. 8287 et seq.), for im-  
14 plementing this section.

15 (c) DEFINITIONS.—In this section:

16 (1) NONBUILDING APPLICATION.—The term  
17 “nonbuilding application” means—  
18 (A) any class of vehicles, devices, or equip-  
19 ment that are transportable under their own  
20 power by land, sea, or air that consume energy  
21 from any fuel source for the purpose of such  
22 transportability, or to maintain a controlled en-  
23 vironment within such vehicle, device, or equip-  
24 ment; or

(B) any Federally owned equipment used to generate electricity or transport water.

(2) SECONDARY SAVINGS.—The term “secondary savings” means additional energy or cost savings that are a direct consequence of the energy or water savings that result from the financing and implementation of the energy savings performance contract, including, but not limited to, energy or cost savings that result from a reduction in the need for fuel delivery and logistical support, or the increased efficiency in the production of electricity.

12       (d) REPORT.—Not later than 3 years after the date  
13 of enactment of this section, the Secretary of Energy shall  
14 report to Congress on the progress and results of the  
15 projects funded pursuant to this section. Such report shall  
16 include a description of projects undertaken; the energy,  
17 water, and cost savings, secondary savings, and other ben-  
18 efits that resulted from such projects; and recommenda-  
19 tions on whether the pilot program should be extended,  
20 expanded, or authorized permanently as a part of the pro-  
21 gram authorized under title VIII of the National Energy  
22 Conservation Policy Act (42 U.S.C. 8287 et seq.).

1   **SEC. 107. VOLUNTARY COMMITMENTS TO REDUCE INDUS-**

2                   **TRIAL ENERGY INTENSITY.**

3         (a) VOLUNTARY AGREEMENTS.—The Secretary of  
4 Energy is authorized to enter into voluntary agreements  
5 with 1 or more persons in industrial sectors that consume  
6 significant amounts of primary energy per unit of physical  
7 output to reduce the energy intensity of their production  
8 activities by a significant amount relative to improvements  
9 in each sector in recent years.

10         (b) RECOGNITION.—The Secretary of Energy, in co-  
11 operation with the Administrator of the Environmental  
12 Protection Agency and other appropriate Federal agen-  
13 cies, shall recognize and publicize the achievements of par-  
14 ticipants in voluntary agreements under this section.

15         (c) DEFINITION.—In this section, the term “energy  
16 intensity” means the primary energy consumed per unit  
17 of physical output in an industrial process.

18   **SEC. 108. ADVANCED BUILDING EFFICIENCY TESTBED.**

19         (a) ESTABLISHMENT.—The Secretary of Energy, in  
20 consultation with the Administrator of General Services,  
21 shall establish an Advanced Building Efficiency Testbed  
22 program for the development, testing, and demonstration  
23 of advanced engineering systems, components, and mate-  
24 rials to enable innovations in building technologies. The  
25 program shall evaluate efficiency concepts for government  
26 and industry buildings, and demonstrate the ability of

1 next generation buildings to support individual and orga-  
2 nizational productivity and health (including by improving  
3 indoor air quality) as well as flexibility and technological  
4 change to improve environmental sustainability. Such pro-  
5 gram shall complement and not duplicate existing national  
6 programs.

7 (b) PARTICIPANTS.—The program established under  
8 subsection (a) shall be led by a university with the ability  
9 to combine the expertise from numerous academic fields  
10 including, at a minimum, intelligent workplaces and ad-  
11 vanced building systems and engineering, electrical and  
12 computer engineering, computer science, architecture,  
13 urban design, and environmental and mechanical engi-  
14 neering. Such university shall partner with other univer-  
15 sities and entities who have established programs and the  
16 capability of advancing innovative building efficiency tech-  
17 nologies.

18 (c) AUTHORIZATION OF APPROPRIATIONS.—There  
19 are authorized to be appropriated to the Secretary of En-  
20 ergy to carry out this section \$6,000,000 for each of the  
21 fiscal years 2004 through 2006, to remain available until  
22 expended. For any fiscal year in which funds are expended  
23 under this section, the Secretary shall provide 1/3 of the  
24 total amount to the lead university described in subsection

1 (b), and provide the remaining 2/3 to the other participants  
2 referred to in subsection (b) on an equal basis.

3 **SEC. 109. FEDERAL BUILDING PERFORMANCE STANDARDS.**

4 Section 305(a) of the Energy Conservation and Pro-  
5 duction Act (42 U.S.C. 6834(a)) is amended—

6 (1) in paragraph (2)(A), by striking “CABO  
7 Model Energy Code, 1992” and inserting “the 2003  
8 International Energy Conservation Code”; and

9 (2) by adding at the end the following:

10 “(3) REVISED FEDERAL BUILDING ENERGY EFFI-  
11 CIENCY PERFORMANCE STANDARDS.—

12 “(A) IN GENERAL.—Not later than 1 year after  
13 the date of enactment of this paragraph, the Sec-  
14 retary of Energy shall establish, by rule, revised  
15 Federal building energy efficiency performance  
16 standards that require that—

17 (i) if life-cycle cost-effective, for new Fed-  
18 eral buildings—

19 (I) such buildings be designed so as  
20 to achieve energy consumption levels at  
21 least 30 percent below those of the version  
22 current as of the date of enactment of this  
23 paragraph of the ASHRAE Standard or  
24 the International Energy Conservation  
25 Code, as appropriate; and

1                     “(II) sustainable design principles are  
2                     applied to the siting, design, and construc-  
3                     tion of all new and replacement buildings;

4                     and

5                     “(ii) where water is used to achieve energy  
6                     efficiency, water conservation technologies shall  
7                     be applied to the extent they are life-cycle cost  
8                     effective.

9                     “(B) ADDITIONAL REVISIONS.—Not later than  
10                    1 year after the date of approval of each subsequent  
11                    revision of the ASHRAE Standard or the Inter-  
12                    national Energy Conservation Code, as appropriate,  
13                    the Secretary of Energy shall determine, based on  
14                    the cost-effectiveness of the requirements under the  
15                    amendments, whether the revised standards estab-  
16                    lished under this paragraph should be updated to re-  
17                    flect the amendments.

18                     “(C) STATEMENT ON COMPLIANCE OF NEW  
19                    BUILDINGS.—In the budget request of the Federal  
20                    agency for each fiscal year and each report sub-  
21                    mitted by the Federal agency under section 548(a)  
22                    of the National Energy Conservation Policy Act (42  
23                    U.S.C. 8258(a)), the head of each Federal agency  
24                    shall include—

1               “(i) a list of all new Federal buildings  
2               owned, operated, or controlled by the Federal  
3               agency; and

4               “(ii) a statement concerning whether the  
5               Federal buildings meet or exceed the revised  
6               standards established under this paragraph.”.

7 **SEC. 110. INCREASED USE OF RECOVERED MINERAL COM-**  
8 **PONENT IN FEDERALLY FUNDED PROJECTS**  
9 **INVOLVING PROCUREMENT OF CEMENT OR**  
10 **CONCRETE.**

11               (a) AMENDMENT.—Subtitle F of the Solid Waste  
12 Disposal Act (42 U.S.C. 6961 et seq.) is amended by add-  
13 ing at the end the following new section:

14               “INCREASED USE OF RECOVERED MINERAL COMPONENT  
15               IN FEDERALLY FUNDED PROJECTS INVOLVING PRO-  
16               CUREMENT OF CEMENT OR CONCRETE

17               “SEC. 6005. (a) DEFINITIONS.—In this section:

18               “(1) AGENCY HEAD.—The term ‘agency head’  
19               means—

20               “(A) the Secretary of Transportation; and

21               “(B) the head of each other Federal agen-  
22               cy that on a regular basis procures, or provides  
23               Federal funds to pay or assist in paying the  
24               cost of procuring, material for cement or con-  
25               crete projects.

1           “(2) CEMENT OR CONCRETE PROJECT.—The  
2       term ‘cement or concrete project’ means a project  
3       for the construction or maintenance of a highway or  
4       other transportation facility or a Federal, State, or  
5       local government building or other public facility  
6       that—

7           “(A) involves the procurement of cement  
8       or concrete; and

9           “(B) is carried out in whole or in part  
10      using Federal funds.

11          “(3) RECOVERED MINERAL COMPONENT.—The  
12      term ‘recovered mineral component’ means—

13           “(A) ground granulated blast furnace slag;  
14           “(B) coal combustion fly ash; and  
15           “(C) any other waste material or byprod-  
16       uct recovered or diverted from solid waste that  
17       the Administrator, in consultation with an  
18       agency head, determines should be treated as  
19       recovered mineral component under this section  
20       for use in cement or concrete projects paid for,  
21       in whole or in part, by the agency head.

22          “(b) IMPLEMENTATION OF REQUIREMENTS.—

23           “(1) IN GENERAL.—Not later than 1 year after  
24       the date of enactment of this section, the Adminis-  
25       trator and each agency head shall take such actions

1 as are necessary to implement fully all procurement  
2 requirements and incentives in effect as of the date  
3 of enactment of this section (including guidelines  
4 under section 6002) that provide for the use of ce-  
5 ment and concrete incorporating recovered mineral  
6 component in cement or concrete projects.

7 “(2) PRIORITY.—In carrying out paragraph (1)  
8 an agency head shall give priority to achieving great-  
9 er use of recovered mineral component in cement or  
10 concrete projects for which recovered mineral compo-  
11 nents historically have not been used or have been  
12 used only minimally.

13 “(3) CONFORMANCE.—The Administrator and  
14 each agency head shall carry out this subsection in  
15 accordance with section 6002.

16 “(c) FULL IMPLEMENTATION STUDY.—

17 “(1) IN GENERAL.—The Administrator, in co-  
18 operation with the Secretary of Transportation and  
19 the Secretary of Energy, shall conduct a study to de-  
20 termine the extent to which current procurement re-  
21 quirements, when fully implemented in accordance  
22 with subsection (b), may realize energy savings and  
23 environmental benefits attainable with substitution  
24 of recovered mineral component in cement used in  
25 cement or concrete projects.

1               “(2) MATTERS TO BE ADDRESSED.—The study  
2 shall—

3               “(A) quantify the extent to which recovered  
4 mineral components are being substituted  
5 for Portland cement, particularly as a result of  
6 current procurement requirements, and the en-  
7 ergy savings and environmental benefits associ-  
8 ated with that substitution;

9               “(B) identify all barriers in procurement  
10 requirements to greater realization of energy  
11 savings and environmental benefits, including  
12 barriers resulting from exceptions from current  
13 law; and

14               “(C)(i) identify potential mechanisms to  
15 achieve greater substitution of recovered min-  
16 eral component in types of cement or concrete  
17 projects for which recovered mineral compo-  
18 nents historically have not been used or have  
19 been used only minimally;

20               “(ii) evaluate the feasibility of establishing  
21 guidelines or standards for optimized substi-  
22 tution rates of recovered mineral component in  
23 those cement or concrete projects; and

24               “(iii) identify any potential environmental  
25 or economic effects that may result from great-

1           er substitution of recovered mineral component  
2           in those cement or concrete projects.

3           “(3) REPORT.—Not later than 30 months after  
4           the date of enactment of this section, the Adminis-  
5           trator shall submit to Congress a report on the  
6           study.

7           “(d) ADDITIONAL PROCUREMENT REQUIREMENTS.—  
8       Unless the study conducted under subsection (c) identifies  
9       any effects or other problems described in subsection  
10      (c)(2)(C)(iii) that warrant further review or delay, the Ad-  
11      ministrator and each agency head shall, not later than 1  
12      year after the release of the report in accordance with sub-  
13      section (c)(3), take additional actions authorized under  
14      this Act to establish procurement requirements and incen-  
15      tives that provide for the use of cement and concrete with  
16      increased substitution of recovered mineral component in  
17      the construction and maintenance of cement or concrete  
18      projects, so as to—

19           “(1) realize more fully the energy savings and  
20       environmental benefits associated with increased  
21       substitution; and

22           “(2) eliminate barriers identified under sub-  
23       section (c).

24           “(e) EFFECT OF SECTION.—Nothing in this section  
25       affects the requirements of section 6002 (including the

1 guidelines and specifications for implementing those re-  
2 quirements.”.

3 (b) TABLE OF CONTENTS AMENDMENT.—The table  
4 of contents of the Solid Waste Disposal Act is amended  
5 by adding after the item relating to section 6004 the fol-  
6 lowing new item:

“Sec. 6005. Increased use of recovered mineral component in federally funded  
projects involving procurement of cement or concrete.”.

7 **Subtitle B—Energy Assistance and  
8 State Programs**

9 **SEC. 121. LOW INCOME HOME ENERGY ASSISTANCE PRO-  
10 GRAM.**

11 Section 2602(b) of the Low-Income Home Energy  
12 Assistance Act of 1981 (42 U.S.C. 8621(b)) is amended  
13 by striking “and \$2,000,000,000 for each of fiscal years  
14 2002 through 2004” and inserting “\$2,000,000,000 for  
15 fiscal years 2002 and 2003, and \$3,400,000,000 for each  
16 of fiscal years 2004 through 2006”.

17 **SEC. 122. WEATHERIZATION ASSISTANCE.**

18 Section 422 of the Energy Conservation and Produc-  
19 tion Act (42 U.S.C. 6872) is amended by striking “for  
20 fiscal years 1999 through 2003 such sums as may be nec-  
21 essary” and inserting “\$325,000,000 for fiscal year 2004,  
22 \$400,000,000 for fiscal year 2005, and \$500,000,000 for  
23 fiscal year 2006”.

1   **SEC. 123. STATE ENERGY PROGRAMS.**

2       (a) STATE ENERGY CONSERVATION PLANS.—Section  
3   362 of the Energy Policy and Conservation Act (42 U.S.C.  
4   6322) is amended by inserting at the end the following  
5   new subsection:

6           “(g) The Secretary shall, at least once every 3 years,  
7   invite the Governor of each State to review and, if nec-  
8   essary, revise the energy conservation plan of such State  
9   submitted under subsection (b) or (e). Such reviews should  
10   consider the energy conservation plans of other States  
11   within the region, and identify opportunities and actions  
12   carried out in pursuit of common energy conservation  
13   goals.”.

14         (b) STATE ENERGY EFFICIENCY GOALS.—Section  
15   364 of the Energy Policy and Conservation Act (42 U.S.C.  
16   6324) is amended to read as follows:

17           “STATE ENERGY EFFICIENCY GOALS  
18          “SEC. 364. Each State energy conservation plan with  
19   respect to which assistance is made available under this  
20   part on or after the date of enactment of the Energy Pol-  
21   icy Act of 2003 shall contain a goal, consisting of an im-  
22   provement of 25 percent or more in the efficiency of use  
23   of energy in the State concerned in calendar year 2010  
24   as compared to calendar year 1990, and may contain in-  
25   terim goals.”.

1       (c) AUTHORIZATION OF APPROPRIATIONS.—Section  
2 365(f) of the Energy Policy and Conservation Act (42  
3 U.S.C. 6325(f)) is amended by striking “for fiscal years  
4 1999 through 2003 such sums as may be necessary” and  
5 inserting “\$100,000,000 for each of the fiscal years 2004  
6 and 2005 and \$125,000,000 for fiscal year 2006”.

7 **SEC. 124. ENERGY EFFICIENT APPLIANCE REBATE PRO-**  
8 **GRAMS.**

9       (a) DEFINITIONS.—In this section:

10           (1) ELIGIBLE STATE.—The term “eligible  
11 State” means a State that meets the requirements  
12 of subsection (b).

13           (2) ENERGY STAR PROGRAM.—The term “En-  
14 ergy Star program” means the program established  
15 by section 324A of the Energy Policy and Conserva-  
16 tion Act.

17           (3) RESIDENTIAL ENERGY STAR PRODUCT.—  
18 The term “residential Energy Star product” means  
19 a product for a residence that is rated for energy ef-  
20 ficiency under the Energy Star program.

21           (4) SECRETARY.—The term “Secretary” means  
22 the Secretary of Energy.

23           (5) STATE ENERGY OFFICE.—The term “State  
24 energy office” means the State agency responsible  
25 for developing State energy conservation plans under

1       section 362 of the Energy Policy and Conservation  
2       Act (42 U.S.C. 6322).

3                 (6) STATE PROGRAM.—The term “State pro-  
4       gram” means a State energy efficient appliance re-  
5       bate program described in subsection (b)(1).

6                 (b) ELIGIBLE STATES.—A State shall be eligible to  
7       receive an allocation under subsection (c) if the State—

8                         (1) establishes (or has established) a State en-  
9       ergy efficient appliance rebate program to provide  
10       rebates to residential consumers for the purchase of  
11       residential Energy Star products to replace used ap-  
12       pliances of the same type;

13                         (2) submits an application for the allocation at  
14       such time, in such form, and containing such infor-  
15       mation as the Secretary may require; and

16                         (3) provides assurances satisfactory to the Sec-  
17       retary that the State will use the allocation to sup-  
18       plement, but not supplant, funds made available to  
19       carry out the State program.

20                 (c) AMOUNT OF ALLOCATIONS.—

21                         (1) IN GENERAL.—Subject to paragraph (2),  
22       for each fiscal year, the Secretary shall allocate to  
23       the State energy office of each eligible State to carry  
24       out subsection (d) an amount equal to the product  
25       obtained by multiplying the amount made available

1       under subsection (f) for the fiscal year by the ratio  
2       that the population of the State in the most recent  
3       calendar year for which data are available bears to  
4       the total population of all eligible States in that cal-  
5       endar year.

6                 (2) MINIMUM ALLOCATIONS.—For each fiscal  
7       year, the amounts allocated under this subsection  
8       shall be adjusted proportionately so that no eligible  
9       State is allocated a sum that is less than an amount  
10      determined by the Secretary.

11                 (d) USE OF ALLOCATED FUNDS.—The allocation to  
12     a State energy office under subsection (c) may be used  
13     to pay up to 50 percent of the cost of establishing and  
14     carrying out a State program.

15                 (e) ISSUANCE OF REBATES.—Rebates may be pro-  
16     vided to residential consumers that meet the requirements  
17     of the State program. The amount of a rebate shall be  
18     determined by the State energy office, taking into consid-  
19     eration—

20                         (1) the amount of the allocation to the State  
21     energy office under subsection (c);

22                         (2) the amount of any Federal or State tax in-  
23     centive available for the purchase of the residential  
24     Energy Star product; and

(3) the difference between the cost of the residential Energy Star product and the cost of an appliance that is not a residential Energy Star product, but is of the same type as, and is the nearest capacity, performance, and other relevant characteristics (as determined by the State energy office) to, the residential Energy Star product.

8       (f) AUTHORIZATION OF APPROPRIATIONS.—There  
9 are authorized to be appropriated to the Secretary to carry  
10 out this section \$50,000,000 for each of the fiscal years  
11 2004 through 2008.

## **12 SEC. 125. ENERGY EFFICIENT PUBLIC BUILDINGS.**

13       (a) GRANTS.—The Secretary of Energy may make  
14 grants to the State agency responsible for developing State  
15 energy conservation plans under section 362 of the Energy  
16 Policy and Conservation Act (42 U.S.C. 6322), or, if no  
17 such agency exists, a State agency designated by the Gov-  
18 ernor of the State, to assist units of local government in  
19 the State in improving the energy efficiency of public  
20 buildings and facilities—

(1) through construction of new energy efficient public buildings that use at least 30 percent less energy than a comparable public building constructed in compliance with standards prescribed in the most recent version of the International Energy Conserva-

1       tion Code, or a similar State code intended to  
2       achieve substantially equivalent efficiency levels; or

3               (2) through renovation of existing public build-  
4       ings to achieve reductions in energy use of at least  
5       30 percent as compared to the baseline energy use  
6       in such buildings prior to renovation, assuming a 3-  
7       year, weather-normalized average for calculating  
8       such baseline.

9               (b) ADMINISTRATION.—State energy offices receiving  
10      grants under this section shall—

11               (1) maintain such records and evidence of com-  
12       pliance as the Secretary may require; and

13               (2) develop and distribute information and ma-  
14       terials and conduct programs to provide technical  
15       services and assistance to encourage planning, fi-  
16       nancing, and design of energy efficient public build-  
17       ings by units of local government.

18               (c) AUTHORIZATION OF APPROPRIATIONS.—For the  
19      purposes of this section, there are authorized to be appro-  
20      priated to the Secretary of Energy \$30,000,000 for each  
21      of fiscal years 2004 through 2008. Not more than 10 per-  
22      cent of appropriated funds shall be used for administra-  
23      tion.

## 1 SEC. 126. LOW INCOME COMMUNITY ENERGY EFFICIENCY

## 2 PILOT PROGRAM.

3 (a) GRANTS.—The Secretary of Energy is authorized  
4 to make grants to units of local government, private, non-  
5 profit community development organizations, and Indian  
6 tribe economic development entities to improve energy effi-  
7 ciency; identify and develop alternative, renewable, and  
8 distributed energy supplies; and increase energy conserva-  
9 tion in low income rural and urban communities.

10 (b) PURPOSE OF GRANTS.—The Secretary may make  
11 grants on a competitive basis for—

12 (1) investments that develop alternative, renew-  
13 able, and distributed energy supplies;

14 (2) energy efficiency projects and energy con-  
15 servation programs;

16 (3) studies and other activities that improve en-  
17 ergy efficiency in low income rural and urban com-  
18 munities;

19 (4) planning and development assistance for in-  
20 creasing the energy efficiency of buildings and facili-  
21 ties; and

22 (5) technical and financial assistance to local  
23 government and private entities on developing new  
24 renewable and distributed sources of power or com-  
25 bined heat and power generation.

1       (c) DEFINITION.—For purposes of this section, the  
2 term “Indian tribe” means any Indian tribe, band, nation,  
3 or other organized group or community, including any  
4 Alaskan Native village or regional or village corporation  
5 as defined in or established pursuant to the Alaska Native  
6 Claims Settlement Act (43 U.S.C. 1601 et seq.), that is  
7 recognized as eligible for the special programs and services  
8 provided by the United States to Indians because of their  
9 status as Indians.

10 (d) AUTHORIZATION OF APPROPRIATIONS.—For the  
11 purposes of this section there are authorized to be appro-  
12 priated to the Secretary of Energy \$20,000,000 for each  
13 of fiscal years 2004 through 2006.

## **14 Subtitle C—Energy Efficient**

## **15 Products**

## 16 SEC. 131. ENERGY STAR PROGRAM.

17       (a) AMENDMENT.—The Energy Policy and Conserva-  
18 tion Act (42 U.S.C. 6201 et seq.) is amended by inserting  
19 the following after section 324:

#### 20 "SEC. 324A. ENERGY STAR PROGRAM."

21        “There is established at the Department of Energy  
22 and the Environmental Protection Agency a voluntary  
23 program to identify and promote energy-efficient products  
24 and buildings in order to reduce energy consumption, im-  
25 prove energy security, and reduce pollution through vol-

1 unitary labeling of or other forms of communication about  
2 products and buildings that meet the highest energy effi-  
3 ciency standards. Responsibilities under the program shall  
4 be divided between the Department of Energy and the En-  
5 vironmental Protection Agency consistent with the terms  
6 of agreements between the 2 agencies. The Administrator  
7 and the Secretary shall—

8           “(1) promote Energy Star compliant tech-  
9 nologies as the preferred technologies in the market-  
10 place for achieving energy efficiency and to reduce  
11 pollution;

12           “(2) work to enhance public awareness of the  
13 Energy Star label, including special outreach to  
14 small businesses;

15           “(3) preserve the integrity of the Energy Star  
16 label;

17           “(4) solicit comments from interested parties  
18 prior to establishing or revising an Energy Star  
19 product category, specification, or criterion (or effec-  
20 tive dates for any of the foregoing);

21           “(5) upon adoption of a new or revised product  
22 category, specification, or criterion, provide reason-  
23 able notice to interested parties of any changes (in-  
24 cluding effective dates) in product categories, speci-  
25 fications, or criteria along with an explanation of

1 such changes and, where appropriate, responses to  
2 comments submitted by interested parties; and

3       “(6) provide appropriate lead time (which shall  
4 be 9 months, unless the Agency or Department de-  
5 termines otherwise) prior to the effective date for a  
6 new or a significant revision to a product category,  
7 specification, or criterion, taking into account the  
8 timing requirements of the manufacturing, product  
9 marketing, and distribution process for the specific  
10 product addressed.”.

11       (b) TABLE OF CONTENTS AMENDMENT.—The table  
12 of contents of the Energy Policy and Conservation Act is  
13 amended by inserting after the item relating to section  
14 324 the following new item:

“See. 324A. Energy Star program.”.

15 **SEC. 132. HVAC MAINTENANCE CONSUMER EDUCATION  
16 PROGRAM.**

17       Section 337 of the Energy Policy and Conservation  
18 Act (42 U.S.C. 6307) is amended by adding at the end  
19 the following:

20       “(c) HVAC MAINTENANCE.—For the purpose of en-  
21 suring that installed air conditioning and heating systems  
22 operate at their maximum rated efficiency levels, the Sec-  
23 retary shall, not later than 180 days after the date of en-  
24 actment of this subsection, carry out a program to educate  
25 homeowners and small business owners concerning the en-

1    ergy savings resulting from properly conducted mainte-  
2    nance of air conditioning, heating, and ventilating sys-  
3    tems. The Secretary shall carry out the program in a cost-  
4    shared manner in cooperation with the Administrator of  
5    the Environmental Protection Agency and such other enti-  
6    ties as the Secretary considers appropriate, including in-  
7    dustry trade associations, industry members, and energy  
8    efficiency organizations.

9       “(d) SMALL BUSINESS EDUCATION AND ASSIST-  
10      ANCE.—The Administrator of the Small Business Admin-  
11      istration, in consultation with the Secretary of Energy and  
12      the Administrator of the Environmental Protection Agen-  
13      cy, shall develop and coordinate a Government-wide pro-  
14      gram, building on the existing Energy Star for Small  
15      Business Program, to assist small businesses to become  
16      more energy efficient, understand the cost savings obtain-  
17      able through efficiencies, and identify financing options  
18      for energy efficiency upgrades. The Secretary and the Ad-  
19      ministrator of the Small Business Administration shall  
20      make the program information available directly to small  
21      businesses and through other Federal agencies, including  
22      the Federal Emergency Management Program and the  
23      Department of Agriculture.”.

1   **SEC. 133. ENERGY CONSERVATION STANDARDS FOR ADDI-**  
2                   **TIONAL PRODUCTS.**

3       (a) DEFINITIONS.—Section 321 of the Energy Policy  
4 and Conservation Act (42 U.S.C. 6291) is amended—

5                   (1) in paragraph (30)(S), by striking the period  
6 and adding at the end the following: “but does not  
7 include any lamp specifically designed to be used for  
8 special purpose applications and that is unlikely to  
9 be used in general purpose applications such as  
10 those described in subparagraph (D), and also does  
11 not include any lamp not described in subparagraph  
12 (D) that is excluded by the Secretary, by rule, be-  
13 cause the lamp is designed for special applications  
14 and is unlikely to be used in general purpose appli-  
15 cations.”; and

16                   (2) by adding at the end the following:

17                   “(32) The term ‘battery charger’ means a de-  
18 vice that charges batteries for consumer products  
19 and includes battery chargers embedded in other  
20 consumer products.

21                   “(33) The term ‘commercial refrigerators,  
22 freezers, and refrigerator-freezers’ means refrig-  
23 erators, freezers, or refrigerator-freezers that—

24                   “(A) are not consumer products regulated  
25 under this Act; and

1                 “(B) incorporate most components involved  
2                 in the vapor-compression cycle and the refrigerated compartment in a single package.

4                 “(34) The term ‘external power supply’ means  
5                 an external power supply circuit that is used to convert household electric current into either DC current or lower-voltage AC current to operate a consumer product.

9                 “(35) The term ‘illuminated exit sign’ means a  
10                 sign that—

11                 “(A) is designed to be permanently fixed in place to identify an exit; and

13                 “(B) consists of an electrically powered integral light source that illuminates the legend ‘EXIT’ and any directional indicators and provides contrast between the legend, any directional indicators, and the background.

18                 “(36)(A) Except as provided in subparagraph (B), the term ‘distribution transformer’ means a transformer that—

21                 “(i) has an input voltage of 34.5 kilovolts or less;

23                 “(ii) has an output voltage of 600 volts or less; and

1                 “(iii) is rated for operation at a frequency  
2                 of 60 Hertz.

3                 “(B) The term ‘distribution transformer’ does  
4                 not include—

5                 “(i) transformers with multiple voltage  
6                 taps, with the highest voltage tap equaling at  
7                 least 20 percent more than the lowest voltage  
8                 tap;

9                 “(ii) transformers, such as those commonly  
10                 known as drive transformers, rectifier trans-  
11                 formers, auto-transformers, Uninterruptible  
12                 Power System transformers, impedance trans-  
13                 formers, harmonic transformers, regulating  
14                 transformers, sealed and nonventilating trans-  
15                 formers, machine tool transformers, welding  
16                 transformers, grounding transformers, or test-  
17                 ing transformers, that are designed to be used  
18                 in a special purpose application and are unlikely  
19                 to be used in general purpose applications; or

20                 “(iii) any transformer not listed in clause  
21                 (ii) that is excluded by the Secretary by rule be-  
22                 cause—

23                 “(I) the transformer is designed for a  
24                 special application;

1                 “(II) the transformer is unlikely to be  
2                 used in general purpose applications; and

3                 “(III) the application of standards to  
4                 the transformer would not result in signifi-  
5                 cant energy savings.

6                 “(37) The term ‘low-voltage dry-type distribu-  
7                 tion transformer’ means a distribution transformer  
8                 that—

9                 “(A) has an input voltage of 600 volts or  
10                 less;

11                 “(B) is air-cooled; and

12                 “(C) does not use oil as a coolant.

13                 “(38) The term ‘standby mode’ means the low-  
14                 est power consumption mode that—

15                 “(A) cannot be switched off or influenced  
16                 by the user; and

17                 “(B) may persist for an indefinite time  
18                 when an appliance is connected to the main  
19                 electricity supply and used in accordance with  
20                 the manufacturer’s instructions,

21                 as defined on an individual product basis by the Sec-  
22                 retary.

23                 “(39) The term ‘torchiere’ means a portable  
24                 electric lamp with a reflector bowl that directs light  
25                 upward so as to give indirect illumination.

1           “(40) The term ‘traffic signal module’ means a  
2 standard 8-inch (200mm) or 12-inch (300mm) traf-  
3 fic signal indication, consisting of a light source, a  
4 lens, and all other parts necessary for operation,  
5 that communicates movement messages to drivers  
6 through red, amber, and green colors.

7           “(41) The term ‘transformer’ means a device  
8 consisting of 2 or more coils of insulated wire that  
9 transfers alternating current by electromagnetic in-  
10 duction from 1 coil to another to change the original  
11 voltage or current value.

12           “(42) The term ‘unit heater’ means a self-con-  
13 tained fan-type heater designed to be installed with-  
14 in the heated space, except that such term does not  
15 include a warm air furnace.”.

16           (b) TEST PROCEDURES.—Section 323 of the Energy  
17 Policy and Conservation Act (42 U.S.C. 6293) is amend-  
18 ed—

19           (1) in subsection (b), by adding at the end the  
20 following:

21           “(9) Test procedures for illuminated exit signs  
22 shall be based on the test method used under  
23 Version 2.0 of the Energy Star program of the Envi-  
24 ronmental Protection Agency for illuminated exit  
25 signs.

1           “(10) Test procedures for distribution trans-  
2       formers and low voltage dry-type distribution trans-  
3       formers shall be based on the ‘Standard Test Meth-  
4       od for Measuring the Energy Consumption of Dis-  
5       tribution Transformers’ prescribed by the National  
6       Electrical Manufacturers Association (NEMA TP 2–  
7       1998). The Secretary may review and revise this test  
8       procedure. For purposes of section 346(a), this test  
9       procedure shall be deemed to be testing require-  
10      ments prescribed by the Secretary under section  
11      346(a)(1) for distribution transformers for which the  
12      Secretary makes a determination that energy con-  
13      servation standards would be technologically feasible  
14      and economically justified, and would result in sig-  
15      nificant energy savings.

16           “(11) Test procedures for traffic signal modules  
17       shall be based on the test method used under the  
18       Energy Star program of the Environmental Protec-  
19       tion Agency for traffic signal modules, as in effect  
20       on the date of enactment of this paragraph.

21           “(12) Test procedures for medium base com-  
22       pact fluorescent lamps shall be based on the test  
23       methods used under the August 9, 2001, version of  
24       the Energy Star program of the Environmental Pro-  
25       tection Agency and Department of Energy for com-

1 pact fluorescent lamps. Covered products shall meet  
2 all test requirements for regulated parameters in  
3 section 325(bb). However, covered products may be  
4 marketed prior to completion of lamp life and lumen  
5 maintenance at 40 percent of rated life testing pro-  
6 vided manufacturers document engineering pre-  
7 dictions and analysis that support expected attain-  
8 ment of lumen maintenance at 40 percent rated life  
9 and lamp life time.”; and

10 (2) by adding at the end the following:

11 “(f) ADDITIONAL CONSUMER AND COMMERCIAL  
12 PRODUCTS.—The Secretary shall, not later than 24  
13 months after the date of enactment of this subsection, pre-  
14 scribe testing requirements for suspended ceiling fans, re-  
15 frigerated bottled or canned beverage vending machines,  
16 and commercial refrigerators, freezers, and refrigerator-  
17 freezers. Such testing requirements shall be based on ex-  
18 isting test procedures used in industry to the extent prac-  
19 tical and reasonable. In the case of suspended ceiling fans,  
20 such test procedures shall include efficiency at both max-  
21 imum output and at an output no more than 50 percent  
22 of the maximum output.”.

23 (c) NEW STANDARDS.—Section 325 of the Energy  
24 Policy and Conservation Act (42 U.S.C. 6295) is amended  
25 by adding at the end the following:

1       “(u) BATTERY CHARGER AND EXTERNAL POWER

2 SUPPLY ELECTRIC ENERGY CONSUMPTION.—

3           “(1) INITIAL RULEMAKING.—(A) The Secretary  
4 shall, within 18 months after the date of enactment  
5 of this subsection, prescribe by notice and comment,  
6 definitions and test procedures for the power use of  
7 battery chargers and external power supplies. In es-  
8 tablishing these test procedures, the Secretary shall  
9 consider, among other factors, existing definitions  
10 and test procedures used for measuring energy con-  
11 sumption in standby mode and other modes and as-  
12 sess the current and projected future market for  
13 battery chargers and external power supplies. This  
14 assessment shall include estimates of the significance  
15 of potential energy savings from technical improve-  
16 ments to these products and suggested product  
17 classes for standards. Prior to the end of this time  
18 period, the Secretary shall hold a scoping workshop  
19 to discuss and receive comments on plans for devel-  
20 oping energy conservation standards for energy use  
21 for these products.

22           “(B) The Secretary shall, within 3 years after  
23 the date of enactment of this subsection, issue a  
24 final rule that determines whether energy conserva-  
25 tion standards shall be issued for battery chargers

1 and external power supplies or classes thereof. For  
2 each product class, any such standards shall be set  
3 at the lowest level of energy use that—

4 “(i) meets the criteria and procedures of  
5 subsections (o), (p), (q), (r), (s), and (t); and

6 “(ii) will result in significant overall an-  
7 nual energy savings, considering both standby  
8 mode and other operating modes.

9 “(2) REVIEW OF STANDBY ENERGY USE IN  
10 COVERED PRODUCTS.—In determining pursuant to  
11 section 323 whether test procedures and energy con-  
12 servation standards pursuant to this section should  
13 be revised, the Secretary shall consider, for covered  
14 products that are major sources of standby mode en-  
15 ergy consumption, whether to incorporate standby  
16 mode into such test procedures and energy conserva-  
17 tion standards, taking into account, among other  
18 relevant factors, standby mode power consumption  
19 compared to overall product energy consumption.

20 “(3) RULEMAKING.—The Secretary shall not  
21 propose a standard under this section unless the  
22 Secretary has issued applicable test procedures for  
23 each product pursuant to section 323.

24 “(4) EFFECTIVE DATE.—Any standard issued  
25 under this subsection shall be applicable to products

1       manufactured or imported 3 years after the date of  
2       issuance.

3           “(5) VOLUNTARY PROGRAMS.—The Secretary  
4       and the Administrator shall collaborate and develop  
5       programs, including programs pursuant to section  
6       324A (relating to Energy Star Programs) and other  
7       voluntary industry agreements or codes of conduct,  
8       that are designed to reduce standby mode energy  
9       use.

10          “(v) SUSPENDED CEILING FANS, VENDING MA-  
11       CHINES, AND COMMERCIAL REFRIGERATORS, FREEZERS,  
12       AND REFRIGERATOR-FREEZERS.—The Secretary shall not  
13       later than 36 months after the date on which testing re-  
14       quirements are prescribed by the Secretary pursuant to  
15       section 323(f), prescribe, by rule, energy conservation  
16       standards for suspended ceiling fans, refrigerated bottled  
17       or canned beverage vending machines, and commercial re-  
18       frigerators, freezers, and refrigerator-freezers. In estab-  
19       lishing standards under this subsection, the Secretary  
20       shall use the criteria and procedures contained in sub-  
21       sections (o) and (p). Any standard prescribed under this  
22       subsection shall apply to products manufactured 3 years  
23       after the date of publication of a final rule establishing  
24       such standard.

1       “(w) ILLUMINATED EXIT SIGNS.—Illuminated exit  
2 signs manufactured on or after January 1, 2005, shall  
3 meet the Version 2.0 Energy Star Program performance  
4 requirements for illuminated exit signs prescribed by the  
5 Environmental Protection Agency.

6       “(x) TORCHIERES.—Torchieres manufactured on or  
7 after January 1, 2005—

8           “(1) shall consume not more than 190 watts of  
9 power; and

10          “(2) shall not be capable of operating with  
11 lamps that total more than 190 watts.

12       “(y) LOW VOLTAGE DRY-TYPE DISTRIBUTION  
13 TRANSFORMERS.—The efficiency of low voltage dry-type  
14 distribution transformers manufactured on or after Janu-  
15 ary 1, 2005, shall be the Class I Efficiency Levels for dis-  
16 tribution transformers specified in Table 4–2 of the ‘Guide  
17 for Determining Energy Efficiency for Distribution Trans-  
18 formers’ published by the National Electrical Manufactur-  
19 ers Association (NEMA TP-1-2002).

20       “(z) TRAFFIC SIGNAL MODULES.—Traffic signal  
21 modules manufactured on or after January 1, 2006, shall  
22 meet the performance requirements used under the En-  
23 ergy Star program of the Environmental Protection Agen-  
24 cy for traffic signals, as in effect on the date of enactment  
25 of this subsection, and shall be installed with compatible,

1 electrically connected signal control interface devices and  
2 conflict monitoring systems.

3       “(aa) UNIT HEATERS.—Unit heaters manufactured  
4 on or after the date that is 3 years after the date of enact-  
5 ment of this subsection shall be equipped with an intermit-  
6 tent ignition device and shall have either power venting  
7 or an automatic flue damper.

8       “(bb) MEDIUM BASE COMPACT FLUORESCENT  
9 LAMPS.—Bare lamp and covered lamp (no reflector) me-  
10 dium base compact fluorescent lamps manufactured on or  
11 after January 1, 2005, shall meet the following require-  
12 ments prescribed by the August 9, 2001, version of the  
13 Energy Star Program Requirements for Compact Fluores-  
14 cent Lamps, Energy Star Eligibility Criteria, Energy-Effi-  
15 ciency Specification issued by the Environmental Protec-  
16 tion Agency and Department of Energy: minimum initial  
17 efficacy; lumen maintenance at 1000 hours; lumen mainte-  
18 nance at 40 percent of rated life; rapid cycle stress test;  
19 and lamp life. The Secretary may, by rule, establish re-  
20 quirements for color quality (CRI); power factor; oper-  
21 ating frequency; and maximum allowable start time based  
22 on the requirements prescribed by the August 9, 2001,  
23 version of the Energy Star Program Requirements for  
24 Compact Fluorescent Lamps. The Secretary may, by rule,  
25 revise these requirements or establish other requirements

1 considering energy savings, cost effectiveness, and con-  
2 sumer satisfaction.

3 “(cc) EFFECTIVE DATE.—Section 327 shall apply—

4       “(1) to products for which standards are to be  
5       established under subsections (u) and (v) on the  
6       date on which a final rule is issued by the Depart-  
7       ment of Energy, except that any State or local  
8       standards prescribed or enacted for any such prod-  
9       uct prior to the date on which such final rule is  
10      issued shall not be preempted until the standard es-  
11      tablished under subsection (u) or (v) for that prod-  
12      uct takes effect; and

13       “(2) to products for which standards are estab-  
14      lished under subsections (w) through (bb) on the  
15      date of enactment of those subsections, except that  
16      any State or local standards prescribed or enacted  
17      prior to the date of enactment of those subsections  
18      shall not be preempted until the standards estab-  
19      lished under subsections (w) through (bb) take ef-  
20      fect.”.

21      (d) RESIDENTIAL FURNACE FANS.—Section  
22 325(f)(3) of the Energy Policy and Conservation Act (42  
23 U.S.C. 6295(f)(3)) is amended by adding the following  
24 new subparagraph at the end:

1       “(D) Notwithstanding any provision of this Act, the  
2 Secretary may consider, and prescribe, if the requirements  
3 of subsection (o) of this section are met, energy efficiency  
4 or energy use standards for electricity used for purposes  
5 of circulating air through duct work.”.

6 **SEC. 134. ENERGY LABELING.**

7       (a) RULEMAKING ON EFFECTIVENESS OF CONSUMER  
8 PRODUCT LABELING.—Section 324(a)(2) of the Energy  
9 Policy and Conservation Act (42 U.S.C. 6294(a)(2)) is  
10 amended by adding at the end the following:

11       “(F) Not later than 3 months after the date of enact-  
12 ment of this subparagraph, the Commission shall initiate  
13 a rulemaking to consider the effectiveness of the current  
14 consumer products labeling program in assisting con-  
15 sumers in making purchasing decisions and improving en-  
16 ergy efficiency and to consider changes to the labeling  
17 rules that would improve the effectiveness of consumer  
18 product labels. Such rulemaking shall be completed not  
19 later than 2 years after the date of enactment of this sub-  
20 paragraph.”.

21       (b) RULEMAKING ON LABELING FOR ADDITIONAL  
22 PRODUCTS.—Section 324(a) of the Energy Policy and  
23 Conservation Act (42 U.S.C. 6294(a)) is further amended  
24 by adding at the end the following:

1       “(5) The Secretary or the Commission, as appro-  
2 priate, may, for covered products referred to in sub-  
3 sections (u) through (aa) of section 325, prescribe, by rule,  
4 pursuant to this section, labeling requirements for such  
5 products after a test procedure has been set pursuant to  
6 section 323. In the case of products to which TP-1 stand-  
7 ards under section 325(y) apply, labeling requirements  
8 shall be based on the ‘Standard for the Labeling of Dis-  
9 tribution Transformer Efficiency’ prescribed by the Na-  
10 tional Electrical Manufacturers Association (NEMA TP-  
11 3) as in effect upon the date of enactment of this para-  
12 graph.”.

## 13           **Subtitle D—Public Housing**

### 14    **SEC. 141. CAPACITY BUILDING FOR ENERGY-EFFICIENT, AF-** 15           **FORDABLE HOUSING.**

16       Section 4(b) of the HUD Demonstration Act of 1993  
17 (42 U.S.C. 9816 note) is amended—

18           (1) in paragraph (1), by inserting before the  
19           semicolon at the end the following: “, including ca-  
20           pabilities regarding the provision of energy efficient,  
21           affordable housing and residential energy conserva-  
22           tion measures”; and

23           (2) in paragraph (2), by inserting before the  
24           semicolon the following: “, including such activities  
25           relating to the provision of energy efficient, afford-

1 able housing and residential energy conservation  
2 measures that benefit low-income families”.

3 **SEC. 142. INCREASE OF CDBG PUBLIC SERVICES CAP FOR**  
4 **ENERGY CONSERVATION AND EFFICIENCY**  
5 **ACTIVITIES.**

6 Section 105(a)(8) of the Housing and Community  
7 Development Act of 1974 (42 U.S.C. 5305(a)(8)) is  
8 amended—

9 (1) by inserting “or efficiency” after “energy  
10 conservation”;

11 (2) by striking “, and except that” and insert-  
12 ing “; except that”; and

13 (3) by inserting before the semicolon at the end  
14 the following: “; and except that each percentage  
15 limitation under this paragraph on the amount of  
16 assistance provided under this title that may be used  
17 for the provision of public services is hereby in-  
18 creased by 10 percent, but such percentage increase  
19 may be used only for the provision of public services  
20 concerning energy conservation or efficiency”.

21 **SEC. 143. FHA MORTGAGE INSURANCE INCENTIVES FOR**  
22 **ENERGY EFFICIENT HOUSING.**

23 (a) SINGLE FAMILY HOUSING MORTGAGE INSUR-  
24 ANCE.—Section 203(b)(2) of the National Housing Act  
25 (12 U.S.C. 1709(b)(2)) is amended, in the first undesign-

1 nated paragraph beginning after subparagraph (B)(ii)(IV)  
2 (relating to solar energy systems), by striking “20 per-  
3 cent” and inserting “30 percent”.

4 (b) MULTIFAMILY HOUSING MORTGAGE INSUR-  
5 ANCE.—Section 207(c) of the National Housing Act (12  
6 U.S.C. 1713(c)) is amended, in the last undesignated  
7 paragraph beginning after paragraph (3) (relating to solar  
8 energy systems and residential energy conservation meas-  
9 ures), by striking “20 percent” and inserting “30 per-  
10 cent”.

11 (c) COOPERATIVE HOUSING MORTGAGE INSUR-  
12 ANCE.—Section 213(p) of the National Housing Act (12  
13 U.S.C. 1715e(p)) is amended by striking “20 per centum”  
14 and inserting “30 percent”.

15 (d) REHABILITATION AND NEIGHBORHOOD CON-  
16 SERVATION HOUSING MORTGAGE INSURANCE.—Section  
17 220(d)(3)(B)(iii)(IV) of the National Housing Act (12  
18 U.S.C. 1715k(d)(3)(B)(iii)(IV)) is amended—

19 (1) by striking “with respect to rehabilitation  
20 projects involving not more than five family units,”;  
21 and

22 (2) by striking “20 per centum” and inserting  
23 “30 percent”.

24 (e) LOW-INCOME MULTIFAMILY HOUSING MORT-  
25 GAGE INSURANCE.—Section 221(k) of the National Hous-

1 ing Act (12 U.S.C. 1715l(k)) is amended by striking “20  
2 per centum” and inserting “30 percent”.

3 (f) ELDERLY HOUSING MORTGAGE INSURANCE.—  
4 Section 231(c)(2)(C) of the National Housing Act (12  
5 U.S.C. 1715v(c)(2)(C)) is amended by striking “20 per  
6 centum” and inserting “30 percent”.

7 (g) CONDOMINIUM HOUSING MORTGAGE INSUR-  
8 ANCE.—Section 234(j) of the National Housing Act (12  
9 U.S.C. 1715y(j)) is amended by striking “20 per centum”  
10 and inserting “30 percent”.

**11 SEC. 144. PUBLIC HOUSING CAPITAL FUND.**

12 Section 9 of the United States Housing Act of 1937  
13 (42 U.S.C. 1437g) is amended—

14 (1) in subsection (d)(1)—

15 (A) in subparagraph (I), by striking “and”  
16 at the end;

17 (B) in subparagraph (J), by striking the  
18 period at the end and inserting a semicolon;  
19 and

20 (C) by adding at the end the following new  
21 subparagraphs:

22 “(K) improvement of energy and water-use  
23 efficiency by installing fixtures and fittings that  
24 conform to the American Society of Mechanical  
25 Engineers/American National Standards Insti-

1           tute       standards       A112.19.2–1998       and  
2           A112.18.1–2000, or any revision thereto, appli-  
3           cable at the time of installation, and by increas-  
4           ing energy efficiency and water conservation by  
5           such other means as the Secretary determines  
6           are appropriate; and

7           “(L) integrated utility management and  
8           capital planning to maximize energy conserva-  
9           tion and efficiency measures.”; and

10          (2) in subsection (e)(2)(C)—

11           (A) by striking “The” and inserting the  
12           following:

13           “(i) IN GENERAL.—The”; and

14           (B) by adding at the end the following:

15           “(ii) THIRD PARTY CONTRACTS.—

16           Contracts described in clause (i) may in-  
17           clude contracts for equipment conversions  
18           to less costly utility sources, projects with  
19           resident-paid utilities, and adjustments to  
20           frozen base year consumption, including  
21           systems repaired to meet applicable build-  
22           ing and safety codes and adjustments for  
23           occupancy rates increased by rehabilita-  
24           tion.

1                     “(iii) TERM OF CONTRACT.—The total  
2                     term of a contract described in clause (i)  
3                     shall not exceed 20 years to allow longer  
4                     payback periods for retrofits, including  
5                     windows, heating system replacements,  
6                     wall insulation, site-based generation, ad-  
7                     vanced energy savings technologies, includ-  
8                     ing renewable energy generation, and other  
9                     such retrofits.”.

10 **SEC. 145. GRANTS FOR ENERGY-CONSERVING IMPROVE-  
11 MENTS FOR ASSISTED HOUSING.**

12                     Section 251(b)(1) of the National Energy Conserva-  
13 tion Policy Act (42 U.S.C. 8231(1)) is amended—

14                     (1) by striking “financed with loans” and in-  
15                     serting “assisted”;

16                     (2) by inserting after “1959,” the following:  
17                     “which are eligible multifamily housing projects (as  
18                     such term is defined in section 512 of the Multi-  
19                     family Assisted Housing Reform and Affordability  
20                     Act of 1997 (42 U.S.C. 1437f note)) and are subject  
21                     to mortgage restructuring and rental assistance suf-  
22                     ficiency plans under such Act.”; and

23                     (3) by inserting after the period at the end of  
24                     the first sentence the following new sentence: “Such  
25                     improvements may also include the installation of

1       energy and water conserving fixtures and fittings  
2       that conform to the American Society of Mechanical  
3       Engineers/American National Standards Institute  
4       standards A112.19.2–1998 and A112.18.1–2000, or  
5       any revision thereto, applicable at the time of instal-  
6       lation.”.

7   **SEC. 146. NORTH AMERICAN DEVELOPMENT BANK.**

8       Part 2 of subtitle D of title V of the North American  
9       Free Trade Agreement Implementation Act (22 U.S.C.  
10      290m–290m-3) is amended by adding at the end the fol-  
11      lowing:

12   **“SEC. 545. SUPPORT FOR CERTAIN ENERGY POLICIES.**

13       “Consistent with the focus of the Bank’s Charter on  
14       environmental infrastructure projects, the Board members  
15       representing the United States should use their voice and  
16       vote to encourage the Bank to finance projects related to  
17       clean and efficient energy, including energy conservation,  
18       that prevent, control, or reduce environmental pollutants  
19       or contaminants.”.

20   **SEC. 147. ENERGY-EFFICIENT APPLIANCES.**

21       In purchasing appliances, a public housing agency  
22       shall purchase energy-efficient appliances that are Energy  
23       Star products or FEMP-designated products, as such  
24       terms are defined in section 553 of the National Energy  
25       Conservation Policy Act (as amended by this title), unless

1 the purchase of energy-efficient appliances is not cost-ef-  
2 fective to the agency.

3 **SEC. 148. ENERGY EFFICIENCY STANDARDS.**

4 Section 109 of the Cranston-Gonzalez National Af-  
5 fordable Housing Act (42 U.S.C. 12709) is amended—

6 (1) in subsection (a)—

7 (A) in paragraph (1)—

8 (i) by striking “1 year after the date  
9 of the enactment of the Energy Policy Act  
10 of 1992” and inserting “September 30,  
11 2004”;

12 (ii) in subparagraph (A), by striking  
13 “and” at the end;

14 (iii) in subparagraph (B), by striking  
15 the period at the end and inserting “;  
16 and”; and

17 (iv) by adding at the end the fol-  
18 lowing:

19 “(C) rehabilitation and new construction of  
20 public and assisted housing funded by HOPE  
21 VI revitalization grants under section 24 of the  
22 United States Housing Act of 1937 (42 U.S.C.  
23 1437v), where such standards are determined  
24 to be cost effective by the Secretary of Housing  
25 and Urban Development.”; and

(B) in paragraph (2), by striking “Council of American” and all that follows through “90.1–1989’)” and inserting “2003 International Energy Conservation Code”;

5 (2) in subsection (b)—

(B) by striking “CABO” and all that follows through “1989” and inserting “the 2003 International Energy Conservation Code”; and

13 (3) in subsection (c)—

(B) by striking “CABO” and all that follows through “1989” and inserting “the 2003 International Energy Conservation Code”.

## **21 SEC. 149. ENERGY STRATEGY FOR HUD.**

22 The Secretary of Housing and Urban Development  
23 shall develop and implement an integrated strategy to re-  
24 duce utility expenses through cost-effective energy con-  
25 servation and efficiency measures and energy efficient de-

1 sign and construction of public and assisted housing. The  
2 energy strategy shall include the development of energy  
3 reduction goals and incentives for public housing agencies.  
4 The Secretary shall submit a report to Congress, not later  
5 than 1 year after the date of the enactment of this Act,  
6 on the energy strategy and the actions taken by the De-  
7 partment of Housing and Urban Development to monitor  
8 the energy usage of public housing agencies and shall sub-  
9 mit an update every 2 years thereafter on progress in im-  
10 plementing the strategy.

## 11 **TITLE II—RENEWABLE ENERGY**

### 12 **Subtitle A—General Provisions**

#### 13 **SEC. 201. ASSESSMENT OF RENEWABLE ENERGY RE-**

#### 14 **SOURCES.**

15 (a) RESOURCE ASSESSMENT.—Not later than 6  
16 months after the date of enactment of this Act, and each  
17 year thereafter, the Secretary of Energy shall review the  
18 available assessments of renewable energy resources with-  
19 in the United States, including solar, wind, biomass, ocean  
20 (tidal, wave, current, and thermal), geothermal, and hy-  
21 droelectric energy resources, and undertake new assess-  
22 ments as necessary, taking into account changes in market  
23 conditions, available technologies, and other relevant fac-  
24 tors.

1       (b) CONTENTS OF REPORTS.—Not later than 1 year  
2 after the date of enactment of this Act, and each year  
3 thereafter, the Secretary shall publish a report based on  
4 the assessment under subsection (a). The report shall con-  
5 tain—

6                 (1) a detailed inventory describing the available  
7 amount and characteristics of the renewable energy  
8 resources; and

9                 (2) such other information as the Secretary be-  
10 lieves would be useful in developing such renewable  
11 energy resources, including descriptions of sur-  
12 rounding terrain, population and load centers, near-  
13 by energy infrastructure, location of energy and  
14 water resources, and available estimates of the costs  
15 needed to develop each resource, together with an  
16 identification of any barriers to providing adequate  
17 transmission for remote sources of renewable energy  
18 resources to current and emerging markets, rec-  
19 ommendations for removing or addressing such bar-  
20 riers, and ways to provide access to the grid that do  
21 not unfairly disadvantage renewable or other energy  
22 producers.

23       (c) AUTHORIZATION OF APPROPRIATIONS.—For the  
24 purposes of this section, there are authorized to be appro-

1 priated to the Secretary of Energy \$10,000,000 for each  
2 of fiscal years 2004 through 2008.

3 **SEC. 202. RENEWABLE ENERGY PRODUCTION INCENTIVE.**

4 (a) INCENTIVE PAYMENTS.—Section 1212(a) of the  
5 Energy Policy Act of 1992 (42 U.S.C. 13317(a)) is  
6 amended by striking “and which satisfies” and all that  
7 follows through “Secretary shall establish.” and inserting  
8 “. If there are insufficient appropriations to make full pay-  
9 ments for electric production from all qualified renewable  
10 energy facilities in any given year, the Secretary shall as-  
11 sign 60 percent of appropriated funds for that year to fa-  
12 cilities that use solar, wind, geothermal, or closed-loop  
13 (dedicated energy crops) biomass technologies to generate  
14 electricity, and assign the remaining 40 percent to other  
15 projects. The Secretary may, after transmitting to Con-  
16 gress an explanation of the reasons therefor, alter the per-  
17 centage requirements of the preceding sentence.”.

18 (b) QUALIFIED RENEWABLE ENERGY FACILITY.—  
19 Section 1212(b) of the Energy Policy Act of 1992 (42  
20 U.S.C. 13317(b)) is amended—

21 (1) by striking “a State or any political” and  
22 all that follows through “nonprofit electrical cooper-  
23 ative” and inserting “a not-for-profit electric cooper-  
24 ative, a public utility described in section 115 of the  
25 Internal Revenue Code of 1986, a State, Common-

1       wealth, territory, or possession of the United States  
2       or the District of Columbia, or a political subdivision  
3       thereof, or an Indian tribal government or subdivi-  
4       sion thereof,”; and

5               (2) by inserting “landfill gas,” after “wind, bio-  
6       mass,”.

7       (c) ELIGIBILITY WINDOW.—Section 1212(c) of the  
8 Energy Policy Act of 1992 (42 U.S.C. 13317(c)) is  
9 amended by striking “during the 10-fiscal year period be-  
10 ginning with the first full fiscal year occurring after the  
11 enactment of this section” and inserting “after October  
12 1, 2003, and before October 1, 2013”.

13       (d) AMOUNT OF PAYMENT.—Section 1212(e)(1) of  
14 the Energy Policy Act of 1992 (42 U.S.C. 13317(e)(1))  
15 is amended by inserting “landfill gas,” after “wind, bio-  
16 mass,”.

17       (e) SUNSET.—Section 1212(f) of the Energy Policy  
18 Act of 1992 (42 U.S.C. 13317(f)) is amended by striking  
19 “the expiration of” and all that follows through “of this  
20 section” and inserting “September 30, 2023”.

21       (f) AUTHORIZATION OF APPROPRIATIONS.—Section  
22 1212(g) of the Energy Policy Act of 1992 (42 U.S.C.  
23 13317(g)) is amended to read as follows:

24               “(g) AUTHORIZATION OF APPROPRIATIONS.—

1           “(1) IN GENERAL.—Subject to paragraph (2),  
2 there are authorized to be appropriated such sums  
3 as may be necessary to carry out this section for fis-  
4 cal years 2003 through 2023.

5           “(2) AVAILABILITY OF FUNDS.—Funds made  
6 available under paragraph (1) shall remain available  
7 until expended.”.

8 **SEC. 203. FEDERAL PURCHASE REQUIREMENT.**

9           (a) REQUIREMENT.—The President, acting through  
10 the Secretary of Energy, shall seek to ensure that, to the  
11 extent economically feasible and technically practicable, of  
12 the total amount of electric energy the Federal Govern-  
13 ment consumes during any fiscal year, the following  
14 amounts shall be renewable energy:

15           (1) Not less than 3 percent in fiscal years 2005  
16 through 2007.

17           (2) Not less than 5 percent in fiscal years 2008  
18 through 2010.

19           (3) Not less than 7.5 percent in fiscal year  
20 2011 and each fiscal year thereafter.

21           (b) DEFINITIONS.—In this section:

22           (1) BIOMASS.—The term “biomass” means any  
23 solid, nonhazardous, cellulosic material that is de-  
24 rived from—

- 1                         (A) any of the following forest-related re-  
2                         sources: mill residues, precommercial thinnings,  
3                         slash, and brush, or nonmerchantable material;  
4                         (B) solid wood waste materials, including  
5                         waste pallets, crates, dunnage, manufacturing  
6                         and construction wood wastes (other than pres-  
7                         sure-treated, chemically-treated, or painted  
8                         wood wastes), and landscape or right-of-way  
9                         tree trimmings, but not including municipal  
10                         solid waste (garbage), gas derived from the bio-  
11                         degradation of solid waste, or paper that is  
12                         commonly recycled;  
13                         (C) agriculture wastes, including orchard  
14                         tree crops, vineyard, grain, legumes, sugar, and  
15                         other crop by-products or residues, and live-  
16                         stock waste nutrients; or  
17                         (D) a plant that is grown exclusively as a  
18                         fuel for the production of electricity.

19                         (2) RENEWABLE ENERGY.—The term “renew-  
20                         able energy” means electric energy generated from  
21                         solar, wind, biomass, landfill gas, geothermal, munic-  
22                         ipal solid waste, or new hydroelectric generation ca-  
23                         pacity achieved from increased efficiency or addi-  
24                         tions of new capacity at an existing hydroelectric  
25                         project.

1       (c) CALCULATION.—For purposes of determining  
2 compliance with the requirement of this section, the  
3 amount of renewable energy shall be doubled if—

4              (1) the renewable energy is produced and used  
5 on-site at a Federal facility;

6              (2) the renewable energy is produced on Fed-  
7 eral lands and used at a Federal facility; or

8              (3) the renewable energy is produced on Indian  
9 land as defined in title XXVI of the Energy Policy  
10 Act of 1992 (25 U.S.C. 3501 et. seq.) and used at  
11 a Federal facility.

12       (d) REPORT.—Not later than April 15, 2005, and  
13 every 2 years thereafter, the Secretary of Energy shall  
14 provide a report to Congress on the progress of the Fed-  
15 eral Government in meeting the goals established by this  
16 section.

17 **SEC. 204. INSULAR AREAS ENERGY SECURITY.**

18       Section 604 of the Act entitled “An Act to authorize  
19 appropriations for certain insular areas of the United  
20 States, and for other purposes”, approved December 24,  
21 1980 (48 U.S.C. 1492), is amended—

22              (1) in subsection (a)(4) by striking the period  
23 and inserting a semicolon;

24              (2) by adding at the end of subsection (a) the  
25 following new paragraphs:

1           “(5) electric power transmission and distribu-  
2       tion lines in insular areas are inadequate to with-  
3       stand damage caused by the hurricanes and ty-  
4       phoons which frequently occur in insular areas and  
5       such damage often costs millions of dollars to repair;  
6       and

7           “(6) the refinement of renewable energy tech-  
8       nologies since the publication of the 1982 Territorial  
9       Energy Assessment prepared pursuant to subsection  
10      (c) reveals the need to reassess the state of energy  
11      production, consumption, infrastructure, reliance on  
12      imported energy, opportunities for energy conserva-  
13      tion and increased energy efficiency, and indigenous  
14      sources in regard to the insular areas.”;

15           (3) by amending subsection (e) to read as fol-  
16       lows:

17           “(e)(1) The Secretary of the Interior, in consulta-  
18       tion with the Secretary of Energy and the head of government  
19       of each insular area, shall update the plans required under  
20       subsection (c) by—

21           “(A) updating the contents required by sub-  
22       section (c);

23           “(B) drafting long-term energy plans for such  
24       insular areas with the objective of reducing, to the  
25       extent feasible, their reliance on energy imports by

1       the year 2010, increasing energy conservation and  
2       energy efficiency, and maximizing, to the extent fea-  
3       sible, use of indigenous energy sources; and

4           “(C) drafting long-term energy transmission  
5       line plans for such insular areas with the objective  
6       that the maximum percentage feasible of electric  
7       power transmission and distribution lines in each in-  
8       sular area be protected from damage caused by hur-  
9       ricanes and typhoons.

10          “(2) Not later than December 31, 2005, the Sec-  
11       retary of the Interior shall submit to Congress the updated  
12       plans for each insular area required by this subsection.”;  
13       and

14           (4) by amending subsection (g)(4) to read as  
15       follows:

16           “(4) POWER LINE GRANTS FOR INSULAR  
17       AREAS.—

18           “(A) IN GENERAL.—The Secretary of the  
19       Interior is authorized to make grants to govern-  
20       ments of insular areas of the United States to  
21       carry out eligible projects to protect electric  
22       power transmission and distribution lines in  
23       such insular areas from damage caused by hur-  
24       ricanes and typhoons.

1                 “(B) ELIGIBLE PROJECTS.—The Secretary  
2         may award grants under subparagraph (A) only  
3         to governments of insular areas of the United  
4         States that submit written project plans to the  
5         Secretary for projects that meet the following  
6         criteria:

7                 “(i) The project is designed to protect  
8         electric power transmission and distribu-  
9         tion lines located in 1 or more of the insu-  
10       lar areas of the United States from dam-  
11       age caused by hurricanes and typhoons.

12                “(ii) The project is likely to substan-  
13       tially reduce the risk of future damage,  
14       hardship, loss, or suffering.

15                “(iii) The project addresses 1 or more  
16       problems that have been repetitive or that  
17       pose a significant risk to public health and  
18       safety.

19                “(iv) The project is not likely to cost  
20       more than the value of the reduction in di-  
21       rect damage and other negative impacts  
22       that the project is designed to prevent or  
23       mitigate. The cost benefit analysis required  
24       by this criterion shall be computed on a  
25       net present value basis.

1                 “(v) The project design has taken into  
2 consideration long-term changes to the  
3 areas and persons it is designed to protect  
4 and has manageable future maintenance  
5 and modification requirements.

6                 “(vi) The project plan includes an  
7 analysis of a range of options to address  
8 the problem it is designed to prevent or  
9 mitigate and a justification for the selec-  
10 tion of the project in light of that analysis.

11                 “(vii) The applicant has demonstrated  
12 to the Secretary that the matching funds  
13 required by subparagraph (D) are avail-  
14 able.

15                 “(C) PRIORITY.—When making grants  
16 under this paragraph, the Secretary shall give  
17 priority to grants for projects which are likely  
18 to—

19                 “(i) have the greatest impact on re-  
20 ducing future disaster losses; and

21                 “(ii) best conform with plans that  
22 have been approved by the Federal Govern-  
23 ment or the government of the insular area  
24 where the project is to be carried out for

1 development or hazard mitigation for that  
2 insular area.

3 “(D) MATCHING REQUIREMENT.—The  
4 Federal share of the cost for a project for which  
5 a grant is provided under this paragraph shall  
6 not exceed 75 percent of the total cost of that  
7 project. The non-Federal share of the cost may  
8 be provided in the form of cash or services.

9 “(E) TREATMENT OF FUNDS FOR CERTAIN  
10 PURPOSES.—Grants provided under this para-  
11 graph shall not be considered as income, a re-  
12 source, or a duplicative program when deter-  
13 mining eligibility or benefit levels for Federal  
14 major disaster and emergency assistance.

15 “(F) AUTHORIZATION OF APPROPRIA-  
16 TIONS.—There are authorized to be appro-  
17 priated to carry out this paragraph \$5,000,000  
18 for each fiscal year beginning after the date of  
19 the enactment of this paragraph.”.

20 **SEC. 205. USE OF PHOTOVOLTAIC ENERGY IN PUBLIC  
21 BUILDINGS.**

22 (a) IN GENERAL.—Subchapter VI of chapter 31 of  
23 title 40, United States Code, is amended by adding at the  
24 end the following:

1   **“§ 3177. Use of photovoltaic energy in public build-**  
2                         **ings**

3       “(a) PHOTOVOLTAIC ENERGY COMMERCIALIZATION  
4   PROGRAM.—

5               “(1) IN GENERAL.—The Administrator of Gen-  
6   eral Services may establish a photovoltaic energy  
7   commercialization program for the procurement and  
8   installation of photovoltaic solar electric systems for  
9   electric production in new and existing public build-  
10   ings.

11          “(2) PURPOSES.—The purposes of the program  
12   shall be to accomplish the following:

13               “(A) To accelerate the growth of a com-  
14   mercially viable photovoltaic industry to make  
15   this energy system available to the general pub-  
16   lic as an option which can reduce the national  
17   consumption of fossil fuel.

18               “(B) To reduce the fossil fuel consumption  
19   and costs of the Federal Government.

20               “(C) To attain the goal of installing solar  
21   energy systems in 20,000 Federal buildings by  
22   2010, as contained in the Federal Government’s  
23   Million Solar Roof Initiative of 1997.

24               “(D) To stimulate the general use within  
25   the Federal Government of life-cycle costing  
26   and innovative procurement methods.

1                 “(E) To develop program performance  
2                 data to support policy decisions on future incen-  
3                 tive programs with respect to energy.

4                 “(3) ACQUISITION OF PHOTOVOLTAIC SOLAR  
5                 ELECTRIC SYSTEMS.—

6                 “(A) IN GENERAL.—The program shall  
7                 provide for the acquisition of photovoltaic solar  
8                 electric systems and associated storage capa-  
9                 bility for use in public buildings.

10                 “(B) ACQUISITION LEVELS.—The acquisi-  
11                 tion of photovoltaic electric systems shall be at  
12                 a level substantial enough to allow use of low-  
13                 cost production techniques with at least 150  
14                 megawatts (peak) cumulative acquired during  
15                 the 5 years of the program.

16                 “(4) ADMINISTRATION.—The Administrator  
17                 shall administer the program and shall—

18                 “(A) issue such rules and regulations as  
19                 may be appropriate to monitor and assess the  
20                 performance and operation of photovoltaic solar  
21                 electric systems installed pursuant to this sub-  
22                 section;

23                 “(B) develop innovative procurement strat-  
24                 egies for the acquisition of such systems; and

1                 “(C) transmit to Congress an annual re-  
2                 port on the results of the program.

3                 “(b) PHOTOVOLTAIC SYSTEMS EVALUATION PRO-  
4         GRAM.—

5                 “(1) IN GENERAL.—Not later than 60 days  
6                 after the date of enactment of this section, the Ad-  
7                 ministrator, in consultation with the Secretary of  
8                 Energy, shall establish a photovoltaic solar energy  
9                 systems evaluation program to evaluate such photo-  
10                 voltaic solar energy systems as are required in public  
11                 buildings.

12                 “(2) PROGRAM REQUIREMENT.—In evaluating  
13                 photovoltaic solar energy systems under the pro-  
14                 gram, the Administrator shall ensure that such sys-  
15                 tems reflect the most advanced technology.

16                 “(c) AUTHORIZATION OF APPROPRIATIONS.—

17                 “(1) PHOTOVOLTAIC ENERGY COMMERCIALIZA-  
18                 TION PROGRAM.—There are authorized to be appro-  
19                 priated to carry out subsection (a) \$50,000,000 for  
20                 each of fiscal years 2004 through 2008. Such sums  
21                 shall remain available until expended.

22                 “(2) PHOTOVOLTAIC SYSTEMS EVALUATION  
23                 PROGRAM.—There are authorized to be appropriated  
24                 to carry out subsection (b) \$10,000,000 for each of

1       fiscal years 2004 through 2008. Such sums shall re-  
2       main available until expended.”.

3       (b) CONFORMING AMENDMENT.—The section anal-  
4       ysis for such chapter is amended by inserting after the  
5       item relating to section 3176 the following:

“3177. Use of photovoltaic energy in public buildings.”.

6       **SEC. 206. GRANTS TO IMPROVE THE COMMERCIAL VALUE**  
7                   **OF FOREST BIOMASS FOR ELECTRIC ENERGY,**  
8                   **USEFUL HEAT, TRANSPORTATION FUELS, PE-**  
9                   **TROLEUM-BASED PRODUCT SUBSTITUTES,**  
10                  **AND OTHER COMMERCIAL PURPOSES.**

11       (a) FINDINGS.—Congress finds the following:

12               (1) Thousands of communities in the United  
13       States, many located near Federal lands, are at risk  
14       to wildfire. Approximately 190,000,000 acres of land  
15       managed by the Secretary of Agriculture and the  
16       Secretary of the Interior are at risk of catastrophic  
17       fire in the near future. The accumulation of heavy  
18       forest fuel loads continues to increase as a result of  
19       disease, insect infestations, and drought, further  
20       raising the risk of fire each year.

21               (2) In addition, more than 70,000,000 acres  
22       across all land ownerships are at risk to higher than  
23       normal mortality over the next 15 years from insect  
24       infestation and disease. High levels of tree mortality  
25       from insects and disease result in increased fire risk,

1 loss of old growth, degraded watershed conditions,  
2 and changes in species diversity and productivity, as  
3 well as diminished fish and wildlife habitat and de-  
4 creased timber values.

5 (3) Preventive treatments such as removing fuel  
6 loading, ladder fuels, and hazard trees, planting  
7 proper species mix and restoring and protecting  
8 early successional habitat, and other specific restora-  
9 tion treatments designed to reduce the susceptibility  
10 of forest land, woodland, and rangeland to insect  
11 outbreaks, disease, and catastrophic fire present the  
12 greatest opportunity for long-term forest health by  
13 creating a mosaic of species-mix and age distribu-  
14 tion. Such prevention treatments are widely acknowl-  
15 edged to be more successful and cost effective than  
16 suppression treatments in the case of insects, dis-  
17 ease, and fire.

18 (4) The byproducts of preventive treatment  
19 (wood, brush, thinnings, chips, slash, and other haz-  
20 ardous fuels) removed from forest lands, woodlands  
21 and rangelands represent an abundant supply of bio-  
22 mass for biomass-to-energy facilities and raw mate-  
23 rial for business. There are currently few markets  
24 for the extraordinary volumes of byproducts being

1       generated as a result of the necessary large-scale  
2       preventive treatment activities.

3                 (5) The United States should—

4                         (A) promote economic and entrepreneurial  
5                         opportunities in using byproducts removed  
6                         through preventive treatment activities related  
7                         to hazardous fuels reduction, disease, and insect  
8                         infestation; and

9                         (B) develop and expand markets for tradi-  
10                         tionally underused wood and biomass as an out-  
11                         let for byproducts of preventive treatment ac-  
12                         tivities.

13                 (b) DEFINITIONS.—In this section:

14                         (1) BIOMASS.—The term “biomass” means  
15                         trees and woody plants, including limbs, tops, nee-  
16                         dles, and other woody parts, and byproducts of pre-  
17                         ventive treatment, such as wood, brush, thinnings,  
18                         chips, and slash, that are removed—

19                                 (A) to reduce hazardous fuels; or  
20                                 (B) to reduce the risk of or to contain dis-  
21                                 ease or insect infestation.

22                         (2) INDIAN TRIBE.—The term “Indian tribe”  
23                         has the meaning given the term in section 4(e) of  
24                         the Indian Self-Determination and Education Assist-  
25                         ance Act (25 U.S.C. 450b(e)).



#### 17. (c) BIOMASS COMMERCIAL USE GRANT PROGRAM

18                             (1) IN GENERAL.—The Secretary concerned  
19        may make grants to any person that owns or oper-  
20        ates a facility that uses biomass as a raw material  
21        to produce electric energy, sensible heat, transpor-  
22        tation fuels, or substitutes for petroleum-based prod-  
23        ucts to offset the costs incurred to purchase biomass  
24        for use by such facility.

1                   (2) GRANT AMOUNTS.—A grant under this sub-  
2 section may not exceed \$20 per green ton of biomass  
3 delivered.

4                   (3) MONITORING OF GRANT RECIPIENT ACTIVI-  
5 TIES.—As a condition of a grant under this sub-  
6 section, the grant recipient shall keep such records  
7 as the Secretary concerned may require to fully and  
8 correctly disclose the use of the grant funds and all  
9 transactions involved in the purchase of biomass.  
10 Upon notice by a representative of the Secretary  
11 concerned, the grant recipient shall afford the rep-  
12 resentative reasonable access to the facility that pur-  
13 chases or uses biomass and an opportunity to exam-  
14 ine the inventory and records of the facility.

15                   (d) IMPROVED BIOMASS USE GRANT PROGRAM.—

16                   (1) IN GENERAL.—The Secretary concerned  
17 may make grants to persons to offset the cost of  
18 projects to develop or research opportunities to im-  
19 prove the use of, or add value to, biomass. In mak-  
20 ing such grants, the Secretary concerned shall give  
21 preference to persons in preferred communities.

22                   (2) SELECTION.—The Secretary concerned shall  
23 select a grant recipient under paragraph (1) after  
24 giving consideration to the anticipated public bene-  
25 fits of the project, including the potential to develop

1        thermal or electric energy resources or affordable en-  
2        ergy, opportunities for the creation or expansion of  
3        small businesses and micro-businesses, and the po-  
4        tential for new job creation.

5                 (3) GRANT AMOUNT.—A grant under this sub-  
6        section may not exceed \$500,000.

7                 (e) AUTHORIZATION OF APPROPRIATIONS.—There  
8        are authorized to be appropriated \$50,000,000 for each  
9        of the fiscal years 2004 through 2014 to carry out this  
10      section.

11                (f) REPORT.—Not later than October 1, 2010, the  
12      Secretary of Agriculture, in consultation with the Sec-  
13      retary of the Interior, shall submit to the Committee on  
14      Energy and Natural Resources and the Committee on Ag-  
15      riculture, Nutrition, and Forestry of the Senate and the  
16      Committee on Resources, the Committee on Energy and  
17      Commerce, and the Committee on Agriculture of the  
18      House of Representatives a report describing the results  
19      of the grant programs authorized by this section. The re-  
20      port shall include the following:

21                (1) An identification of the size, type, and the  
22        use of biomass by persons that receive grants under  
23        this section.

1                   (2) The distance between the land from which  
2                   the biomass was removed and the facility that used  
3                   the biomass.

4                   (3) The economic impacts, particularly new job  
5                   creation, resulting from the grants to and operation  
6                   of the eligible operations.

7   **SEC. 207. BIOBASED PRODUCTS.**

8                   Section 9002(c)(1) of the Farm Security and Rural  
9                   Investment Act of 2002 (7 U.S.C. 8102(c)(1)) is amended  
10          by inserting “or such items that comply with the regula-  
11          tions issued under section 103 of Public Law 100–556 (42  
12          U.S.C. 6914b–1)” after “practicable”.

13   **Subtitle B—Geothermal Energy**

14   **SEC. 211. SHORT TITLE.**

15          This subtitle may be cited as the “John Rishel Geo-  
16          thermal Steam Act Amendments of 2004”.

17   **SEC. 212. COMPETITIVE LEASE SALE REQUIREMENTS.**

18          Section 4 of the Geothermal Steam Act of 1970 (30  
19          U.S.C. 1003) is amended to read as follows:

20   **“SEC. 4. LEASING PROCEDURES.**

21          “(a) NOMINATIONS.—The Secretary shall accept  
22          nominations of lands to be leased at any time from qual-  
23          fied companies and individuals under this Act.

24          “(b) COMPETITIVE LEASE SALE REQUIRED.—The  
25          Secretary shall hold a competitive lease sale at least once

1 every 2 years for lands in a State which has nominations  
2 pending under subsection (a) if such lands are otherwise  
3 available for leasing.

4       “(c) NONCOMPETITIVE LEASING.—The Secretary  
5 shall make available for a period of 2 years for non-  
6 competitive leasing any tract for which a competitive lease  
7 sale is held, but for which the Secretary does not receive  
8 any bids in a competitive lease sale.

9       “(d) LEASES SOLD AS A BLOCK.—If information is  
10 available to the Secretary indicating a geothermal resource  
11 that could be produced as 1 unit can reasonably be ex-  
12 pected to underlie more than 1 parcel to be offered in a  
13 competitive lease sale, the parcels for such a resource may  
14 be offered for bidding as a block in the competitive lease  
15 sale.

16       “(e) PENDING LEASE APPLICATIONS ON APRIL 1,  
17 2003.—It shall be a priority for the Secretary of the Inte-  
18 rior, and for the Secretary of Agriculture with respect to  
19 National Forest Systems lands, to ensure timely comple-  
20 tion of administrative actions necessary to process applica-  
21 tions for geothermal leasing pending on April 1, 2003.  
22 Such an application, and any lease issued pursuant to  
23 such an application—

1           “(1) except as provided in paragraph (2), shall  
2       be subject to this section as in effect on April 1,  
3       2003; or

4           “(2) at the election of the applicant, shall be  
5       subject to this section as in effect on the effective  
6       date of this paragraph.”.

7 **SEC. 213. DIRECT USE.**

8       (a) FEES FOR DIRECT USE.—Section 5 of the Geo-  
9       thermal Steam Act of 1970 (30 U.S.C. 1004) is amend-  
10      ed—

11           (1) in paragraph (c) by redesignating subparagraphs (1) and (2) as subparagraphs (A) and (B);

13           (2) by redesignating paragraphs (a) through (d)  
14       in order as paragraphs (1) through (4);

15           (3) by inserting “(a) IN GENERAL.—” after  
16       “SEC. 5.”; and

17           (4) by adding at the end the following:

18       “(b) DIRECT USE.—Notwithstanding subsection  
19       (a)(1), with respect to the direct use of geothermal re-  
20       sources for purposes other than the commercial generation  
21       of electricity, the Secretary of the Interior shall establish  
22       a schedule of fees and collect fees pursuant to such a  
23       schedule in lieu of royalties based upon the total amount  
24       of the geothermal resources used. The schedule of fees  
25       shall ensure that there is a fair return to the public for

1 the use of a geothermal resource based upon comparable  
2 fees charged for direct use of geothermal resources by  
3 States or private persons. For direct use by a State or  
4 local government for public purposes there shall be no roy-  
5 alty and the fee charged shall be nominal. Leases in exist-  
6 ence on the date of enactment of the Energy Policy Act  
7 of 2003 shall be modified in order to reflect the provisions  
8 of this subsection.”.

9       (b) LEASING FOR DIRECT USE.—Section 4 of the  
10 Geothermal Steam Act of 1970 (30 U.S.C. 1003) is fur-  
11 ther amended by adding at the end the following:

12       “(f) LEASING FOR DIRECT USE OF GEOTHERMAL  
13 RESOURCES.—Lands leased under this Act exclusively for  
14 direct use of geothermal resources shall be leased to any  
15 qualified applicant who first applies for such a lease under  
16 regulations issued by the Secretary, if—

17           “(1) the Secretary publishes a notice of the  
18 lands proposed for leasing 60 days before the date  
19 of the issuance of the lease; and

20           “(2) the Secretary does not receive in the 60-  
21 day period beginning on the date of such publication  
22 any nomination to include the lands concerned in the  
23 next competitive lease sale.

24       “(g) AREA SUBJECT TO LEASE FOR DIRECT USE.—  
25 A geothermal lease for the direct use of geothermal re-

1 sources shall embrace not more than the amount of acre-  
2 age determined by the Secretary to be reasonably nec-  
3 essary for such proposed utilization.”.

4 (c) EXISTING LEASES WITH A DIRECT USE FACIL-  
5 ITY.—

6 (1) APPLICATION TO CONVERT.—Any lessee  
7 under a lease under the Geothermal Steam Act of  
8 1970 that was issued before the date of the enact-  
9 ment of this Act may apply to the Secretary of the  
10 Interior, by not later than 18 months after the date  
11 of the enactment of this Act, to convert such lease  
12 to a lease for direct utilization of geothermal re-  
13 sources in accordance with the amendments made by  
14 this section.

15 (2) CONVERSION.—The Secretary shall approve  
16 such an application and convert such a lease to a  
17 lease in accordance with the amendments by not  
18 later than 180 days after receipt of such application,  
19 unless the Secretary determines that the applicant is  
20 not a qualified applicant with respect to the lease.

21 (3) APPLICATION OF NEW LEASE TERMS.—The  
22 amendment made by subsection (a)(4) shall apply  
23 with respect to payments under a lease converted  
24 under this subsection that are due and owing to the  
25 United States on or after July 16, 2003.

1   **SEC. 214. ROYALTIES AND NEAR-TERM PRODUCTION IN-**  
2                   **CENTIVES.**

3       (a) ROYALTY.—Section 5 of the Geothermal Steam  
4   Act of 1970 (30 U.S.C. 1004) is further amended—

5                   (1) in subsection (a) by striking paragraph (1)  
6   and inserting the following:

7                   “(1) a royalty on electricity produced using geo-  
8   thermal steam and associated geothermal resources,  
9   other than direct use of geothermal resources, that  
10   shall be—

11                  “(A) not less than 1 percent and not more  
12   than 2.5 percent of the gross proceeds from the  
13   sale of electricity produced from such resources  
14   during the first 10 years of production under  
15   the lease; and

16                  “(B) not less than 2 and not more than 5  
17   percent of the gross proceeds from the sale of  
18   electricity produced from such resources during  
19   each year after such 10-year period;”; and

20                  (2) by adding at the end the following:

21                  “(c) FINAL REGULATION ESTABLISHING ROYALTY  
22   RATES.—In issuing any final regulation establishing roy-  
23   alty rates under this section, the Secretary shall seek—

24                  “(1) to provide lessees a simplified administra-  
25   tive system;

26                  “(2) to encourage new development; and

1           “(3) to achieve the same long-term level of roy-  
2        alty revenues to States and counties as the regula-  
3        tion in effect on the date of enactment of this sub-  
4        section.

5           “(d) CREDITS FOR IN-KIND PAYMENTS OF ELEC-  
6        TRICITY.—The Secretary may provide to a lessee a credit  
7        against royalties owed under this Act, in an amount equal  
8        to the value of electricity provided under contract to a  
9        State or county government that is entitled to a portion  
10      of such royalties under section 20 of this Act, section 35  
11      of the Mineral Leasing Act (30 U.S.C. 191), or section  
12      6 of the Mineral Leasing Act for Acquired Lands (30  
13      U.S.C. 355), if—

14           “(1) the Secretary has approved in advance the  
15        contract between the lessee and the State or county  
16        government for such in-kind payments;

17           “(2) the contract establishes a specific method-  
18        ology to determine the value of such credits; and

19           “(3) the maximum credit will be equal to the  
20        royalty value owed to the State or county that is a  
21        party to the contract and the electricity received will  
22        serve as the royalty payment from the Federal Gov-  
23        ernment to that entity.”.

24           (b) DISPOSAL OF MONEYS FROM SALES, BONUSES,  
25        ROYALTIES, AND RENTALS.—Section 20 of the Geo-

1 thermal Steam Act of 1970 (30 U.S.C. 1019) is amended  
2 to read as follows:

3 **SEC. 20. DISPOSAL OF MONEYS FROM SALES, BONUSES,**  
4 **RENTALS, AND ROYALTIES.**

5 “(a) IN GENERAL.—Except with respect to lands in  
6 the State of Alaska, all monies received by the United  
7 States from sales, bonuses, rentals, and royalties under  
8 this Act shall be paid into the Treasury of the United  
9 States. Of amounts deposited under this subsection, sub-  
10 ject to the provisions of section 35 of the Mineral Leasing  
11 Act (30 U.S.C. 191(b)) and section 5(a)(2) of this Act—

12 “(1) 50 percent shall be paid to the State with-  
13 in the boundaries of which the leased lands or geo-  
14 thermal resources are or were located; and

15 “(2) 25 percent shall be paid to the County  
16 within the boundaries of which the leased lands or  
17 geothermal resources are or were located.

18 “(b) USE OF PAYMENTS.—Amounts paid to a State  
19 or county under subsection (a) shall be used consistent  
20 with the terms of section 35 of the Mineral Leasing Act  
21 (30 U.S.C. 191).”.

22 (c) NEAR-TERM PRODUCTION INCENTIVE FOR EX-  
23 ISTING LEASES.—

24 (1) IN GENERAL.—Notwithstanding section  
25 5(a) of the Geothermal Steam Act of 1970, the roy-

1       alty required to be paid shall be 50 percent of the  
2       amount of the royalty otherwise required, on any  
3       lease issued before the date of enactment of this Act  
4       that does not convert to new royalty terms under  
5       subsection (e)—

6                     (A) with respect to commercial production  
7       of energy from a facility that begins such pro-  
8       duction in the 6-year period beginning on the  
9       date of the enactment of this Act; or  
10                  (B) on qualified expansion geothermal en-  
11       ergy.

12                 (2) 4-YEAR APPLICATION.—Paragraph (1) ap-  
13       plies only to new commercial production of energy  
14       from a facility in the first 4 years of such produc-  
15       tion.

16                 (d) DEFINITION OF QUALIFIED EXPANSION GEO-  
17       THERMAL ENERGY.—In this section, the term “qualified  
18       expansion geothermal energy” means geothermal energy  
19       produced from a generation facility for which—

20                  (1) the production is increased by more than 10  
21       percent as a result of expansion of the facility car-  
22       ried out in the 6-year period beginning on the date  
23       of the enactment of this Act; and

24                  (2) such production increase is greater than 10  
25       percent of the average production by the facility dur-

1       ing the 5-year period preceding the expansion of the  
2       facility.

3       (e) ROYALTY UNDER EXISTING LEASES.—

4               (1) IN GENERAL.—Any lessee under a lease  
5       issued under the Geothermal Steam Act of 1970 be-  
6       fore the date of the enactment of this Act may mod-  
7       ify the terms of the lease relating to payment of roy-  
8       alties to comply with the amendment made by sub-  
9       section (a), by applying to the Secretary of the Inter-  
10      ior by not later than 18 months after the date of  
11      the enactment of this Act.

12               (2) APPLICATION OF MODIFICATION.—Such  
13       modification shall apply to any use of geothermal  
14       steam and any associated geothermal resources to  
15       which the amendment applies that occurs after the  
16       date of that application.

17               (3) CONSULTATION.—The Secretary—

18                       (A) shall consult with the State and local  
19       governments affected by any proposed changes  
20       in lease royalty terms under this subsection;  
21       and

22                       (B) may establish a gross proceeds per-  
23       centage within the range specified in the  
24       amendment made by subsection (a)(1) and with  
25       the concurrence of the lessee and the State.

1   **SEC. 215. GEOTHERMAL LEASING AND PERMITTING ON**  
2                   **FEDERAL LANDS.**

3         (a) IN GENERAL.—Not later than 180 days after the  
4   date of the enactment of this section, the Secretary of the  
5   Interior and the Secretary of Agriculture shall enter into  
6   and submit to Congress a memorandum of understanding  
7   in accordance with this section regarding leasing and per-  
8   mitting for geothermal development of public lands and  
9   National Forest System lands under their respective juris-  
10  dictions.

11         (b) LEASE AND PERMIT APPLICATIONS.—The memo-  
12  randum of understanding shall—

13                 (1) identify areas with geothermal potential on  
14  lands included in the National Forest System and,  
15  when necessary, require review of management plans  
16  to consider leasing under the Geothermal Steam Act  
17  of 1970 (30 U.S.C. 1001 et seq.) as a land use; and

18                 (2) establish an administrative procedure for  
19  processing geothermal lease applications, including  
20  lines of authority, steps in application processing,  
21  and time limits for application procession.

22         (c) DATA RETRIEVAL SYSTEM.—The memorandum  
23  of understanding shall establish a joint data retrieval sys-  
24  tem that is capable of tracking lease and permit applica-  
25  tions and providing to the applicant information as to  
26  their status within the Departments of the Interior and

1 Agriculture, including an estimate of the time required for  
2 administrative action.

3 **SEC. 216. REVIEW AND REPORT TO CONGRESS.**

4 The Secretary of the Interior shall promptly review  
5 and report to Congress not later than 3 years after the  
6 date of the enactment of this Act regarding the status of  
7 all withdrawals from leasing under the Geothermal Steam  
8 Act of 1970 (30 U.S.C. 1001 et seq.) of Federal lands,  
9 specifying for each such area whether the basis for such  
10 withdrawal still applies.

11 **SEC. 217. REIMBURSEMENT FOR COSTS OF NEPA ANAL-  
12 YSES, DOCUMENTATION, AND STUDIES.**

13 (a) IN GENERAL.—The Geothermal Steam Act of  
14 1970 (30 U.S.C. 1001 et seq.) is amended by adding at  
15 the end the following:

16 **“SEC. 30. REIMBURSEMENT FOR COSTS OF CERTAIN ANAL-  
17 YSES, DOCUMENTATION, AND STUDIES.**

18 “(a) IN GENERAL.—The Secretary of the Interior  
19 may reimburse a person that is a lessee, operator, oper-  
20 ating rights owner, or applicant for any lease under this  
21 Act for reasonable amounts paid by the person for prepa-  
22 ration for the Secretary by a contractor or other person  
23 selected by the Secretary of any project-level analysis, doc-  
24 umentation, or related study required pursuant to the Na-

1 tional Environmental Policy Act of 1969 (42 U.S.C. 4321  
2 et seq.) with respect to the lease.

3 “(b) CONDITIONS.—The Secretary may provide reim-  
4 bursement under subsection (a) only if—

5 “(1) adequate funding to enable the Secretary  
6 to timely prepare the analysis, documentation, or re-  
7 lated study is not appropriated;

8 “(2) the person paid the costs voluntarily;

9 “(3) the person maintains records of its costs  
10 in accordance with regulations issued by the Sec-  
11 retary;

12 “(4) the reimbursement is in the form of a re-  
13 duction in the Federal share of the royalty required  
14 to be paid for the lease for which the analysis, docu-  
15 mentation, or related study is conducted, and is  
16 agreed to by the Secretary and the person reim-  
17 bursed prior to commencing the analysis, docu-  
18 mentation, or related study; and

19 “(5) the agreement required under paragraph  
20 (4) contains provisions—

21 “(A) reducing royalties owed on lease pro-  
22 duction based on market prices;

23 “(B) stipulating an automatic termination  
24 of the royalty reduction upon recovery of docu-  
25 mented costs; and

1               “(C) providing a process by which the les-  
2               see may seek reimbursement for circumstances  
3               in which production from the specified lease is  
4               not possible.”.

5               (b) APPLICATION.—The amendment made by this  
6 section shall apply with respect to an analysis, documenta-  
7 tion, or a related study conducted on or after the date  
8 of enactment of this Act for any lease entered into before,  
9 on, or after the date of enactment of this Act.

10               (c) DEADLINE FOR REGULATIONS.—The Secretary  
11 shall issue regulations implementing the amendment made  
12 by this section by not later than 1 year after the date  
13 of enactment of this Act.

14 **SEC. 218. ASSESSMENT OF GEOTHERMAL ENERGY POTEN-**  
15 **TIAL.**

16               The Secretary of Interior, acting through the Direc-  
17 tor of the United States Geological Survey and in coopera-  
18 tion with the States, shall update the 1978 Assessment  
19 of Geothermal Resources, and submit that updated assess-  
20 ment to Congress—

21               (1) not later than 3 years after the date of en-  
22 actment of this Act; and

23               (2) thereafter as the availability of data and de-  
24 velopments in technology warrant.

1 **SEC. 219. COOPERATIVE OR UNIT PLANS.**

2       Section 18 of the Geothermal Steam Act of 1970 (30  
3 U.S.C. 1017) is amended to read as follows:

4 **“SEC. 18. UNIT AND COMMUNITIZATION AGREEMENTS.**

5       “(a) ADOPTION OF UNITS BY LESSEES.—

6           “(1) IN GENERAL.—For the purpose of more  
7       properly conserving the natural resources of any  
8       geothermal reservoir, field, or like area, or any part  
9       thereof (whether or not any part of the geothermal  
10      field, or like area, is then subject to any Unit Agree-  
11      ment (cooperative plan of development or oper-  
12      ation)), lessees thereof and their representatives may  
13      unite with each other, or jointly or separately with  
14      others, in collectively adopting and operating under  
15      a Unit Agreement for such field, or like area, or any  
16      part thereof including direct use resources, if deter-  
17      mined and certified by the Secretary to be necessary  
18      or advisable in the public interest. A majority inter-  
19      est of owners of any single lease shall have the au-  
20      thority to commit that lease to a Unit Agreement.  
21      The Secretary of the Interior may also initiate the  
22      formation of a Unit Agreement if in the public inter-  
23      est.

24           “(2) MODIFICATION OF LEASE REQUIREMENTS  
25      BY SECRETARY.—The Secretary may, in the discre-  
26      tion of the Secretary, and with the consent of the

1       holders of leases involved, establish, alter, change, or  
2       revoke rates of operations (including drilling, oper-  
3       ations, production, and other requirements) of such  
4       leases and make conditions with reference to such  
5       leases, with the consent of the lessees, in connection  
6       with the creation and operation of any such Unit  
7       Agreement as the Secretary may deem necessary or  
8       proper to secure the proper protection of the public  
9       interest. Leases with unlike lease terms or royalty  
10      rates do not need to be modified to be in the same  
11      unit.

12      “(b) REQUIREMENT OF PLANS UNDER NEW  
13 LEASES.—The Secretary—

14           “(1) may provide that geothermal leases issued  
15       under this Act shall contain a provision requiring  
16       the lessee to operate under such a reasonable Unit  
17       Agreement; and

18           “(2) may prescribe such an Agreement under  
19       which such lessee shall operate, which shall ade-  
20       quately protect the rights of all parties in interest,  
21       including the United States.

22      “(c) MODIFICATION OF RATE OF PROSPECTING, DE-  
23 VELOPMENT, AND PRODUCTION.—The Secretary may re-  
24 quire that any Agreement authorized by this section that  
25 applies to lands owned by the United States contain a pro-

1 vision under which authority is vested in the Secretary,  
2 or any person, committee, or State or Federal officer or  
3 agency as may be designated in the Agreement to alter  
4 or modify from time to time the rate of prospecting and  
5 development and the quantity and rate of production  
6 under such an Agreement.

7       “(d) EXCLUSION FROM DETERMINATION OF HOLD-  
8 ING OR CONTROL.—Any lands that are subject to any  
9 Agreement approved or prescribed by the Secretary under  
10 this section shall not be considered in determining hold-  
11 ings or control under any provision of this Act.

12       “(e) POOLING OF CERTAIN LANDS.—If separate  
13 tracts of lands cannot be independently developed and op-  
14 erated to use geothermal steam and associated geothermal  
15 resources pursuant to any section of this Act—

16           “(1) such lands, or a portion thereof, may be  
17 pooled with other lands, whether or not owned by  
18 the United States, for purposes of development and  
19 operation under a Communitization Agreement pro-  
20 viding for an apportionment of production or royal-  
21 ties among the separate tracts of land comprising  
22 the production unit, if such pooling is determined by  
23 the Secretary to be in the public interest; and

24           “(2) operation or production pursuant to such  
25 an Agreement shall be treated as operation or pro-

1 duction with respect to each tract of land that is  
2 subject to the agreement.

3 “(f) UNIT AGREEMENT REVIEW.—No more than 5  
4 years after approval of any cooperative or Unit Agreement  
5 and at least every 5 years thereafter, the Secretary shall  
6 review each such Agreement and, after notice and oppor-  
7 tunity for comment, eliminate from inclusion in such  
8 Agreement any lands that the Secretary determines are  
9 not reasonably necessary for Unit operations under the  
10 Agreement. Such elimination shall be based on scientific  
11 evidence, and shall occur only if it is determined by the  
12 Secretary to be for the purpose of conserving and properly  
13 managing the geothermal resource. Any land so eliminated  
14 shall be eligible for an extension under subsection (g) of  
15 section 6 if it meets the requirements for such an exten-  
16 sion.

17 “(g) DRILLING OR DEVELOPMENT CONTRACTS.—  
18 The Secretary may, on such conditions as the Secretary  
19 may prescribe, approve drilling or development contracts  
20 made by 1 or more lessees of geothermal leases, with 1  
21 or more persons, associations, or corporations if, in the  
22 discretion of the Secretary, the conservation of natural re-  
23 sources or the public convenience or necessity may require  
24 or the interests of the United States may be best served  
25 thereby. All leases operated under such approved drilling

1 or development contracts, and interests thereunder, shall  
2 be excepted in determining holdings or control under sec-  
3 tion 7.

4       “(h) COORDINATION WITH STATE GOVERNMENTS.—  
5     The Secretary shall coordinate unitization and pooling ac-  
6     tivities with the appropriate State agencies and shall en-  
7     sure that State leases included in any unitization or pool-  
8     ing arrangement are treated equally with Federal leases.”.

## **9 SEC. 220. ROYALTY ON BYPRODUCTS.**

10 Section 5 of the Geothermal Steam Act of 1970 (30  
11 U.S.C. 1004) is further amended in subsection (a) by  
12 striking paragraph (2) and inserting the following:

13               “(2) a royalty on any byproduct that is a min-  
14       eral named in the first section of the Mineral Leas-  
15       ing Act (30 U.S.C. 181), and that is derived from  
16       production under the lease, at the rate of the royalty  
17       that applies under that Act to production of such  
18       mineral under a lease under that Act;”.

22 Section 8 of the Geothermal Steam Act of 1970 (30  
23 U.S.C. 1007) is amended by repealing subsection (b), and  
24 by redesignating subsection (c) as subsection (b).

1   **SEC. 222. CREDITING OF RENTAL TOWARD ROYALTY.**

2       Section 5 of the Geothermal Steam Act of 1970 (30

3 U.S.C. 1004) is further amended—

4           (1) in subsection (a)(2) by inserting “and”

5           after the semicolon at the end;

6           (2) in subsection (a)(3) by striking “; and” and

7           inserting a period;

8           (3) by striking paragraph (4) of subsection (a);

9           and

10          (4) by adding at the end the following:

11        “(e) **CREDITING OF RENTAL TOWARD ROYALTY.—**

12 Any annual rental under this section that is paid with re-

13 spect to a lease before the first day of the year for which

14 the annual rental is owed shall be credited to the amount

15 of royalty that is required to be paid under the lease for

16 that year.”.

17   **SEC. 223. LEASE DURATION AND WORK COMMITMENT RE-**

18           **QUIREMENTS.**

19       Section 6 of the Geothermal Steam Act of 1970 (30

20 U.S.C. 1005) is amended—

21           (1) by striking so much as precedes subsection

22           (c), and striking subsections (e), (g), (h), (i), and

23           (j);

24           (2) by redesignating subsections (c), (d), and

25           (f) in order as subsections (g), (h), and (i); and

(3) by inserting before subsection (g), as so re-designated, the following:

**3 "SEC. 6. LEASE TERM AND WORK COMMITMENT REQUIRE-**

**4 MENTS.**

**5           “(a) IN GENERAL.—**

6               “(1) PRIMARY TERM.—A geothermal lease shall  
7       be for a primary term of 10 years.

8               “(2) INITIAL EXTENSION.—The Secretary shall  
9               extend the primary term of a geothermal lease for  
10          5 years if, for each year after the fifth year of the  
11          lease—

12                 “(A) the Secretary determined under sub-  
13                 section (c) that the lessee satisfied the work  
14                 commitment requirements that applied to the  
15                 lease for that year; or

16               “(B) the lessee paid in accordance with  
17               subsection (d) the value of any work that was  
18               not completed in accordance with those require-  
19               ments.

“(3) ADDITIONAL EXTENSION.—The Secretary  
shall extend the primary term of a geothermal lease  
(after an initial extension under paragraph (2)) for  
an additional 5 years if, for each year of the initial  
extension under paragraph (2), the Secretary deter-  
mined under subsection (c) that the lessee satisfied

1       the work commitment requirements that applied to  
2       the lease for that year.

3       **“(b) REQUIREMENT TO SATISFY ANNUAL WORK**  
4       **COMMITMENT REQUIREMENT.—**

5           **“(1) IN GENERAL.**—The lessee for a geothermal  
6       lease shall, for each year after the fifth year of the  
7       lease, satisfy work commitment requirements pre-  
8       scribed by the Secretary that apply to the lease for  
9       that year.

10          **“(2) PRESCRIPTION OF WORK COMMITMENT RE-**  
11       **QUIREMENTS.**—The Secretary shall issue regulations  
12       prescribing minimum equivalent dollar value work  
13       commitment requirements for geothermal leases,  
14       that—

15           **“(A)** require that a lessee, in each year  
16       after the fifth year of the primary term of a  
17       geothermal lease, diligently work to achieve  
18       commercial production or utilization of steam  
19       under the lease;

20           **“(B)** require that in each year to which  
21       work commitment requirements under the regu-  
22       lations apply, the lessee shall significantly re-  
23       duce the amount of work that remains to be  
24       done to achieve such production or utilization;

1                 “(C) describe specific work that must be  
2 completed by a lessee by the end of each year  
3 to which the work commitment requirements  
4 apply and factors, such as force majeure events,  
5 that suspend or modify the work commitment  
6 obligation;

7                 “(D) carry forward and apply to work  
8 commitment requirements for a year, work  
9 completed in any year in the preceding 3-year  
10 period that was in excess of the work required  
11 to be performed in that preceding year;

12                 “(E) establish transition rules for leases  
13 issued before the date of the enactment of this  
14 subsection, including terms under which a lease  
15 that is near the end of its term on the date of  
16 enactment of this subsection may be extended  
17 for up to 2 years—

18                 “(i) to allow achievement of produc-  
19 tion under the lease; or

20                 “(ii) to allow the lease to be included  
21 in a producing unit; and

22                 “(F) establish an annual payment that, at  
23 the option of the lessee, may be exercised in lieu  
24 of meeting any work requirement for a limited  
25 number of years that the Secretary determines

1           will not impair achieving diligent development  
2           of the geothermal resource.

3           “(3) TERMINATION OF APPLICATION OF RE-  
4           QUIREMENTS.—Work commitment requirements pre-  
5           scribed under this subsection shall not apply to a  
6           geothermal lease after the date on which geothermal  
7           steam is produced or utilized under the lease in com-  
8           mercial quantities.

9           “(c) DETERMINATION OF WHETHER REQUIREMENTS  
10          SATISFIED.—The Secretary shall, by not later than 90  
11          days after the end of each year for which work commit-  
12          ment requirements under subsection (b) apply to a geo-  
13          thermal lease—

14           “(1) determine whether the lessee has satisfied  
15          the requirements that apply for that year;

16           “(2) notify the lessee of that determination; and

17           “(3) in the case of a notification that the lessee  
18          did not satisfy work commitment requirements for  
19          the year, include in the notification—

20           “(A) a description of the specific work that  
21          was not completed by the lessee in accordance  
22          with the requirements; and

23           “(B) the amount of the dollar value of  
24          such work that was not completed, reduced by  
25          the amount of expenditures made for work com-

1           pleted in a prior year that is carried forward  
2           pursuant to subsection (b)(2)(D).

3        “(d) PAYMENT OF VALUE OF UNCOMPLETED  
4 WORK.—

5           “(1) IN GENERAL.—If the Secretary notifies a  
6 lessee that the lessee failed to satisfy work commit-  
7 ment requirements under subsection (b), the lessee  
8 shall pay to the Secretary, by not later than the end  
9 of the 60-day period beginning on the date of the  
10 notification, the dollar value of work that was not  
11 completed by the lessee, in the amount stated in the  
12 notification (as reduced under subsection (c)(3)(B)).

13          “(2) FAILURE TO PAY VALUE OF  
14 UNCOMPLETED WORK.—If a lessee fails to pay such  
15 amount to the Secretary before the end of that pe-  
16 riod, the lease shall terminate upon the expiration of  
17 the period.

18          “(e) CONTINUATION AFTER COMMERCIAL PRODUC-  
19 TION OR UTILIZATION.—If geothermal steam is produced  
20 or utilized in commercial quantities within the primary  
21 term of the lease under subsection (a) (including any ex-  
22 tension of the lease under subsection (a)), such lease shall  
23 continue until the date on which geothermal steam is no  
24 longer produced or utilized in commercial quantities.

1       “(f) CONVERSION OF GEOTHERMAL LEASE TO MIN-  
2 ERAL LEASE.—The lessee under a lease that has produced  
3 geothermal steam for electrical generation, has been deter-  
4 mined by the Secretary to be incapable of any further com-  
5 mercial production or utilization of geothermal steam, and  
6 that is producing any valuable byproduct in payable quan-  
7 tities may, within 6 months after such determination—

8             “(1) convert the lease to a mineral lease under  
9 the Mineral Leasing Act (30 U.S.C. 181 et seq.) or  
10 under the Mineral Leasing Act for Acquired Lands  
11 (30 U.S.C. 351 et seq.), if the lands that are subject  
12 to the lease can be leased under that Act for the  
13 production of such byproduct; or

14             “(2) convert the lease to a mining claim under  
15 the general mining laws, if the byproduct is a  
16 locatable mineral.”.

17 **SEC. 224. ADVANCED ROYALTIES REQUIRED FOR SUSPEN-**  
18 **SION OF PRODUCTION.**

19       Section 5 of the Geothermal Steam Act of 1970 (30  
20 U.S.C. 1004) is further amended by adding at the end  
21 the following:

22       “(f) ADVANCED ROYALTIES REQUIRED FOR SUSPEN-  
23 SION OF PRODUCTION.—

24             “(1) CONTINUATION OF LEASE FOLLOWING  
25 CESSATION OF PRODUCTION.—If, at any time after

1       commercial production under a lease is achieved,  
2       production ceases for any cause the lease shall re-  
3       main in full force and effect—

4                 “(A) during the 1-year period beginning on  
5                   the date production ceases; and

6                 “(B) after such period if, and so long as,  
7                   the lessee commences and continues diligently  
8                   and in good faith until such production is re-  
9                   sumed the steps, operations, or procedures nec-  
10                  essary to cause a resumption of such produc-  
11                  tion.

12                “(2) If production of heat or energy under a  
13                geothermal lease is suspended after the date of any  
14                such production for which royalty is required under  
15                subsection (a) and the terms of paragraph (1) are  
16                not met, the Secretary shall require the lessee, until  
17                the end of such suspension, to pay royalty in ad-  
18                vance at the monthly pro-rata rate of the average  
19                annual rate at which such royalty was paid each  
20                year in the 5-year-period preceding the date of sus-  
21                pension.

22                “(3) Paragraph (2) shall not apply if the sus-  
23                pension is required or otherwise caused by the Sec-  
24                retary, the Secretary of a military department, a  
25                State or local government, or a force majeure.”.

1 **SEC. 225. ANNUAL RENTAL.**

2       (a) ANNUAL RENTAL RATE.—Section 5 of the Geo-  
3 thermal Steam Act of 1970 (30 U.S.C. 1004) is further  
4 amended in subsection (a) in paragraph (3) by striking  
5 “\$1 per acre or fraction thereof for each year of the lease”  
6 and all that follows through the end of the paragraph and  
7 inserting “\$1 per acre or fraction thereof for each year  
8 of the lease through the tenth year in the case of a lease  
9 awarded in a noncompetitive lease sale; or \$2 per acre or  
10 fraction thereof for the first year, \$3 per acre or fraction  
11 thereof for each of the second through tenth years, in the  
12 case of a lease awarded in a competitive lease sale; and  
13 \$5 per acre or fraction thereof for each year after the 10th  
14 year thereof for all leases.”.

15       (b) TERMINATION OF LEASE FOR FAILURE TO PAY  
16 RENTAL.—Section 5 of the Geothermal Steam Act of  
17 1970 (30 U.S.C. 1004) is further amended by adding at  
18 the end the following:

19       “(g) TERMINATION OF LEASE FOR FAILURE TO PAY  
20 RENTAL.—

21           “(1) IN GENERAL.—The Secretary shall termi-  
22 nate any lease with respect to which rental is not  
23 paid in accordance with this Act and the terms of  
24 the lease under which the rental is required, upon  
25 the expiration of the 45-day period beginning on the  
26 date of the failure to pay such rental.

1                 “(2) NOTIFICATION.—The Secretary shall  
2 promptly notify a lessee that has not paid rental re-  
3 quired under the lease that the lease will be termi-  
4 nated at the end of the period referred to in para-  
5 graph (1).

6       “(3) REINSTATEMENT.—A lease that would  
7       otherwise terminate under paragraph (1) shall not  
8       terminate under that paragraph if the lessee pays to  
9       the Secretary, before the end of the period referred  
10      to in paragraph (1), the amount of rental due plus  
11      a late fee equal to 10 percent of such amount.”.

12 SEC. 226. LEASING AND PERMITTING ON FEDERAL LANDS  
13 WITHDRAWN FOR MILITARY PURPOSES.

14 Not later than 2 years after the date of enactment  
15 of this Act, the Secretary of the Interior and the Secretary  
16 of Defense, in consultation with each military service and  
17 with interested States, counties, representatives of the  
18 geothermal industry, and other persons, shall submit to  
19 Congress a joint report concerning leasing and permitting  
20 activities for geothermal energy on Federal lands with-  
21 drawn for military purposes. Such report shall include the  
22 following:

23                             (1) A description of the Military Geothermal  
24 Program, including any differences between it and  
25 the non-Military Geothermal Program, including re-

1       quired security procedures, and operational consider-  
2       ations, and discussions as to the differences, and  
3       why they are important. Further, the report shall  
4       describe revenues or energy provided to the Depart-  
5       ment of Defense and its facilities, royalty structures,  
6       where applicable, and any revenue sharing with  
7       States and counties or other benefits between—

8                     (A) the implementation of the Geothermal  
9                     Steam Act of 1970 (30 U.S.C 1001 et seq.) and  
10                  other applicable Federal law by the Secretary of  
11                  the Interior; and

12                     (B) the administration of geothermal leas-  
13                  ing under section 2689 of title 10, United  
14                  States Code, by the Secretary of Defense.

15                     (2) If appropriate, a description of the current  
16                  methods and procedures used to ensure interagency  
17                  coordination, where needed, in developing renewable  
18                  energy sources on Federal lands withdrawn for mili-  
19                  tary purposes, and an identification of any new pro-  
20                  cedures that might be required in the future for the  
21                  improvement of interagency coordination to ensure  
22                  efficient processing and administration of leases or  
23                  contracts for geothermal energy on Federal lands  
24                  withdrawn for military purposes, consistent with the  
25                  defense purposes of such withdrawals.

8 Except as provided in this section, nothing in this subtitle  
9 shall affect the legal status of the Department of the Inter-  
10 rior and the Department of the Defense with respect to  
11 each other regarding geothermal leasing and development  
12 until such status is changed by law.

### 13 SEC. 227. TECHNICAL AMENDMENTS.

14        The Geothermal Steam Act of 1970 (30 U.S.C. 1001  
15 et seq.) is further amended as follows:

16                   (1) By striking “geothermal steam and associ-  
17                   ated geothermal resources” each place it appears  
18                   and inserting “geothermal resources”.

21               “(e) ‘direct use’ means utilization of geothermal  
22               resources for commercial, residential, agricultural,  
23               public facilities, or other energy needs other than the  
24               commercial production of electricity; and”.

1                             (3) Section 21 (30 U.S.C. 1020) is amended by  
2                             striking “(a) Within one hundred” and all that fol-  
3                             lows through “(b) Geothermal” and inserting “Geo-  
4                             thermal”.

5                             (4) The first section (30 U.S.C. 1001 note) is  
6                             amended by striking “That this” and inserting the  
7                             following:

8     **“SEC. 1. SHORT TITLE.”**

9                             “This”.

10                           (5) Section 2 (30 U.S.C. 1001) is amended by  
11                             striking “SEC. 2. As” and inserting the following:

12     **“SEC. 2. DEFINITIONS.”**

13                             “As”.

14                           (6) Section 3 (30 U.S.C. 1002) is amended by  
15                             striking “SEC. 3. Subject” and inserting the fol-  
16                             lowing:

17     **“SEC. 3 . LANDS SUBJECT TO GEOTHERMAL LEASING.”**

18                             “Subject”.

19                           (7) Section 5 (30 U.S.C. 1004) is further  
20                             amended by striking “SEC. 5.”, and by inserting im-  
21                             mediately before and above subsection (a) the fol-  
22                             lowing:

1   **“SEC. 5. RENTS AND ROYALTIES.”.**

2                 (8) Section 7 (30 U.S.C. 1006) is amended by  
3                 striking “SEC. 7. A geothermal” and inserting the  
4                 following:

5   **“SEC. 7. ACREAGE OF GEOTHERMAL LEASE.**

6                 “A geothermal”.

7                 (9) Section 8 (30 U.S.C. 1007) is amended by  
8                 striking “SEC. 8. (a) The” and inserting the fol-  
9                 lowing:

10   **“SEC. 8. READJUSTMENT OF LEASE TERMS AND CONDI-  
11                          TIONS.**

12                 “(a) The”.

13                 (10) Section 9 (30 U.S.C. 1008) is amended by  
14                 striking “SEC. 9. If” and inserting the following:

15   **“SEC. 9. BYPRODUCTS.**

16                 “If”.

17                 (11) Section 10 (30 U.S.C. 1009) is amended  
18                 by striking “SEC. 10. The” and inserting the fol-  
19                 lowing:

20   **“SEC. 10. RELINQUISHMENT OF GEOTHERMAL RIGHTS.**

21                 “The”.

22                 (12) Section 11 (30 U.S.C. 1010) is amended  
23                 by striking “SEC. 11. The” and inserting the fol-  
24                 lowing:

25   **“SEC. 11. SUSPENSION OF OPERATIONS AND PRODUCTION.**

26                 “The”.

1                   (13) Section 12 (30 U.S.C. 1011) is amended  
2                   by striking “SEC. 12. Leases” and inserting the fol-  
3                   lowing:

4     **“SEC. 12. TERMINATION OF LEASES.**

5                   “Leases”.

6                   (14) Section 13 (30 U.S.C. 1012) is amended  
7                   by striking “SEC. 13. The” and inserting the fol-  
8                   lowing:

9     **“SEC. 13. WAIVER, SUSPENSION, OR REDUCTION OF RENT-**

10                 **AL OR ROYALTY.**

11                 “The”.

12                 (15) Section 14 (30 U.S.C. 1013) is amended  
13                 by striking “SEC. 14. Subject” and inserting the fol-  
14                 lowing:

15     **“SEC. 14. SURFACE LAND USE.**

16                 “Subject”.

17                 (16) Section 15 (30 U.S.C. 1014) is amended  
18                 by striking “SEC. 15. (a) Geothermal” and inserting  
19                 the following:

20     **“SEC. 15. LANDS SUBJECT TO GEOTHERMAL LEASING.**

21                 “(a) Geothermal”.

22                 (17) Section 16 (30 U.S.C. 1015) is amended  
23                 by striking “SEC. 16. Leases” and inserting the fol-  
24                 lowing:

1   **“SEC. 16. REQUIREMENT FOR LESSEES.**

2       “Leases”.

3           (18) Section 17 (30 U.S.C. 1016) is amended  
4       by striking “SEC. 17. Administration” and inserting  
5       the following:6   **“SEC. 17. ADMINISTRATION.**

7       “Administration”.

8           (19) Section 19 (30 U.S.C. 1018) is amended  
9       by striking “SEC. 19. Upon” and inserting the fol-  
10      lowing:11   **“SEC. 19. DATA FROM FEDERAL AGENCIES.**

12       “Upon”.

13           (20) Section 21 (30 U.S.C. 1020) is further  
14       amended by striking “SEC. 21.”, and by inserting  
15       immediately before and above the remainder of that  
16      section the following:17   **“SEC. 21. PUBLICATION IN FEDERAL REGISTER; RESERVA-  
18                  TION OF MINERAL RIGHTS.”.**19           (21) Section 22 (30 U.S.C. 1021) is amended  
20       by striking “SEC. 22. Nothing” and inserting the  
21      following:22   **“SEC. 22. FEDERAL EXEMPTION FROM STATE WATER LAWS.**  
23       “Nothing”.24           (22) Section 23 (30 U.S.C. 1022) is amended  
25       by striking “SEC. 23. (a) All” and inserting the fol-  
26      lowing:

1   **“SEC. 23. PREVENTION OF WASTE; EXCLUSIVITY.**

2       “(a) All”.

3           (23) Section 24 (30 U.S.C. 1023) is amended  
4       by striking “SEC. 24. The” and inserting the fol-  
5       lowing:6   **“SEC. 24. RULES AND REGULATIONS.**

7       “The”.

8           (24) Section 25 (30 U.S.C. 1024) is amended  
9       by striking “SEC. 25. As” and inserting the fol-  
10      lowing:11   **“SEC. 25. INCLUSION OF GEOTHERMAL LEASING UNDER**  
12                   **CERTAIN OTHER LAWS.**

13       “As”.

14           (25) Section 26 is amended by striking “SEC.  
15      26. The” and inserting the following:16   **“SEC. 26. AMENDMENT.**

17       “The”.

18           (26) Section 27 (30 U.S.C. 1025) is amended  
19       by striking “SEC. 27. The” and inserting the fol-  
20      lowing:21   **“SEC. 27. FEDERAL RESERVATION OF CERTAIN MINERAL**  
22                   **RIGHTS.**

23       “The”.

24           (27) Section 28 (30 U.S.C. 1026) is amended  
25       by striking “SEC. 28. (a)(1) The” and inserting the  
26      following:

1   **“SEC. 28. SIGNIFICANT THERMAL FEATURES.**

2       “(a)(1) The”.

3           (28) Section 29 (30 U.S.C. 1027) is amended  
4       by striking “SEC. 29. The” and inserting the fol-  
5       lowing:6   **“SEC. 29. LAND SUBJECT TO PROHIBITION ON LEASING.**

7       “The”.

8       **Subtitle C—Hydroelectric**9       **PART I—ALTERNATIVE CONDITIONS**10   **SEC. 231. ALTERNATIVE CONDITIONS AND FISHWAYS.**

11       (a) FEDERAL RESERVATIONS.—Section 4(e) of the  
12 Federal Power Act (16 U.S.C. 797(e)) is amended by in-  
13 serting after “adequate protection and utilization of such  
14 reservation.” at the end of the first proviso the following:  
15 “The license applicant shall be entitled to a determination  
16 on the record, after opportunity for an expedited agency  
17 trial-type hearing of any disputed issues of material fact,  
18 with respect to such conditions. Such hearing may be con-  
19 ducted in accordance with procedures established by agen-  
20 cy regulation in consultation with the Federal Energy  
21 Regulatory Commission.”.

22       (b) FISHWAYS.—Section 18 of the Federal Power Act  
23 (16 U.S.C. 811) is amended by inserting after “and such  
24 fishways as may be prescribed by the Secretary of Com-  
25 merce.” the following: “The license applicant shall be enti-  
26 tled to a determination on the record, after opportunity

1 for an expedited agency trial-type hearing of any disputed  
2 issues of material fact, with respect to such fishways. Such  
3 hearing may be conducted in accordance with procedures  
4 established by agency regulation in consultation with the  
5 Federal Energy Regulatory Commission.”.

6       (c) ALTERNATIVE CONDITIONS AND PRESCRIP-  
7 TIONS.—Part I of the Federal Power Act (16 U.S.C. 791a  
8 et seq.) is amended by adding the following new section  
9 at the end thereof:

10 **“SEC. 33. ALTERNATIVE CONDITIONS AND PRESCRIPTIONS.**

11       “(a) ALTERNATIVE CONDITIONS.—(1) Whenever any  
12 person applies for a license for any project works within  
13 any reservation of the United States, and the Secretary  
14 of the department under whose supervision such reserva-  
15 tion falls (referred to in this subsection as ‘the Secretary’)  
16 deems a condition to such license to be necessary under  
17 the first proviso of section 4(e), the license applicant may  
18 propose an alternative condition.

19       “(2) Notwithstanding the first proviso of section 4(e),  
20 the Secretary shall accept the proposed alternative condi-  
21 tion referred to in paragraph (1), and the Commission  
22 shall include in the license such alternative condition, if  
23 the Secretary determines, based on substantial evidence  
24 provided by the license applicant or otherwise available to  
25 the Secretary, that such alternative condition—

1               “(A) provides for the adequate protection and  
2               utilization of the reservation; and

3               “(B) will either—

4               “(i) cost less to implement; or

5               “(ii) result in improved operation of the  
6               project works for electricity production,

7               as compared to the condition initially deemed nec-  
8               essary by the Secretary.

9               “(3) The Secretary shall submit into the public  
10 record of the Commission proceeding with any condition  
11 under section 4(e) or alternative condition it accepts under  
12 this section, a written statement explaining the basis for  
13 such condition, and reason for not accepting any alter-  
14 native condition under this section. The written statement  
15 must demonstrate that the Secretary gave equal consider-  
16 ation to the effects of the condition adopted and alter-  
17 natives not accepted on energy supply, distribution, cost,  
18 and use; flood control; navigation; water supply; and air  
19 quality (in addition to the preservation of other aspects  
20 of environmental quality); based on such information as  
21 may be available to the Secretary, including information  
22 voluntarily provided in a timely manner by the applicant  
23 and others. The Secretary shall also submit, together with  
24 the aforementioned written statement, all studies, data,

1 and other factual information available to the Secretary  
2 and relevant to the Secretary's decision.

3       “(4) Nothing in this section shall prohibit other inter-  
4 ested parties from proposing alternative conditions.

5       “(5) If the Secretary does not accept an applicant's  
6 alternative condition under this section, and the Commis-  
7 sion finds that the Secretary's condition would be incon-  
8 sistent with the purposes of this part, or other applicable  
9 law, the Commission may refer the dispute to the Commis-  
10 sion's Dispute Resolution Service. The Dispute Resolution  
11 Service shall consult with the Secretary and the Commis-  
12 sion and issue a non-binding advisory within 90 days. The  
13 Secretary may accept the Dispute Resolution Service advi-  
14 sory unless the Secretary finds that the recommendation  
15 will not provide for the adequate protection and utilization  
16 of the reservation. The Secretary shall submit the advisory  
17 and the Secretary's final written determination into the  
18 record of the Commission's proceeding.

19       “(b) ALTERNATIVE PRESCRIPTIONS.—(1) Whenever  
20 the Secretary of the Interior or the Secretary of Commerce  
21 prescribes a fishway under section 18, the license appli-  
22 cant or licensee may propose an alternative to such pre-  
23 scription to construct, maintain, or operate a fishway.

24       “(2) Notwithstanding section 18, the Secretary of the  
25 Interior or the Secretary of Commerce, as appropriate,

1 shall accept and prescribe, and the Commission shall re-  
2 quire, the proposed alternative referred to in paragraph  
3 (1), if the Secretary of the appropriate department deter-  
4 mines, based on substantial evidence provided by the li-  
5 censee or otherwise available to the Secretary, that such  
6 alternative—

7           “(A) will be no less protective than the fishway  
8           initially prescribed by the Secretary; and

9           “(B) will either—

10           “(i) cost less to implement; or  
11           “(ii) result in improved operation of the  
12           project works for electricity production,  
13           as compared to the fishway initially deemed nec-  
14           essary by the Secretary.

15           “(3) The Secretary concerned shall submit into the  
16 public record of the Commission proceeding with any pre-  
17 scription under section 18 or alternative prescription it ac-  
18 cepts under this section, a written statement explaining  
19 the basis for such prescription, and reason for not accept-  
20 ing any alternative prescription under this section. The  
21 written statement must demonstrate that the Secretary  
22 gave equal consideration to the effects of the condition  
23 adopted and alternatives not accepted on energy supply,  
24 distribution, cost, and use; flood control; navigation; water  
25 supply; and air quality (in addition to the preservation of

1 other aspects of environmental quality); based on such in-  
2 formation as may be available to the Secretary, including  
3 information voluntarily provided in a timely manner by the  
4 applicant and others. The Secretary shall also submit, to-  
5 gether with the aforementioned written statement, all  
6 studies, data, and other factual information available to  
7 the Secretary and relevant to the Secretary's decision.

8 "(4) Nothing in this section shall prohibit other inter-  
9 ested parties from proposing alternative prescriptions.

10 "(5) If the Secretary concerned does not accept an  
11 applicant's alternative prescription under this section, and  
12 the Commission finds that the Secretary's prescription  
13 would be inconsistent with the purposes of this part, or  
14 other applicable law, the Commission may refer the dis-  
15 pute to the Commission's Dispute Resolution Service. The  
16 Dispute Resolution Service shall consult with the Sec-  
17 retary and the Commission and issue a non-binding advi-  
18 sory within 90 days. The Secretary may accept the Dis-  
19 pute Resolution Service advisory unless the Secretary  
20 finds that the recommendation will be less protective than  
21 the fishway initially prescribed by the Secretary. The Sec-  
22 retary shall submit the advisory and the Secretary's final  
23 written determination into the record of the Commission's  
24 proceeding.".

**PART II—ADDITIONAL HYDROPOWER****SEC. 241. HYDROELECTRIC PRODUCTION INCENTIVES.**

(a) INCENTIVE PAYMENTS.—For electric energy generated and sold by a qualified hydroelectric facility during the incentive period, the Secretary of Energy (referred to in this section as the “Secretary”) shall make, subject to the availability of appropriations, incentive payments to the owner or operator of such facility. The amount of such payment made to any such owner or operator shall be as determined under subsection (e) of this section. Payments under this section may only be made upon receipt by the Secretary of an incentive payment application which establishes that the applicant is eligible to receive such payment and which satisfies such other requirements as the Secretary deems necessary. Such application shall be in such form, and shall be submitted at such time, as the Secretary shall establish.

(b) DEFINITIONS.—For purposes of this section:

(1) QUALIFIED HYDROELECTRIC FACILITY.—The term “qualified hydroelectric facility” means a turbine or other generating device owned or solely operated by a non-Federal entity which generates hydroelectric energy for sale and which is added to an existing dam or conduit.

(2) EXISTING DAM OR CONDUIT.—The term “existing dam or conduit” means any dam or con-

1       duit the construction of which was completed before  
2       the date of the enactment of this section and which  
3       does not require any construction or enlargement of  
4       impoundment or diversion structures (other than re-  
5       pair or reconstruction) in connection with the instal-  
6       lation of a turbine or other generating device.

7                     (3) CONDUIT.—The term “conduit” has the  
8       same meaning as when used in section 30(a)(2) of  
9       the Federal Power Act (16 U.S.C. 823a(a)(2)).

10      The terms defined in this subsection shall apply without  
11     regard to the hydroelectric kilowatt capacity of the facility  
12     concerned, without regard to whether the facility uses a  
13     dam owned by a governmental or nongovernmental entity,  
14     and without regard to whether the facility begins oper-  
15     ation on or after the date of the enactment of this section.

16                     (c) ELIGIBILITY WINDOW.—Payments may be made  
17     under this section only for electric energy generated from  
18     a qualified hydroelectric facility which begins operation  
19     during the period of 10 fiscal years beginning with the  
20     first full fiscal year occurring after the date of enactment  
21     of this subtitle.

22                     (d) INCENTIVE PERIOD.—A qualified hydroelectric  
23     facility may receive payments under this section for a pe-  
24     riod of 10 fiscal years (referred to in this section as the  
25     “incentive period”). Such period shall begin with the fiscal

1 year in which electric energy generated from the facility  
2 is first eligible for such payments.

3 (e) AMOUNT OF PAYMENT.—

4 (1) IN GENERAL.—Payments made by the Sec-  
5 retary under this section to the owner or operator of  
6 a qualified hydroelectric facility shall be based on  
7 the number of kilowatt hours of hydroelectric energy  
8 generated by the facility during the incentive period.  
9 For any such facility, the amount of such payment  
10 shall be 1.8 cents per kilowatt hour (adjusted as  
11 provided in paragraph (2)), subject to the avail-  
12 ability of appropriations under subsection (g), except  
13 that no facility may receive more than \$750,000 in  
14 1 calendar year.

15 (2) ADJUSTMENTS.—The amount of the pay-  
16 ment made to any person under this section as pro-  
17 vided in paragraph (1) shall be adjusted for inflation  
18 for each fiscal year beginning after calendar year  
19 2003 in the same manner as provided in the provi-  
20 sions of section 29(d)(2)(B) of the Internal Revenue  
21 Code of 1986, except that in applying such provi-  
22 sions the calendar year 2003 shall be substituted for  
23 calendar year 1979.

24 (f) SUNSET.—No payment may be made under this  
25 section to any qualified hydroelectric facility after the ex-

1 piration of the period of 20 fiscal years beginning with  
2 the first full fiscal year occurring after the date of enact-  
3 ment of this subtitle, and no payment may be made under  
4 this section to any such facility after a payment has been  
5 made with respect to such facility for a period of 10 fiscal  
6 years.

7       (g) AUTHORIZATION OF APPROPRIATIONS.—There  
8 are authorized to be appropriated to the Secretary to carry  
9 out the purposes of this section \$10,000,000 for each of  
10 the fiscal years 2004 through 2013.

11 **SEC. 242. HYDROELECTRIC EFFICIENCY IMPROVEMENT.**

12       (a) INCENTIVE PAYMENTS.—The Secretary of En-  
13 ergy shall make incentive payments to the owners or oper-  
14 ators of hydroelectric facilities at existing dams to be used  
15 to make capital improvements in the facilities that are di-  
16 rectly related to improving the efficiency of such facilities  
17 by at least 3 percent.

18       (b) LIMITATIONS.—Incentive payments under this  
19 section shall not exceed 10 percent of the costs of the cap-  
20 ital improvement concerned and not more than 1 payment  
21 may be made with respect to improvements at a single  
22 facility. No payment in excess of \$750,000 may be made  
23 with respect to improvements at a single facility.

24       (c) AUTHORIZATION OF APPROPRIATIONS.—There  
25 are authorized to be appropriated to carry out this section

1 not more than \$10,000,000 for each of the fiscal years  
2 2004 through 2013.

3 **SEC. 243. SMALL HYDROELECTRIC POWER PROJECTS.**

4 Section 408(a)(6) of the Public Utility Regulatory  
5 Policies Act of 1978 (16 U.S.C. 2708(a)(6)) is amended  
6 by striking “April 20, 1977” and inserting “March 4,  
7 2003”.

8 **SEC. 244. INCREASED HYDROELECTRIC GENERATION AT  
9 EXISTING FEDERAL FACILITIES.**

10 (a) IN GENERAL.—The Secretary of the Interior and  
11 the Secretary of Energy, in consultation with the Sec-  
12 retary of the Army, shall jointly conduct a study of the  
13 potential for increasing electric power production capa-  
14 bility at federally owned or operated water regulation,  
15 storage, and conveyance facilities.

16 (b) CONTENT.—The study under this section shall in-  
17 clude identification and description in detail of each facil-  
18 ity that is capable, with or without modification, of pro-  
19 ducing additional hydroelectric power, including esti-  
20 mation of the existing potential for the facility to generate  
21 hydroelectric power.

22 (c) REPORT.—The Secretaries shall submit to the  
23 Committees on Energy and Commerce, Resources, and  
24 Transportation and Infrastructure of the House of Rep-  
25 resentatives and the Committee on Energy and Natural

1 Resources of the Senate a report on the findings, conclu-  
2 sions, and recommendations of the study under this sec-  
3 tion by not later than 18 months after the date of the  
4 enactment of this Act. The report shall include each of  
5 the following:

6                 (1) The identifications, descriptions, and esti-  
7 mations referred to in subsection (b).

8                 (2) A description of activities currently con-  
9 ducted or considered, or that could be considered, to  
10 produce additional hydroelectric power from each  
11 identified facility.

12                 (3) A summary of prior actions taken by the  
13 Secretaries to produce additional hydroelectric power  
14 from each identified facility.

15                 (4) The costs to install, upgrade, or modify  
16 equipment or take other actions to produce addi-  
17 tional hydroelectric power from each identified facil-  
18 ity and the level of Federal power customer involve-  
19 ment in the determination of such costs.

20                 (5) The benefits that would be achieved by such  
21 installation, upgrade, modification, or other action,  
22 including quantified estimates of any additional en-  
23 ergy or capacity from each facility identified under  
24 subsection (b).

1                   (6) A description of actions that are planned,  
2 underway, or might reasonably be considered to in-  
3 crease hydroelectric power production by replacing  
4 turbine runners, by performing generator upgrades  
5 or rewinds, or construction of pumped storage facili-  
6 ties.

7                   (7) The impact of increased hydroelectric power  
8 production on irrigation, fish, wildlife, Indian tribes,  
9 river health, water quality, navigation, recreation,  
10 fishing, and flood control.

11                  (8) Any additional recommendations to increase  
12 hydroelectric power production from, and reduce  
13 costs and improve efficiency at, federally owned or  
14 operated water regulation, storage, and conveyance  
15 facilities.

16 **SEC. 245. SHIFT OF PROJECT LOADS TO OFF-PEAK PERI-**  
17                   **ODS.**

18                  (a) IN GENERAL.—The Secretary of the Interior  
19 shall—

20                  (1) review electric power consumption by Bu-  
21 reau of Reclamation facilities for water pumping  
22 purposes; and

23                  (2) make such adjustments in such pumping as  
24 possible to minimize the amount of electric power  
25 consumed for such pumping during periods of peak

1 electric power consumption, including by performing  
2 as much of such pumping as possible during off-  
3 peak hours at night.

#### 4 (b) CONSENT OF AFFECTED IRRIGATION CUSTOMERS

5 REQUIRED.—The Secretary may not under this section  
6 make any adjustment in pumping at a facility without the  
7 consent of each person that has contracted with the  
8 United States for delivery of water from the facility for  
9 use for irrigation and that would be affected by such ad-  
10 justment.

11       (c) EXISTING OBLIGATIONS NOT AFFECTED.—This  
12 section shall not be construed to affect any existing obliga-  
13 tion of the Secretary to provide electric power, water, or  
14 other benefits from Bureau of Reclamation facilities, in-  
15 cluding recreational releases.

**16 SEC. 246. CORPS OF ENGINEERS HYDROPOWER OPERATION  
17 AND MAINTENANCE FUNDING.**

18           (a) IN GENERAL.—Notwithstanding the last sentence  
19 of section 5 of the Act of December 22, 1944 (commonly  
20 known as the “Flood Control Act of 1944”) (58 Stat. 890,  
21 chapter 665; 16 U.S.C. 825s), the 11th paragraph under  
22 the heading “OFFICE OF THE SECRETARY” in title I of  
23 the Act of October 12, 1949 (63 Stat. 767, chapter 680;  
24 16 U.S.C. 825s-1), the matter under the heading “CON-  
25 TINUING FUND, SOUTHEASTERN POWER ADMINISTRA-

1 TION” in title I of the Act of August 31, 1951 (65 Stat.  
2 249, chapter 375; 16 U.S.C. 825s–2), section 3302 of title  
3 31, United States Code, or any other law, and without  
4 further appropriation or fiscal year limitation, for fiscal  
5 year 2004, the Administrator of the Southeastern Power  
6 Administration, the Administrator of the Southwestern  
7 Power Administration, and the Administrator of the West-  
8 ern Area Power Administration may credit to the Sec-  
9 retary of the Army (referred to in this section as the “Sec-  
10 retary”), receipts, in an amount determined under sub-  
11 section (c), from the sale of power and related services.

12 (b) USE OF FUNDS.—

13 (1) IN GENERAL.—The Secretary—

14 (A) shall, except as provided in paragraph  
15 (2), use the amounts credited under subsection  
16 (a) to fund only the Corps of Engineers annual  
17 operation and maintenance activities that are  
18 allocated exclusively to the power function and  
19 assigned to the respective power marketing ad-  
20 ministration and respective project system as  
21 applicable for repayment; and

22 (B) shall not use the amounts for any  
23 costs allocated to non-power functions of Corps  
24 of Engineer operations.

1                         (2) EXCEPTION.—The Secretary may use  
2 amounts credited by the Southwestern Power Ad-  
3 ministration under subsection (a) for capital and  
4 nonrecurring costs.

5                         (c) AMOUNT.—The amount of the receipts credited  
6 under subsection (a) shall be equal to such amount as—

7                             (1) the Secretary of the Army requests; and  
8                             (2) the appropriate Administrator, in consulta-  
9 tion with the power customers of the Administrator's  
10 power marketing administration, determines to be  
11 appropriate to apply to the costs referred to in sub-  
12 section (b).

13                         (d) APPLICABLE LAW.—The amounts credited under  
14 subsection (a) are exempt from sequestration under the  
15 Balanced Budget and Emergency Deficit Control Act of  
16 1985 (2 U.S.C. 901 et seq.).

17 **SEC. 247. LIMITATION ON CERTAIN CHARGES ASSESSED TO**  
18                             **THE FLINT CREEK PROJECT, MONTANA.**

19                         Notwithstanding section 10(e)(1) of the Federal  
20 Power Act (16 U.S.C. 803(e)(1)) or any other provision  
21 of Federal law providing for the payment to the United  
22 States of charges for the use of Federal land for the pur-  
23 poses of operating and maintaining a hydroelectric devel-  
24 opment licensed by the Federal Energy Regulatory Com-  
25 mission (referred to in this section as the “Commission”),

1 any political subdivision of the State of Montana that  
2 holds a license for Commission Project No. 1473 in Gran-  
3 ite and Deer Lodge Counties, Montana, shall be required  
4 to pay to the United States for the use of that land for  
5 each year during which the political subdivision continues  
6 to hold the license for the project, the lesser of—  
7 (1) \$25,000; or  
8 (2) such annual charge as the Commission or  
9 any other department or agency of the Federal Gov-  
10 ernment may assess.

**11 SEC. 248. REINSTATEMENT AND TRANSFER.**

12 (a) REINSTATEMENT AND TRANSFER OF FEDERAL  
13 LICENSE FOR PROJECT NUMBERED 2696.—Notwith-  
14 standing section 8 of the Federal Power Act (16 U.S.C.  
15 801) or any other provision of such Act, the Federal En-  
16 ergy Regulatory Commission shall reinstate the license for  
17 Project No. 2696 and transfer the license, without delay  
18 or the institution of any proceedings, to the Town of  
19 Stuyvesant, New York, holder of Federal Energy Regu-  
20 latory Commission Preliminary Permit No. 11787, within  
21 30 days after the date of enactment of this Act.

22 (b) HYDROELECTRIC INCENTIVES.—Project No.  
23 2696 shall be entitled to the full benefit of any Federal  
24 legislation that promotes hydroelectric development that

1 is enacted within 2 years either before or after the date  
2 of enactment of this Act.

3 (c) PROJECT DEVELOPMENT AND FINANCING.—The  
4 Federal Energy Regulatory Commission shall permit the  
5 Town of Stuyvesant to add as a colicensee any private or  
6 public entity or entities to the reinstated license at any  
7 time, notwithstanding the issuance of a preliminary permit  
8 to the Town of Stuyvesant and any consideration of mu-  
9 nicipal preference. The town shall be entitled, to the extent  
10 that funds are available or shall be made available, to re-  
11 ceive loans under sections 402 and 403 of the Public Util-  
12 ity Regulatory Policies Act of 1978 (16 U.S.C. 2702 and  
13 2703), or similar programs, for the reimbursement of fea-  
14 sibility studies or development costs, or both, incurred  
15 since January 1, 2001, through and including December  
16 31, 2006. All power produced by the project shall be  
17 deemed incremental hydropower for purpose of qualifying  
18 for any energy credit or similar benefits.

1           **TITLE III—OIL AND GAS**  
2           **Subtitle A—Petroleum Reserve and**  
3           **Home Heating Oil**

4   **SEC. 301. PERMANENT AUTHORITY TO OPERATE THE STRA-**  
5           **TEGIC PETROLEUM RESERVE AND OTHER**  
6           **ENERGY PROGRAMS.**

7       (a) AMENDMENT TO TITLE I OF THE ENERGY POL-  
8   ICY AND CONSERVATION ACT.—Title I of the Energy Pol-  
9   icy and Conservation Act (42 U.S.C. 6211 et seq.) is  
10 amended—

11           (1) by striking section 166 (42 U.S.C. 6246)  
12          and inserting the following:

13           “AUTHORIZATION OF APPROPRIATIONS  
14          “SEC. 166. There are authorized to be appropriated  
15 to the Secretary such sums as may be necessary to carry  
16 out this part and part D, to remain available until ex-  
17 pended.”;

18           (2) by striking section 186 (42 U.S.C. 6250e);  
19          and

20           (3) by striking part E (42 U.S.C. 6251; relat-  
21          ing to the expiration of title I of the Act).

22           (b) AMENDMENT TO TITLE II OF THE ENERGY POL-  
23 ICY AND CONSERVATION ACT.—Title II of the Energy  
24 Policy and Conservation Act (42 U.S.C. 6271 et seq.) is  
25 amended—

1                             (1) by inserting before section 273 (42 U.S.C.  
2                             6283) the following:

3                             **PART C—SUMMER FILL AND FUEL BUDGETING  
4                             PROGRAMS”;**

5                             (2) by striking section 273(e) (42 U.S.C.  
6                             6283(e); relating to the expiration of summer fill  
7                             and fuel budgeting programs); and

8                             (3) by striking part D (42 U.S.C. 6285; relat-  
9                             ing to the expiration of title II of the Act).

10                             (c) TECHNICAL AMENDMENTS.—The table of con-  
11                             tents for the Energy Policy and Conservation Act is  
12                             amended—

13                             (1) by inserting after the items relating to part  
14                             C of title I the following:

“PART D—NORTHEAST HOME HEATING OIL RESERVE

“Sec. 181. Establishment.

“Sec. 182. Authority.

“Sec. 183. Conditions for release; plan.

“Sec. 184. Northeast Home Heating Oil Reserve Account.

“Sec. 185. Exemptions.”;

15                             (2) by amending the items relating to part C of  
16                             title II to read as follows:

“PART C—SUMMER FILL AND FUEL BUDGETING PROGRAMS

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

17                             (3) by striking the items relating to part D of  
18                             title II.

19                             (d) AMENDMENT TO THE ENERGY POLICY AND CON-  
20                             SERVATION ACT.—Section 183(b)(1) of the Energy Policy

1 and Conservation Act (42 U.S.C. 6250(b)(1)) is amended  
2 by striking all after “increases” through to “mid-October  
3 through March” and inserting “by more than 60 percent  
4 over its 5-year rolling average for the months of mid-Octo-  
5 ber through March (considered as a heating season aver-  
6 age)”.

7       (e) FILL STRATEGIC PETROLEUM RESERVE TO CA-  
8 PACITY.—The Secretary of Energy shall, as expeditiously  
9 as practicable, acquire petroleum in amounts sufficient to  
10 fill the Strategic Petroleum Reserve to the 1,000,000,000  
11 barrel capacity authorized under section 154(a) of the En-  
12 ergy Policy and Conservation Act (42 U.S.C. 6234(a)),  
13 consistent with the provisions of sections 159 and 160 of  
14 such Act (42 U.S.C. 6239, 6240).

15 **SEC. 302. NATIONAL OILHEAT RESEARCH ALLIANCE.**

16       Section 713 of the Energy Act of 2000 (42 U.S.C.  
17 6201 note) is amended by striking “4” and inserting “9”.

18 **Subtitle B—Production Incentives**

19 **SEC. 311. DEFINITION OF SECRETARY.**

20       In this subtitle, the term “Secretary” means the Sec-  
21 retary of the Interior.

22 **SEC. 312. PROGRAM ON OIL AND GAS ROYALTIES IN-KIND.**

23       (a) APPLICABILITY OF SECTION.—Notwithstanding  
24 any other provision of law, this section applies to all roy-  
25 alty in-kind accepted by the Secretary on or after the date

1 of enactment of this Act under any Federal oil or gas lease  
2 or permit under section 36 of the Mineral Leasing Act  
3 (30 U.S.C. 192), section 27 of the Outer Continental Shelf  
4 Lands Act (43 U.S.C. 1353), or any other Federal law  
5 governing leasing of Federal land for oil and gas develop-  
6 ment.

7       (b) TERMS AND CONDITIONS.—All royalty accruing  
8 to the United States shall, on the demand of the Sec-  
9 retary, be paid in oil or gas. If the Secretary makes such  
10 a demand, the following provisions apply to such payment:

11           (1) SATISFACTION OF ROYALTY OBLIGATION.—  
12         Delivery by, or on behalf of, the lessee of the royalty  
13         amount and quality due under the lease satisfies the  
14         lessee's royalty obligation for the amount delivered,  
15         except that transportation and processing reimburse-  
16         ments paid to, or deductions claimed by, the lessee  
17         shall be subject to review and audit.

18           (2) MARKETABLE CONDITION.—

19           (A) IN GENERAL.—Royalty production  
20         shall be placed in marketable condition by the  
21         lessee at no cost to the United States.

22           (B) DEFINITION OF MARKETABLE CONDI-  
23         TION.—In this paragraph, the term “in market-  
24         able condition” means sufficiently free from im-  
25         purities and otherwise in a condition that the

1           royalty production will be accepted by a pur-  
2           chaser under a sales contract typical of the field  
3           or area in which the royalty production was  
4           produced.

5           (3) DISPOSITION BY THE SECRETARY.—The  
6           Secretary may—

7               (A) sell or otherwise dispose of any royalty  
8               production taken in-kind (other than oil or gas  
9               transferred under section 27(a)(3) of the Outer  
10              Continental Shelf Lands Act (43 U.S.C.  
11              1353(a)(3)) for not less than the market price;  
12              and

13               (B) transport or process (or both) any ro-  
14               alty production taken in-kind.

15           (4) RETENTION BY THE SECRETARY.—The Sec-  
16           retary may, notwithstanding section 3302 of title 31,  
17           United States Code, retain and use a portion of the  
18           revenues from the sale of oil and gas taken in-kind  
19           that otherwise would be deposited to miscellaneous  
20           receipts, without regard to fiscal year limitation, or  
21           may use oil or gas received as royalty taken in-kind  
22           (in this paragraph referred to as “royalty produc-  
23           tion”) to pay the cost of—

24               (A) transporting the royalty production;  
25               (B) processing the royalty production;

- (C) disposing of the royalty production; or
- (D) any combination of transporting, processing, and disposing of the royalty production.

## (5) LIMITATION.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the Secretary may not use revenues from the sale of oil and gas taken in-kind to pay for personnel, travel, or other administrative costs of the Federal Government.

(B) EXCEPTION.—Notwithstanding subparagraph (A), the Secretary may use a portion of the revenues from the sale of oil taken in-kind, without fiscal year limitation, to pay transportation costs, salaries, and other administrative costs directly related to filling the Strategic Petroleum Reserve.

17       (c) REIMBURSEMENT OF COST.—If the lessee, pursuant  
18       to an agreement with the United States or as provided  
19       in the lease, processes the royalty gas or delivers the roy-  
20       alty oil or gas at a point not on or adjacent to the lease  
21       area, the Secretary shall—

22                   (1) reimburse the lessee for the reasonable costs  
23                   of transportation (not including gathering) from the  
24                   lease to the point of delivery or for processing costs;  
25                   or

4 (d) BENEFIT TO THE UNITED STATES REQUIRED.—

- 5 The Secretary may receive oil or gas royalties in-kind only
- 6 if the Secretary determines that receiving royalties in-kind
- 7 provides benefits to the United States that are greater
- 8 than or equal to the benefits that are likely to have been
- 9 received had royalties been taken in-value.

10 (e) REPORTS.—

(B) future royalty-in-kind businesses operation plans and objectives.

1       taken in-kind and sold to refineries under subsection  
2       (h), the Secretary shall submit to Congress a report  
3       that describes—

4                     (A) the methodology or methodologies used  
5        by the Secretary to determine compliance with  
6        subsection (d), including the performance  
7        standard for comparing amounts received by  
8        the United States derived from royalties in-kind  
9        to amounts likely to have been received had roy-  
10       alties been taken in-value;

11                    (B) an explanation of the evaluation that  
12        led the Secretary to take royalties in-kind from  
13        a lease or group of leases, including the ex-  
14        pected revenue effect of taking royalties in-kind;

15                    (C) actual amounts received by the United  
16        States derived from taking royalties in-kind and  
17        costs and savings incurred by the United States  
18        associated with taking royalties in-kind, includ-  
19        ing, but not limited to, administrative savings  
20        and any new or increased administrative costs;  
21        and

22                    (D) an evaluation of other relevant public  
23        benefits or detriments associated with taking  
24        royalties in-kind.

25       (f) DEDUCTION OF EXPENSES.—

1                             (1) IN GENERAL.—Before making payments  
2 under section 35 of the Mineral Leasing Act (30  
3 U.S.C. 191) or section 8(g) of the Outer Continental  
4 Shelf Lands Act (43 U.S.C. 1337(g)) of revenues  
5 derived from the sale of royalty production taken in-  
6 kind from a lease, the Secretary shall deduct  
7 amounts paid or deducted under subsections (b)(4)  
8 and (c) and deposit the amount of the deductions in  
9 the miscellaneous receipts of the United States  
10 Treasury.

11                             (2) ACCOUNTING FOR DEDUCTIONS.—When the  
12 Secretary allows the lessee to deduct transportation  
13 or processing costs under subsection (c), the Sec-  
14 retary may not reduce any payments to recipients of  
15 revenues derived from any other Federal oil and gas  
16 lease as a consequence of that deduction.

17                             (g) CONSULTATION WITH STATES.—The Sec-  
18 retary—

19                                 (1) shall consult with a State before conducting  
20 a royalty in-kind program under this subtitle within  
21 the State, and may delegate management of any  
22 portion of the Federal royalty in-kind program to  
23 the State except as otherwise prohibited by Federal  
24 law; and

1                         (2) shall consult annually with any State from  
2 which Federal oil or gas royalty is being taken in-  
3 kind to ensure, to the maximum extent practicable,  
4 that the royalty in-kind program provides revenues  
5 to the State greater than or equal to those likely to  
6 have been received had royalties been taken in-value.

7                         (h) SMALL REFINERIES.—

8                         (1) PREFERENCE.—If the Secretary finds that  
9 sufficient supplies of crude oil are not available in  
10 the open market to refineries that do not have their  
11 own source of supply for crude oil, the Secretary  
12 may grant preference to such refineries in the sale  
13 of any royalty oil accruing or reserved to the United  
14 States under Federal oil and gas leases issued under  
15 any mineral leasing law, for processing or use in  
16 such refineries at private sale at not less than the  
17 market price.

18                         (2) PRORATION AMONG REFINERIES IN PRO-  
19 DUCTION AREA.—In disposing of oil under this sub-  
20 section, the Secretary of Energy may, at the discre-  
21 tion of the Secretary, prorate the oil among refin-  
22 eries described in paragraph (1) in the area in which  
23 the oil is produced.

24                         (i) DISPOSITION TO FEDERAL AGENCIES.—

1                     (1) ONSHORE ROYALTY.—Any royalty oil or gas  
2        taken by the Secretary in-kind from onshore oil and  
3        gas leases may be sold at not less than the market  
4        price to any Federal agency.

5                     (2) OFFSHORE ROYALTY.—Any royalty oil or  
6        gas taken in-kind from a Federal oil or gas lease on  
7        the outer Continental Shelf may be disposed of only  
8        under section 27 of the Outer Continental Shelf  
9        Lands Act (43 U.S.C. 1353).

10                  (j) FEDERAL LOW-INCOME ENERGY ASSISTANCE  
11        PROGRAMS.—

12                  (1) PREFERENCE.—In disposing of royalty oil  
13        or gas taken in-kind under this section, the Sec-  
14        retary may grant a preference to any person, includ-  
15        ing any Federal or State agency, for the purpose of  
16        providing additional resources to any Federal low-in-  
17        come energy assistance program.

18                  (2) REPORT.—Not later than 3 years after the  
19        date of enactment of this Act, the Secretary shall  
20        transmit a report to Congress, assessing the effec-  
21        tiveness of granting preferences specified in para-  
22        graph (1) and providing a specific recommendation  
23        on the continuation of authority to grant pref-  
24        erences.

1   **SEC. 313. MARGINAL PROPERTY PRODUCTION INCENTIVES.**

2                 (a) DEFINITION OF MARGINAL PROPERTY.—Until  
3   such time as the Secretary issues regulations under sub-  
4   section (e) that prescribe a different definition, in this sec-  
5   tion the term “marginal property” means an onshore unit,  
6   communitization agreement, or lease not within a unit or  
7   communitization agreement, that produces on average the  
8   combined equivalent of less than 15 barrels of oil per well  
9   per day or 90 million British thermal units of gas per well  
10   per day calculated based on the average over the 3 most  
11   recent production months, including only wells that  
12   produce on more than half of the days during those 3 pro-  
13   duction months.

14                 (b) CONDITIONS FOR REDUCTION OF ROYALTY  
15   RATE.—Until such time as the Secretary issues regula-  
16   tions under subsection (e) that prescribe different thresh-  
17   olds or standards, the Secretary shall reduce the royalty  
18   rate on—

19                         (1) oil production from marginal properties as  
20   prescribed in subsection (c) when the spot price of  
21   West Texas Intermediate crude oil at Cushing, Okla-  
22   homa, is, on average, less than \$15 per barrel for 90  
23   consecutive trading days; and

24                         (2) gas production from marginal properties as  
25   prescribed in subsection (c) when the spot price of  
26   natural gas delivered at Henry Hub, Louisiana, is,

1       on average, less than \$2.00 per million British ther-  
2       mal units for 90 consecutive trading days.

3       (c) REDUCED ROYALTY RATE.—

4           (1) IN GENERAL.—When a marginal property  
5       meets the conditions specified in subsection (b), the  
6       royalty rate shall be the lesser of—

7              (A) 5 percent; or

8              (B) the applicable rate under any other  
9       statutory or regulatory royalty relief provision  
10      that applies to the affected production.

11           (2) PERIOD OF EFFECTIVENESS.—The reduced  
12      royalty rate under this subsection shall be effective  
13      beginning on the first day of the production month  
14      following the date on which the applicable condition  
15      specified in subsection (b) is met.

16       (d) TERMINATION OF REDUCED ROYALTY RATE.—

17      A royalty rate prescribed in subsection (d)(1)(A) shall ter-  
18      minate—

19           (1) with respect to oil production from a mar-  
20      ginal property, on the first day of the production  
21      month following the date on which—

22              (A) the spot price of West Texas Inter-  
23      mediate crude oil at Cushing, Oklahoma, on av-  
24      erage, exceeds \$15 per barrel for 90 consecutive  
25      trading days; or

(B) the property no longer qualifies as a marginal property; and

(2) with respect to gas production from a marginal property, on the first day of the production month following the date on which—

(B) the property no longer qualifies as a marginal property.

12 (e) REGULATIONS PRESCRIBING DIFFERENT RE-  
13 LIEF.—

23 (A) prescribe standards and requirements  
24 for, and the extent of royalty relief for, mar-

1               ginal properties for oil and gas leases on the  
2               outer Continental Shelf; and

3               (B) define what constitutes a marginal  
4               property on the outer Continental Shelf for pur-  
5               poses of this section.

6               (3) CONSIDERATIONS.—In promulgating regu-  
7               lations under this subsection, the Secretary may con-  
8               sider—

9               (A) oil and gas prices and market trends;

10              (B) production costs;

11              (C) abandonment costs;

12              (D) Federal and State tax provisions and  
13              the effects of those provisions on production ec-  
14              onomics;

15              (E) other royalty relief programs;

16              (F) regional differences in average well-  
17              head prices;

18              (G) national energy security issues; and

19              (H) other relevant matters.

20              (f) SAVINGS PROVISION.—Nothing in this section  
21              prevents a lessee from receiving royalty relief or a royalty  
22              reduction pursuant to any other law (including a regula-  
23              tion) that provides more relief than the amounts provided  
24              by this section.

1   **SEC. 314. INCENTIVES FOR NATURAL GAS PRODUCTION**  
2                   **FROM DEEP WELLS IN THE SHALLOW WA-**  
3                   **TERS OF THE GULF OF MEXICO.**

4       (a) ROYALTY INCENTIVE REGULATIONS.—The Sec-  
5     retary shall publish a final regulation to complete the rule-  
6     making begun by the Notice of Proposed Rulemaking enti-  
7     tled “Relief or Reduction in Royalty Rates—Deep Gas  
8     Provisions”, published in the Federal Register on March  
9     26, 2003 (Federal Register, volume 68, number 58,  
10    14868–14886).

11     (b) ROYALTY INCENTIVE REGULATIONS FOR ULTRA  
12    DEEP GAS WELLS.—

13       (1) IN GENERAL.—Not later than 180 days  
14     after the date of enactment of this Act, in addition  
15     to any other regulations that may provide royalty in-  
16     centives for natural gas produced from deep wells on  
17     oil and gas leases issued pursuant to the Outer Con-  
18     tinental Shelf Lands Act (43 U.S.C. 1331 et seq.),  
19     the Secretary shall issue regulations, in accordance  
20     with the regulations published pursuant to sub-  
21     section (a), granting royalty relief suspension vol-  
22     umes of not less than 35,000,000,000 cubic feet  
23     with respect to the production of natural gas from  
24     ultra deep wells on leases issued before January 1,  
25     2001, in shallow waters less than 200 meters deep  
26     located in the Gulf of Mexico wholly west of 87 de-

1       grees, 30 minutes West longitude. Regulations  
2       issued under this subsection shall be retroactive to  
3       the date that the Notice of Proposed Rulemaking is  
4       published in the Federal Register.

5                     (2) DEFINITION OF ULTRA DEEP WELL.—In  
6       this subsection, the term “ultra deep well” means a  
7       well drilled with a perforated interval, the top of  
8       which is at least 20,000 feet true vertical depth  
9       below the datum at mean sea level.

10 **SEC. 315. ROYALTY RELIEF FOR DEEP WATER PRODUC-**  
11 **TION.**

12       (a) IN GENERAL.—For all tracts located in water  
13       depths of greater than 400 meters in the Western and  
14       Central Planning Area of the Gulf of Mexico, including  
15       the portion of the Eastern Planning Area of the Gulf of  
16       Mexico encompassing whole lease blocks lying west of 87  
17       degrees, 30 minutes West longitude, any oil or gas lease  
18       sale under the Outer Continental Shelf Lands Act (43  
19       U.S.C. 1331 et seq.) occurring within 5 years after the  
20       date of enactment of this Act shall use the bidding system  
21       authorized in section 8(a)(1)(H) of the Outer Continental  
22       Shelf Lands Act (43 U.S.C. 1337(a)(1)(H)), except that  
23       the suspension of royalties shall be set at a volume of not  
24       less than—

1                         (1) 5,000,000 barrels of oil equivalent for each  
2                         lease in water depths of 400 to 800 meters;

3                         (2) 9,000,000 barrels of oil equivalent for each  
4                         lease in water depths of 800 to 1,600 meters; and  
5                         (3) 12,000,000 barrels of oil equivalent for each  
6                         lease in water depths greater than 1,600 meters.

7                         (b) LIMITATION.—The Secretary may place limita-  
8                         tions on the suspension of royalty relief granted based on  
9                         market price.

10 **SEC. 316. ALASKA OFFSHORE ROYALTY SUSPENSION.**

11                         Section 8(a)(3)(B) of the Outer Continental Shelf  
12 Lands Act (43 U.S.C. 1337(a)(3)(B)) is amended by in-  
13 serting “and in the Planning Areas offshore Alaska” after  
14 “West longitude”.

15 **SEC. 317. OIL AND GAS LEASING IN THE NATIONAL PETRO-**

16                         **LEUM RESERVE IN ALASKA.**

17                         (a) TRANSFER OF AUTHORITY.—

18                         (1) REDESIGNATION.—The Naval Petroleum  
19 Reserves Production Act of 1976 (42 U.S.C. 6501  
20 et seq.) is amended by redesignating section 107 (42  
21 U.S.C. 6507) as section 108.

22                         (2) TRANSFER.—The matter under the heading  
23 “EXPLORATION OF NATIONAL PETROLEUM RESERVE  
24 IN ALASKA” under the heading “ENERGY AND

1       MINERALS” of title I of Public Law 96–514 (42  
2       U.S.C. 6508) is—

3                     (A) transferred to the Naval Petroleum  
4       Reserves Production Act of 1976 (42 U.S.C.  
5       6501 et seq.);

6                     (B) redesignated as section 107 of that  
7       Act; and

8                     (C) moved so as to appear after section  
9       106 of that Act (42 U.S.C. 6506).

10      (b) COMPETITIVE LEASING.—Section 107 of the  
11     Naval Petroleum Reserves Production Act of 1976 (as  
12   amended by subsection (a) of this section) is amended—  
13                 (1) by striking the heading and all that follows  
14   through “*Provided, That* (1) activities” and insert-  
15   ing the following:

16 **“SEC. 107. COMPETITIVE LEASING OF OIL AND GAS.**

17      “(a) IN GENERAL.—Notwithstanding any other pro-  
18   vision of law and pursuant to regulations issued by the  
19   Secretary, the Secretary shall conduct an expeditious pro-  
20   gram of competitive leasing of oil and gas in the National  
21   Petroleum Reserve in Alaska (referred to in this section  
22   as the ‘Reserve’).

23      “(b) MITIGATION OF ADVERSE EFFECTS.—Activi-  
24   ties”;

1                   (2) by striking “Alaska (the Reserve); (2) the”  
2                   and inserting “Alaska.

3                 “(c) LAND USE PLANNING; BLM WILDERNESS  
4 STUDY.—The”;

5                   (3) by striking “Reserve; (3) the” and inserting  
6                   “Reserve.

7                 “(d) FIRST LEASE SALE.—The”;

8                   (4) by striking “4332); (4) the” and inserting  
9                   “4321 et seq.).

10                “(e) WITHDRAWALS.—The”;

11                   (5) by striking “herein; (5) bidding” and insert-  
12                   ing “under this section.

13                “(f) BIDDING SYSTEMS.—Bidding”;

14                   (6) by striking “629); (6) lease” and inserting  
15                   “629).

16                “(g) GEOLOGICAL STRUCTURES.—Lease”;

17                   (7) by striking “structures; (7) the” and insert-  
18                   ing “structures.

19                “(h) SIZE OF LEASE TRACTS.—The”;

20                   (8) by striking “Secretary; (8)” and all that fol-  
21                   lows through “Drilling, production,” and inserting  
22                   “Secretary.

23                “(i) TERMS.—

24                   “(1) IN GENERAL.—Each lease shall be—

1               “(A) issued for an initial period of not  
2               more than 10 years; and

3               “(B) renewed for successive 10-year terms  
4               if—

5               “(i) oil or gas is produced from the  
6               lease in paying quantities;

7               “(ii) oil or gas is capable of being pro-  
8               duced in paying quantities; or

9               “(iii) drilling or reworking operations,  
10              as approved by the Secretary, are con-  
11              ducted on the leased land.

12              “(2) RENEWAL OF NONPRODUCING LEASES.—

13              The Secretary shall renew for an additional 10-year  
14              term a lease that does not meet the requirements of  
15              paragraph (1)(B) if the lessee submits to the Sec-  
16              retary an application for renewal not later than 60  
17              days before the expiration of the primary lease  
18              and—

19              “(A) the lessee certifies, and the Secretary  
20              agrees, that hydrocarbon resources were discov-  
21              ered on 1 or more wells drilled on the leased  
22              land in such quantities that a prudent operator  
23              would hold the lease for potential future devel-  
24              opment;

25              “(B) the lessee—

1                 “(i) pays the Secretary a renewal fee  
2                 of \$100 per acre of leased land; and

3                 “(ii) provides evidence, and the Sec-  
4                 retary agrees that, the lessee has diligently  
5                 pursued exploration that warrants continu-  
6                 ation with the intent of continued explo-  
7                 ration or future development of the leased  
8                 land; or

9                 “(C) all or part of the lease—

10                 “(i) is part of a unit agreement cov-  
11                 ering a lease described in subparagraph  
12                 (A) or (B); and

13                 “(ii) has not been previously con-  
14                 tracted out of the unit.

15                 “(3) APPLICABILITY.—This subsection applies  
16                 to a lease that—

17                 “(A) is entered into before, on, or after the  
18                 date of enactment of the Energy Policy Act of  
19                 2003; and

20                 “(B) is effective on or after the date of en-  
21                 actment of that Act.

22                 “(j) UNIT AGREEMENTS.—

23                 “(1) IN GENERAL.—For the purpose of con-  
24                 servation of the natural resources of all or part of  
25                 any oil or gas pool, field, reservoir, or like area, les-

1       sees (including representatives) of the pool, field,  
2       reservoir, or like area may unite with each other, or  
3       jointly or separately with others, in collectively  
4       adopting and operating under a unit agreement for  
5       all or part of the pool, field, reservoir, or like area  
6       (whether or not any other part of the oil or gas pool,  
7       field, reservoir, or like area is already subject to any  
8       cooperative or unit plan of development or oper-  
9       ation), if the Secretary determines the action to be  
10      necessary or advisable in the public interest.

11           “(2) PARTICIPATION BY STATE OF ALASKA.—  
12       The Secretary shall ensure that the State of Alaska  
13       is provided the opportunity for active participation  
14       concerning creation and management of units  
15       formed or expanded under this subsection that in-  
16       clude acreage in which the State of Alaska has an  
17       interest in the mineral estate.

18           “(3) PARTICIPATION BY REGIONAL CORPORA-  
19       TIONS.—The Secretary shall ensure that any Re-  
20       gional Corporation (as defined in section 3 of the  
21       Alaska Native Claims Settlement Act (43 U.S.C.  
22       1602)) is provided the opportunity for active partici-  
23       pation concerning creation and management of units  
24       that include acreage in which the Regional Corpora-  
25       tion has an interest in the mineral estate.

1           “(4) PRODUCTION ALLOCATION METHOD-  
2 OLOGY.—The Secretary may use a production alloca-  
3 tion methodology for each participating area within  
4 a unit created for land in the Reserve, State of Alas-  
5 ka land, or Regional Corporation land shall, when  
6 appropriate, be based on the characteristics of each  
7 specific oil or gas pool, field, reservoir, or like area  
8 to take into account reservoir heterogeneity and a  
9 real variation in reservoir producibility across diverse  
10 leasehold interests.

11           “(5) BENEFIT OF OPERATIONS.—Drilling, pro-  
12 duction,”;

13           (9) by striking “When separate” and inserting  
14 the following:

15           “(6) POOLING.—If separate”;

16           (10) by inserting “(in consultation with the  
17 owners of the other land)” after “determined by the  
18 Secretary of the Interior”;

19           (11) by striking “thereto; (10) to” and all that  
20 follows through “the terms provided therein” and in-  
21 serting “to the agreement.

22           “(k) EXPLORATION INCENTIVES.—

23           “(1) IN GENERAL.—

24           “(A) WAIVER, SUSPENSION, OR REDUC-  
25 TION.—To encourage the greatest ultimate re-

1           covery of oil or gas or in the interest of con-  
2           servation, the Secretary may waive, suspend, or  
3           reduce the rental fees or minimum royalty, or  
4           reduce the royalty on an entire leasehold (in-  
5           cluding on any lease operated pursuant to a  
6           unit agreement), if (after consultation with the  
7           State of Alaska and the North Slope Borough  
8           of Alaska and the concurrence of any Regional  
9           Corporation for leases that include lands avail-  
10          able for acquisition by the Regional Corporation  
11          under the provisions of section 1431(o) of the  
12          Alaska National Interest Lands Conservation  
13          Act (16 U.S.C. 3101 et seq.)) the Secretary de-  
14          termines that the waiver, suspension, or reduc-  
15          tion is in the public interest.

16           “(B) APPLICABILITY.—This paragraph ap-  
17          plies to a lease that—

18               “(i) is entered into before, on, or after  
19               the date of enactment of the Energy Policy  
20               Act of 2003; and

21               “(ii) is effective on or after the date  
22               of enactment of that Act.”;

23           (12) by striking “The Secretary is authorized  
24          to” and inserting the following:

1           “(2) SUSPENSION OF OPERATIONS AND PRO-  
2         DUCTION.—The Secretary may”;

3           (13) by striking “In the event” and inserting  
4         the following:

5           “(3) SUSPENSION OF PAYMENTS.—If”;

6           (14) by striking “thereto; and (11) all” and in-  
7         serting “to the lease.

8           “(l) RECEIPTS.—All”;

9           (15) by redesignating clauses (A), (B), and (C)  
10         as clauses (1), (2), and (3), respectively;

11           (16) by striking “Any agency” and inserting  
12         the following:

13           “(m) EXPLORATIONS.—Any agency”;

14           (17) by striking “Any action” and inserting the  
15         following:

16           “(n) ENVIRONMENTAL IMPACT STATEMENTS.—

17           “(1) JUDICIAL REVIEW.—Any action”;

18           (18) by striking “The detailed” and inserting  
19         the following:

20           “(2) INITIAL LEASE SALES.—The detailed”;

21           (19) by striking “of the Naval Petroleum Re-  
22         serves Production Act of 1976 (90 Stat. 304; 42  
23         U.S.C. 6504)”;  
24           and

            (20) by adding at the end the following:

1       “(o) WAIVER OF ADMINISTRATION FOR CONVEYED  
2 LANDS.—Notwithstanding section 14(g) of the Alaska  
3 Native Claims Settlement Act (43 U.S.C. 1613(g)) or any  
4 other provision of law—

5           “(1) the Secretary of the Interior shall waive  
6 administration of any oil and gas lease insofar as  
7 such lease covers any land in the National Petro-  
8 leum Reserve in Alaska in which the subsurface es-  
9 tate is conveyed to the Arctic Slope Regional Cor-  
10 poration; and

11          “(2) if any such conveyance of such subsurface  
12 estate does not cover all the land embraced within  
13 any such oil and gas lease—

14           “(A) the person who owns the subsurface  
15 estate in any particular portion of the land cov-  
16 ered by such lease shall be entitled to all of the  
17 revenues reserved under such lease as to such  
18 portion, including, without limitation, all the  
19 royalty payable with respect to oil or gas pro-  
20 duced from or allocated to such particular por-  
21 tion of the land covered by such lease; and

22           “(B) the Secretary of the Interior shall  
23 segregate such lease into 2 leases, 1 of which  
24 shall cover only the subsurface estate conveyed  
25 to the Arctic Slope Regional Corporation, and

1           operations, production, or other circumstances  
2           (other than payment of rentals or royalties)  
3           that satisfy obligations of the lessee under, or  
4           maintain, either of the segregated leases shall  
5           likewise satisfy obligations of the lessee under,  
6           or maintain, the other segregated lease to the  
7           same extent as if such segregated leases re-  
8           mained a part of the original unsegregated  
9           lease.”.

10 **SEC. 318. ORPHANED, ABANDONED, OR IDLED WELLS ON**  
11 **FEDERAL LAND.**

12         (a) IN GENERAL.—The Secretary, in cooperation  
13 with the Secretary of Agriculture, shall establish a pro-  
14 gram not later than 1 year after the date of enactment  
15 of this Act to remediate, reclaim, and close orphaned,  
16 abandoned, or idled oil and gas wells located on land ad-  
17 ministered by the land management agencies within the  
18 Department of the Interior and the Department of Agri-  
19 culture.

20         (b) ACTIVITIES.—The program under subsection (a)  
21 shall—

22                 (1) include a means of ranking orphaned, aban-  
23                 doned, or idled wells sites for priority in remedi-  
24                 ation, reclamation, and closure, based on public

1       health and safety, potential environmental harm,  
2       and other land use priorities;

3               (2) provide for identification and recovery of  
4       the costs of remediation, reclamation, and closure  
5       from persons or other entities currently providing a  
6       bond or other financial assurance required under  
7       State or Federal law for an oil or gas well that is  
8       orphaned, abandoned, or idled; and

9               (3) provide for recovery from the persons or en-  
10      tities identified under paragraph (2), or their sure-  
11      ties or guarantors, of the costs of remediation, rec-  
12      lamation, and closure of such wells.

13       (c) COOPERATION AND CONSULTATIONS.—In car-  
14      rying out the program under subsection (a), the Secretary  
15      shall—

16               (1) work cooperatively with the Secretary of Ag-  
17      riculture and the States within which Federal land  
18      is located; and

19               (2) consult with the Secretary of Energy and  
20      the Interstate Oil and Gas Compact Commission.

21       (d) PLAN.—Not later than 1 year after the date of  
22      enactment of this Act, the Secretary, in cooperation with  
23      the Secretary of Agriculture, shall submit to Congress a  
24      plan for carrying out the program under subsection (a).

1       (e) IDLED WELL.—For the purposes of this section,

2 a well is idled if—

3              (1) the well has been nonoperational for at least

4              7 years; and

5              (2) there is no anticipated beneficial use for the  
6 well.

7       (f) TECHNICAL ASSISTANCE PROGRAM FOR NON-

8 FEDERAL LAND.—

9              (1) IN GENERAL.—The Secretary of Energy  
10 shall establish a program to provide technical and fi-  
11 nancial assistance to oil and gas producing States to  
12 facilitate State efforts over a 10-year period to en-  
13 sure a practical and economical remedy for environ-  
14 mental problems caused by orphaned or abandoned  
15 oil and gas exploration or production well sites on  
16 State or private land.

17              (2) ASSISTANCE.—The Secretary of Energy  
18 shall work with the States, through the Interstate  
19 Oil and Gas Compact Commission, to assist the  
20 States in quantifying and mitigating environmental  
21 risks of onshore orphaned or abandoned oil or gas  
22 wells on State and private land.

23              (3) ACTIVITIES.—The program under para-  
24 graph (1) shall include—

- 1                             (A) mechanisms to facilitate identification,  
2                             if feasible, of the persons currently providing a  
3                             bond or other form of financial assurance re-  
4                             quired under State or Federal law for an oil or  
5                             gas well that is orphaned or abandoned;
- 6                             (B) criteria for ranking orphaned or aban-  
7                             doned well sites based on factors such as public  
8                             health and safety, potential environmental  
9                             harm, and other land use priorities;
- 10                            (C) information and training programs on  
11                             best practices for remediation of different types  
12                             of sites; and
- 13                            (D) funding of State mitigation efforts on  
14                             a cost-shared basis.

15                         (g) FEDERAL REIMBURSEMENT FOR ORPHANED  
16                         WELL RECLAMATION PILOT PROGRAM.—

- 17                         (1) REIMBURSEMENT FOR REMEDIATING, RE-  
18                         CLAIMING, AND CLOSING WELLS ON LAND SUBJECT  
19                         TO A NEW LEASE.—The Secretary shall carry out a  
20                         pilot program under which, in issuing a new oil and  
21                         gas lease on federally owned land on which 1 or  
22                         more orphaned wells are located, the Secretary—
- 23                         (A) may require, but not as a condition of  
24                         the lease, that the lessee remediate, reclaim,  
25                         and close in accordance with standards estab-

1 lished by the Secretary, all orphaned wells on  
2 the land leased; and

3 (B) shall develop a program to reimburse  
4 a lessee, through a royalty credit against the  
5 Federal share of royalties owed or other means,  
6 for the reasonable actual costs of remediating,  
7 reclaiming, and closing the orphaned well pur-  
8 suant to that requirement.

9 (2) REIMBURSEMENT FOR RECLAIMING OR-  
10 PHANED WELLS ON OTHER LAND.—In carrying out  
11 this subsection, the Secretary—

12 (A) may authorize any lessee under an oil  
13 and gas lease on federally owned land to re-  
14 claim in accordance with the Secretary's stand-  
15 ards—

16 (i) an orphaned well on unleased fed-  
17 erally owned land; or

18 (ii) an orphaned well located on an ex-  
19 isting lease on federally owned land for the  
20 reclamation of which the lessee is not le-  
21 gally responsible; and

22 (B) shall develop a program to provide re-  
23 imbursement of 115 percent of the reasonable  
24 actual costs of remediating, reclaiming, and  
25 closing the orphaned well, through credits

1                   against the Federal share of royalties or other  
2                   means.

3                   (3) EFFECT OF REMEDIATION, RECLAMATION,  
4                   OR CLOSURE OF WELL PURSUANT TO AN APPROVED  
5                   REMEDIATION PLAN.—

6                   (A) DEFINITION OF REMEDIATING  
7                   PARTY.—In this paragraph the term “remedi-  
8                   ating party” means a person who remediates,  
9                   reclaims, or closes an abandoned, orphaned, or  
10                  idled well pursuant to this subsection.

11                  (B) GENERAL RULE.—A remediating party  
12                  who remediates, reclaims, or closes an aban-  
13                  doned, orphaned, or idled well in accordance  
14                  with a detailed written remediation plan ap-  
15                  proved by the Secretary under this subsection,  
16                  shall be immune from civil liability under Fed-  
17                  eral environmental laws, for—

18                   (i) pre-existing environmental condi-  
19                   tions at or associated with the well, unless  
20                   the remediating party owns or operates, in  
21                   the past owned or operated, or is related to  
22                   a person that owns or operates or in the  
23                   past owned or operated, the well or the  
24                   land on which the well is located; or

16                   (4) REGULATIONS.—The Secretary may issue  
17                   such regulations as are appropriate to carry out this  
18                   subsection.

19 (h) AUTHORIZATION OF APPROPRIATIONS.—

20                   (1) IN GENERAL.—There are authorized to be  
21                   appropriated to carry out this section \$25,000,000  
22                   for each of fiscal years 2005 through 2009.

1 **SEC. 319. COMBINED HYDROCARBON LEASING.**

2 (a) SPECIAL PROVISIONS REGARDING LEASING.—

3 Section 17(b)(2) of the Mineral Leasing Act (30 U.S.C.

4 226(b)(2)) is amended—

5 (1) by inserting “(A)” after “(2)”; and

6 (2) by adding at the end the following:

7 “(B) For any area that contains any combination of

8 tar sand and oil or gas (or both), the Secretary may issue

9 under this Act, separately—

10 (i) a lease for exploration for and extraction of  
11 tar sand; and12 (ii) a lease for exploration for and development  
13 of oil and gas.14 (C) A lease issued for tar sand shall be issued using  
15 the same bidding process, annual rental, and posting pe-  
16 riod as a lease issued for oil and gas, except that the min-  
17 imum acceptable bid required for a lease issued for tar  
18 sand shall be \$2 per acre.19 (D) The Secretary may waive, suspend, or alter any  
20 requirement under section 26 that a permittee under a  
21 permit authorizing prospecting for tar sand must exercise  
22 due diligence, to promote any resource covered by a com-  
23 bined hydrocarbon lease.”.24 (b) CONFORMING AMENDMENT.—Section  
25 17(b)(1)(B) of the Mineral Leasing Act (30 U.S.C.  
26 226(b)(1)(B)) is amended in the second sentence by in-

1 serting “, subject to paragraph (2)(B),” after “Sec-  
2 retary”.

3 (c) REGULATIONS.—Not later than 45 days after the  
4 date of enactment of this Act, the Secretary shall issue  
5 final regulations to implement this section.

6 **SEC. 320. LIQUIFIED NATURAL GAS.**

7 Section 3 of the Natural Gas Act (15 U.S.C. 717b)  
8 is amended by adding at the end the following:

9 “(d) LIMITATION ON COMMISSION AUTHORITY.—If  
10 an applicant under this section proposes to construct or  
11 expand a liquified natural gas terminal either onshore or  
12 in State waters for the purpose of importing liquified nat-  
13 ural gas into the United States, the Commission shall not  
14 deny or condition the application solely on the basis that  
15 the applicant proposes to utilize the terminal exclusively  
16 or partially for gas that the applicant or any affiliate  
17 thereof will supply thereto. In all other respects, sub-  
18 section (a) shall remain applicable to any such proposal.”.

19 **SEC. 321. ALTERNATE ENERGY-RELATED USES ON THE  
20 OUTER CONTINENTAL SHELF.**

21 (a) AMENDMENT TO OUTER CONTINENTAL SHELF  
22 LANDS ACT.—Section 8 of the Outer Continental Shelf  
23 Lands Act (43 U.S.C. 1337) is amended by adding at the  
24 end the following:

1       “(p) LEASES, EASEMENTS, OR RIGHTS-OF-WAY FOR  
2 ENERGY AND RELATED PURPOSES.—

3           “(1) IN GENERAL.—The Secretary, in consulta-  
4 tion with the Secretary of the Department in which  
5 the Coast Guard is operating and other relevant de-  
6 partments and agencies of the Federal Government,  
7 may grant a lease, easement, or right-of-way on the  
8 outer Continental Shelf for activities not otherwise  
9 authorized in this Act, the Deepwater Port Act of  
10 1974 (33 U.S.C. 1501 et seq.), or the Ocean Ther-  
11 mal Energy Conversion Act of 1980 (42 U.S.C.  
12 9101 et seq.), or other applicable law, if those activi-  
13 ties—

14           “(A) support exploration, development,  
15 production, transportation, or storage of oil,  
16 natural gas, or other minerals;

17           “(B) produce or support production, trans-  
18 portation, or transmission of energy from  
19 sources other than oil and gas; or

20           “(C) use, for energy-related or marine-re-  
21 lated purposes, facilities currently or previously  
22 used for activities authorized under this Act.

23           “(2) PAYMENTS.—The Secretary shall establish  
24 reasonable forms of payments for any easement or  
25 right-of-way granted under this subsection. Such

1 payments shall not be assessed on the basis of  
2 throughput or production. The Secretary may estab-  
3 lish fees, rentals, bonus, or other payments by rule  
4 or by agreement with the party to which the lease,  
5 easement, or right-of-way is granted.

6       “(3) CONSULTATION.—Before exercising au-  
7 thority under this subsection, the Secretary shall  
8 consult with the Secretary of Defense and other ap-  
9 propriate agencies concerning issues related to na-  
10 tional security and navigational obstruction.

11     “(4) COMPETITIVE OR NONCOMPETITIVE  
12 BASIS.—

13       “(A) IN GENERAL.—The Secretary may  
14 issue a lease, easement, or right-of-way for en-  
15 ergy and related purposes as described in para-  
16 graph (1) on a competitive or noncompetitive  
17 basis.

18       “(B) CONSIDERATIONS.—In determining  
19 whether a lease, easement, or right-of-way shall  
20 be granted competitively or noncompetitively,  
21 the Secretary shall consider such factors as—

22           “(i) prevention of waste and conserva-  
23 tion of natural resources;

24           “(ii) the economic viability of an en-  
25 ergy project;

1                 “(iii) protection of the environment;  
2                 “(iv) the national interest and na-  
3                 tional security;  
4                 “(v) human safety;  
5                 “(vi) protection of correlative rights;  
6                 and  
7                 “(vii) potential return for the lease,  
8                 easement, or right-of-way.

9                 “(5) REGULATIONS.—Not later than 270 days  
10                 after the date of enactment of the Energy Policy Act  
11                 of 2003, the Secretary, in consultation with the Sec-  
12                 retary of the Department in which the Coast Guard  
13                 is operating and other relevant agencies of the Fed-  
14                 eral Government and affected States, shall issue any  
15                 necessary regulations to ensure safety, protection of  
16                 the environment, prevention of waste, and conserva-  
17                 tion of the natural resources of the outer Conti-  
18                 nental Shelf, protection of national security inter-  
19                 ests, and protection of correlative rights in the outer  
20                 Continental Shelf.

21                 “(6) SECURITY.—The Secretary shall require  
22                 the holder of a lease, easement, or right-of-way  
23                 granted under this subsection to furnish a surety  
24                 bond or other form of security, as prescribed by the  
25                 Secretary, and to comply with such other require-

1       ments as the Secretary considers necessary to pro-  
2       tect the interests of the United States.

3           “(7) EFFECT OF SUBSECTION.—Nothing in this  
4       subsection displaces, supersedes, limits, or modifies  
5       the jurisdiction, responsibility, or authority of any  
6       Federal or State agency under any other Federal  
7       law.

8           “(8) APPLICABILITY.—This subsection does not  
9       apply to any area on the outer Continental Shelf  
10      designated as a National Marine Sanctuary.”.

11          (b) CONFORMING AMENDMENT.—Section 8 of the  
12 Outer Continental Shelf Lands Act (43 U.S.C. 1337) is  
13 amended by striking the section heading and inserting the  
14 following: “LEASES, EASEMENTS, AND RIGHTS-OF-WAY  
15 ON THE OUTER CONTINENTAL SHELF.—”.

16          (c) SAVINGS PROVISION.—Nothing in the amendment  
17 made by subsection (a) requires, with respect to any  
18 project—

19           (1) for which offshore test facilities have been  
20       constructed before the date of enactment of this Act;  
21       or

22           (2) for which a request for proposals has been  
23       issued by a public authority,  
24       any resubmittal of documents previously submitted or any  
25       reauthorization of actions previously authorized.

## 1 SEC. 322. PRESERVATION OF GEOLOGICAL AND GEO-

## 2 PHYSICAL DATA.

3 (a) SHORT TITLE.—This section may be cited as the  
4 “National Geological and Geophysical Data Preservation  
5 Program Act of 2004”.

6 (b) PROGRAM.—The Secretary shall carry out a Na-  
7 tional Geological and Geophysical Data Preservation Pro-  
8 gram in accordance with this section—

9 (1) to archive geologic, geophysical, and engi-  
10 neering data, maps, well logs, and samples;

11 (2) to provide a national catalog of such archi-  
12 val material; and

13 (3) to provide technical and financial assistance  
14 related to the archival material.

15 (c) PLAN.—Not later than 1 year after the date of  
16 enactment of this Act, the Secretary shall submit to Con-  
17 gress a plan for the implementation of the Program.

18 (d) DATA ARCHIVE SYSTEM.—

19 (1) ESTABLISHMENT.—The Secretary shall es-  
20 tablish, as a component of the Program, a data ar-  
21 chive system to provide for the storage, preservation,  
22 and archiving of subsurface, surface, geological, geo-  
23 physical, and engineering data and samples. The  
24 Secretary, in consultation with the Advisory Com-  
25 mittee, shall develop guidelines relating to the data

1 archive system, including the types of data and sam-  
2 ples to be preserved.

3 (2) SYSTEM COMPONENTS.—The system shall  
4 be comprised of State agencies that elect to be part  
5 of the system and agencies within the Department  
6 of the Interior that maintain geological and geo-  
7 physical data and samples that are designated by  
8 the Secretary in accordance with this subsection.  
9 The Program shall provide for the storage of data  
10 and samples through data repositories operated by  
11 such agencies.

12 (3) LIMITATION OF DESIGNATION.—The Sec-  
13 retary may not designate a State agency as a com-  
14 ponent of the data archive system unless that agency  
15 is the agency that acts as the geological survey in  
16 the State.

17 (4) DATA FROM FEDERAL LAND.—The data ar-  
18 chive system shall provide for the archiving of rel-  
19 evant subsurface data and samples obtained from  
20 Federal land—

21 (A) in the most appropriate repository des-  
22 ignated under paragraph (2), with preference  
23 being given to archiving data in the State in  
24 which the data were collected; and

(B) consistent with all applicable law and requirements relating to confidentiality and proprietary data.

4 (e) NATIONAL CATALOG.—

9 (A) data and samples available in the data  
10 archive system established under subsection (d);

13 (C) the means of accessing the material.

19 (f) ADVISORY COMMITTEE.—

20                   (1) IN GENERAL.—The Advisory Committee  
21 shall advise the Secretary on planning and imple-  
22 mentation of the Program.

1       (43 U.S.C. 31a et seq.), the Advisory Committee  
2 shall perform the following duties:

3                 (A) Advise the Secretary on developing  
4 guidelines and procedures for providing assistance  
5 for facilities under subsection (g)(1).

6                 (B) Review and critique the draft implementation plan prepared by the Secretary under  
7 subsection (c).

8                 (C) Identify useful studies of data archived  
9 under the Program that will advance understanding  
10 of the Nation's energy and mineral resources, geologic hazards, and engineering geology.

11                 (D) Review the progress of the Program in  
12 archiving significant data and preventing the  
13 loss of such data, and the scientific progress of  
14 the studies funded under the Program.

15                 (E) Include in the annual report to the  
16 Secretary required under section 5(b)(3) of the  
17 National Geologic Mapping Act of 1992 (43  
18 U.S.C. 31d(b)(3)) an evaluation of the progress  
19 of the Program toward fulfilling the purposes of  
20 the Program under subsection (b).

21                 (g) FINANCIAL ASSISTANCE.—  
22

1                     (1) ARCHIVE FACILITIES.—Subject to the avail-  
2         ability of appropriations, the Secretary shall provide  
3         financial assistance to a State agency that is des-  
4         signated under subsection (d)(2) for providing facili-  
5         ties to archive energy material.

6                     (2) STUDIES.—Subject to the availability of ap-  
7         propriations, the Secretary shall provide financial as-  
8         sistance to any State agency designated under sub-  
9         section (d)(2) for studies and technical assistance  
10       activities that enhance understanding, interpreta-  
11       tion, and use of materials archived in the data ar-  
12       chive system established under subsection (d).

13                    (3) FEDERAL SHARE.—The Federal share of  
14       the cost of an activity carried out with assistance  
15       under this subsection shall be not more than 50 per-  
16       cent of the total cost of the activity.

17                    (4) PRIVATE CONTRIBUTIONS.—The Secretary  
18       shall apply to the non-Federal share of the cost of  
19       an activity carried out with assistance under this  
20       subsection the value of private contributions of prop-  
21       erty and services used for that activity.

22                   (h) REPORT.—The Secretary shall include in each re-  
23       port under section 8 of the National Geologic Mapping Act  
24       of 1992 (43 U.S.C. 31g)—

25                     (1) a description of the status of the Program;

8           (i) MAINTENANCE OF STATE EFFORT.—It is the in-  
9 tent of Congress that the States not use this section as  
10 an opportunity to reduce State resources applied to the  
11 activities that are the subject of the Program.

12 (j) DEFINITIONS.—In this section:

(4) SURVEY.—The term “Survey” means the  
United States Geological Survey.

1       (k) AUTHORIZATION OF APPROPRIATIONS.—There  
2 are authorized to be appropriated to carry out this section  
3 \$30,000,000 for each of fiscal years 2004 through 2008.

4 **SEC. 323. OIL AND GAS LEASE ACREAGE LIMITATIONS.**

5       Section 27(d)(1) of the Mineral Leasing Act (30  
6 U.S.C. 184(d)(1)) is amended by inserting after “acreage  
7 held in special tar sand areas” the following: “, and acre-  
8 age under any lease any portion of which has been com-  
9 mitted to a federally approved unit or cooperative plan or  
10 communitization agreement or for which royalty (includ-  
11 ing compensatory royalty or royalty in-kind) was paid in  
12 the preceding calendar year.”.

13 **SEC. 324. ASSESSMENT OF DEPENDENCE OF STATE OF HA-**

14                   **WAII ON OIL.**

15       (a) ASSESSMENT.—The Secretary of Energy shall as-  
16 sess the economic implication of the dependence of the  
17 State of Hawaii on oil as the principal source of energy  
18 for the State, including—

19                   (1) the short- and long-term prospects for crude  
20 oil supply disruption and price volatility and poten-  
21 tial impacts on the economy of Hawaii;

22                   (2) the economic relationship between oil-fired  
23 generation of electricity from residual fuel and re-  
24 fined petroleum products consumed for ground, ma-  
25 rine, and air transportation;

(3) the technical and economic feasibility of increasing the contribution of renewable energy resources for generation of electricity, on an island-by-island basis, including—

5 (A) siting and facility configuration;

(B) environmental, operational, and safety  
considerations;

8 (C) the availability of technology;

13 (F) community support; and

14 (G) other factors affecting the economic  
15 impact of such an increase and any effect on  
16 the economic relationship described in para-  
17 graph (2);

24 (A) the availability of supply;

(B) siting and facility configuration for on-shore and offshore liquified natural gas receiving terminals;

7                         (5) the technical and economic feasibility of  
8                         using renewable energy sources (including hydrogen)  
9                         for ground, marine, and air transportation energy  
10                        applications to displace the use of refined petroleum  
11                        products, on an island-by-island basis, and the eco-  
12                        nomic impact of the displacement on the relationship  
13                        described in (2); and

19 (b) CONTRACTING AUTHORITY.—The Secretary of  
20 Energy may carry out the assessment under subsection  
21 (a) directly or, in whole or in part, through 1 or more  
22 contracts with qualified public or private entities.

23 (c) REPORT.—Not later than 300 days after the date  
24 of enactment of this Act, the Secretary of Energy shall  
25 prepare, in consultation with agencies of the State of Ha-

1 waii and other stakeholders, as appropriate, and submit  
2 to Congress, a report detailing the findings, conclusions,  
3 and recommendations resulting from the assessment.

4 (d) AUTHORIZATION OF APPROPRIATIONS.—There  
5 are authorized to be appropriated such sums as are nec-  
6 essary to carry out this section.

7 **SEC. 325. DEADLINE FOR DECISION ON APPEALS OF CON-**  
8 **SISTENCY DETERMINATION UNDER THE**  
9 **COASTAL ZONE MANAGEMENT ACT OF 1972.**

10 (a) IN GENERAL.—Section 319 of the Coastal Zone  
11 Management Act of 1972 (16 U.S.C. 1465) is amended  
12 to read as follows:

13 “APPEALS TO THE SECRETARY

14 “SEC. 319. (a) NOTICE.—The Secretary shall publish  
15 an initial notice in the Federal Register not later than 30  
16 days after the date of the filing of any appeal to the Sec-  
17 retary of a consistency determination under section 307.

18 “(b) CLOSURE OF RECORD.—

19 “(1) IN GENERAL.—Not later than the end of  
20 the 120-day period beginning on the date of publica-  
21 tion of an initial notice under subsection (a), the  
22 Secretary shall receive no more filings on the appeal  
23 and the administrative record regarding the appeal  
24 shall be closed.

25 “(2) NOTICE.—Upon the closure of the admin-  
26 istrative record, the Secretary shall immediately

1 publish a notice that the administrative record has  
2 been closed.

3 “(c) DEADLINE FOR DECISION.—The Secretary shall  
4 issue a decision in any appeal filed under section 307 not  
5 later than 120 days after the closure of the administrative  
6 record.

7 “(d) APPLICATION.—This section applies to appeals  
8 initiated by the Secretary and appeals filed by an appli-  
9 cant.”.

10 (b) APPLICATION.—

11 (1) IN GENERAL.—Except as provided in para-  
12 graph (2), the amendment made by subsection (a)  
13 shall apply with respect to any appeal initiated or  
14 filed before, on, or after the date of enactment of  
15 this Act.

16 (2) LIMITATION.—Subsection (a) of section 319  
17 of the Coastal Zone Management Act of 1972 (as  
18 amended by subsection (a)) shall not apply with re-  
19 spect to an appeal initiated or filed before the date  
20 of enactment of this Act.

21 (c) CLOSURE OF RECORD FOR APPEAL FILED BE-  
22 FORE DATE OF ENACTMENT.—Notwithstanding section  
23 319(b)(1) of the Coastal Zone Management Act of 1972  
24 (as amended by this section), in the case of an appeal of  
25 a consistency determination under section 307 of that Act

1 initiated or filed before the date of enactment of this Act,  
2 the Secretary of Commerce shall receive no more filings  
3 on the appeal and the administrative record regarding the  
4 appeal shall be closed not later than 120 days after the  
5 date of enactment of this Act.

6 **SEC. 326. REIMBURSEMENT FOR COSTS OF NEPA ANAL-**

7 **YSES, DOCUMENTATION, AND STUDIES.**

8 (a) IN GENERAL.—The Mineral Leasing Act is  
9 amended by inserting after section 37 (30 U.S.C. 193)  
10 the following:

11 “REIMBURSEMENT FOR COSTS OF CERTAIN ANALYSES,

12 DOCUMENTATION, AND STUDIES

13 “SEC. 38. (a) IN GENERAL.—The Secretary of the  
14 Interior may reimburse a person that is a lessee, operator,  
15 operating rights owner, or applicant for any lease under  
16 this Act for reasonable amounts paid by the person for  
17 preparation for the Secretary by a contractor or other per-  
18 son selected by the Secretary of any project-level analysis,  
19 documentation, or related study required pursuant to the  
20 National Environmental Policy Act of 1969 (42 U.S.C.  
21 4321 et seq.) with respect to the lease.

22 “(b) CONDITIONS.—The Secretary may provide reim-  
23 bursement under subsection (a) only if—

24 “(1) adequate funding to enable the Secretary  
25 to timely prepare the analysis, documentation, or re-  
26 lated study is not appropriated;

1               “(2) the person paid the costs voluntarily;

2               “(3) the person maintains records of its costs

3               in accordance with regulations issued by the Sec-

4               retary;

5               “(4) the reimbursement is in the form of a re-

6               duction in the Federal share of the royalty required

7               to be paid for the lease for which the analysis, docu-

8               mentation, or related study is conducted, and is

9               agreed to by the Secretary and the person reim-

10              bursed prior to commencing the analysis, docu-

11              mentation, or related study; and

12              “(5) the agreement required under paragraph

13              (4) contains provisions—

14               “(A) reducing royalties owed on lease pro-

15               duction based on market prices;

16               “(B) stipulating an automatic termination

17               of the royalty reduction upon recovery of docu-

18               mented costs; and

19               “(C) providing a process by which the les-

20               see may seek reimbursement for circumstances

21               in which production from the specified lease is

22               not possible.”.

23              (b) APPLICATION.—The amendment made by this

24              section shall apply with respect to an analysis, documenta-

25              tion, or a related study conducted on or after the date

1 of enactment of this Act for any lease entered into before,  
2 on, or after the date of enactment of this Act.

3 (c) DEADLINE FOR REGULATIONS.—The Secretary  
4 shall issue regulations implementing the amendment made  
5 by this section by not later than 1 year after the date  
6 of enactment of this Act.

7 **SEC. 327. HYDRAULIC FRACTURING.**

8 Paragraph (1) of section 1421(d) of the Safe Drinking  
9 Water Act (42 U.S.C. 300h(d)) is amended to read  
10 as follows:

11 “(1) UNDERGROUND INJECTION.—The term  
12 ‘underground injection’—

13 “(A) means the subsurface emplacement of  
14 fluids by well injection; and

15 “(B) excludes—

16 “(i) the underground injection of natural  
17 gas for purposes of storage; and

18 “(ii) the underground injection of  
19 fluids or propping agents pursuant to hy-  
20draulic fracturing operations related to oil  
21 or gas production activities.”.

## 1 SEC. 328. OIL AND GAS EXPLORATION AND PRODUCTION

2 **DEFINED.**

3       Section 502 of the Federal Water Pollution Control  
4 Act (33 U.S.C. 1362) is amended by adding at the end  
5 the following:

6           “(24) OIL AND GAS EXPLORATION AND PRO-  
7       DUCTION.—The term ‘oil and gas exploration, pro-  
8       duction, processing, or treatment operations or  
9       transmission facilities’ means all field activities or  
10      operations associated with exploration, production,  
11      processing, or treatment operations, or transmission  
12      facilities, including activities necessary to prepare a  
13      site for drilling and for the movement and placement  
14      of drilling equipment, whether or not such field ac-  
15      tivities or operations may be considered to be con-  
16      struction activities.”.

17 **SEC. 329. OUTER CONTINENTAL SHELF PROVISIONS.**

18       (a) STORAGE ON THE OUTER CONTINENTAL  
19 SHELF.—Section 5(a)(5) of the Outer Continental Shelf  
20 Lands Act (43 U.S.C. 1334(a)(5)) is amended by insert-  
21 ing “from any source” after “oil and gas”.

22       (b) DEEPWATER PROJECTS.—Section 6 of the Deep-  
23 water Port Act of 1974 (33 U.S.C. 1505) is amended by  
24 adding at the end the following:

25           “(d) RELIANCE ON ACTIVITIES OF OTHER AGEN-  
26 CIES.—In fulfilling the requirements of section 5(f)—

1               “(1) to the extent that other Federal agencies  
2 have prepared environmental impact statements, are  
3 conducting studies, or are monitoring the affected  
4 human, marine, or coastal environment, the Sec-  
5 retary may use the information derived from those  
6 activities in lieu of directly conducting such activi-  
7 ties; and

8               “(2) the Secretary may use information ob-  
9 tained from any State or local government or from  
10 any person.”.

11              (c) NATURAL GAS DEFINED.—Section 3(13) of the  
12 Deepwater Port Act of 1974 (33 U.S.C. 1502(13)) is  
13 amended to read as follows:

14              “(13) natural gas means—

15                “(A) natural gas unmixed; or

16                “(B) any mixture of natural or artificial  
17                gas, including compressed or liquefied natural  
18                gas, natural gas liquids, liquefied petroleum  
19                gas, and condensate recovered from natural  
20                gas;”.

21 **SEC. 330. APPEALS RELATING TO PIPELINE CONSTRUC-**  
22 **TION OR OFFSHORE MINERAL DEVELOP-**  
23 **MENT PROJECTS.**

24              (a) AGENCY OF RECORD, PIPELINE CONSTRUCTION  
25 PROJECTS.—Any Federal administrative agency pro-

1 ceeding that is an appeal or review under section 319 of  
2 the Coastal Zone Management Act of 1972 (16 U.S.C.  
3 1465), as amended by this Act, related to Federal author-  
4 ity for an interstate natural gas pipeline construction  
5 project, including construction of natural gas storage and  
6 liquefied natural gas facilities, shall use as its exclusive  
7 record for all purposes the record compiled by the Federal  
8 Energy Regulatory Commission pursuant to the Commis-  
9 sion's proceeding under sections 3 and 7 of the Natural  
10 Gas Act (15 U.S.C. 717b, 717f).

11 (b) SENSE OF CONGRESS.—It is the sense of Con-  
12 gress that all Federal and State agencies with jurisdiction  
13 over interstate natural gas pipeline construction activities  
14 should coordinate their proceedings within the timeframes  
15 established by the Federal Energy Regulatory Commission  
16 when the Commission is acting under sections 3 and 7  
17 of the Natural Gas Act (15 U.S.C. 717b, 717f) to deter-  
18 mine whether a certificate of public convenience and neces-  
19 sity should be issued for a proposed interstate natural gas  
20 pipeline.

21 (c) AGENCY OF RECORD, OFFSHORE MINERAL DE-  
22 VELOPMENT PROJECTS.—Any Federal administrative  
23 agency proceeding that is an appeal or review under sec-  
24 tion 319 of the Coastal Zone Management Act of 1972  
25 (16 U.S.C. 1465), as amended by this Act, related to Fed-

1 eral authority for the permitting, approval, or other au-  
2 thorization of energy projects, including projects to ex-  
3 plore, develop, or produce mineral resources in or under-  
4 lying the outer Continental Shelf shall use as its exclusive  
5 record for all purposes (except for the filing of pleadings)  
6 the record compiled by the relevant Federal permitting  
7 agency.

8 **SEC. 331. BILATERAL INTERNATIONAL OIL SUPPLY AGRE-  
9 MENTS.**

10 (a) IN GENERAL.—Notwithstanding any other provi-  
11 sion of law, the President may export oil to, or secure oil  
12 for, any country pursuant to a bilateral international oil  
13 supply agreement entered into by the United States with  
14 the country before June 25, 1979, or to any country pur-  
15 suant to the International Emergency Oil Sharing Plan  
16 of the International Energy Agency.

17 (b) MEMORANDUM OF AGREEMENT.—The following  
18 agreements are deemed to have entered into force by oper-  
19 ation of law and are deemed to have no termination date:  
20 (1) The agreement entitled “Agreement amend-  
21 ing and extending the memorandum of agreement of  
22 June 22, 1979”, entered into force November 13,  
23 1994 (TIAS 12580).

24 (2) The agreement entitled “Agreement amend-  
25 ing the contingency implementing arrangements of

1       October 17, 1980", entered into force June 27,  
2       1995 (TIAS 12670).

3   **SEC. 332. NATURAL GAS MARKET REFORM.**

4       (a) CLARIFICATION OF EXISTING CFTC AUTHOR-  
5    ITY.—

6               (1) FALSE REPORTING.—Section 9(a)(2) of the  
7       Commodity Exchange Act (7 U.S.C. 13(a)(2)) is  
8       amended by striking "false or misleading or know-  
9       ingly inaccurate reports" and inserting "knowingly  
10      false or knowingly misleading or knowingly inac-  
11      curate reports".

12              (2) COMMISSION ADMINISTRATIVE AND CIVIL  
13    AUTHORITY.—Section 9 of the Commodity Exchange  
14    Act (7 U.S.C. 13) is amended by redesignating sub-  
15    section (f) as subsection (e), and adding:

16              "(f) COMMISSION ADMINISTRATIVE AND CIVIL AU-  
17    THORITY.—The Commission may bring administrative or  
18    civil actions as provided in this Act against any person  
19    for a violation of any provision of this section including,  
20    but not limited to, false reporting under subsection  
21    (a)(2).".

22              (3) EFFECT OF AMENDMENTS.—The amend-  
23    ments made by paragraphs (1) and (2) restate, with-  
24    out substantive change, existing burden of proof pro-  
25    visions and existing Commission civil enforcement

1 authority, respectively. These clarifying changes do  
2 not alter any existing burden of proof or grant any  
3 new statutory authority. The provisions of this sec-  
4 tion, as restated herein, continue to apply to any ac-  
5 tion pending on or commenced after the date of en-  
6 actment of this Act for any act, omission, or viola-  
7 tion occurring before, on, or after, such date of en-  
8 actment.

9 (b) FRAUD AUTHORITY.—Section 4b of the Com-  
10 modity Exchange Act (7 U.S.C. 6b) is amended—

11 (1) by redesignating subsections (b) and (c) as  
12 subsections (c) and (d), respectively; and

13 (2) by striking subsection (a) and inserting the  
14 following:

15 “(a) It shall be unlawful—

16 “(1) for any person, in or in connection with  
17 any order to make, or the making of, any contract  
18 of sale of any commodity for future delivery or in  
19 interstate commerce, that is made, or to be made, on  
20 or subject to the rules of a designated contract mar-  
21 ket, for or on behalf of any other person; or

22 “(2) for any person, in or in connection with  
23 any order to make, or the making of, any contract  
24 of sale of any commodity for future delivery, or  
25 other agreement, contract, or transaction subject to

1       section 5a(g) (1) and (2) of this Act, that is made,  
2       or to be made, for or on behalf of, or with, any other  
3       person, other than on or subject to the rules of a  
4       designated contract market—

5                 “(A) to cheat or defraud or attempt to  
6       cheat or defraud such other person;

7                 “(B) willfully to make or cause to be made  
8       to such other person any false report or state-  
9       ment or willfully to enter or cause to be entered  
10      for such other person any false record;

11                 “(C) willfully to deceive or attempt to de-  
12       ceive such other person by any means whatso-  
13       ever in regard to any order or contract or the  
14       disposition or execution of any order or con-  
15       tract, or in regard to any act of agency per-  
16       formed, with respect to any order or contract  
17       for or, in the case of subsection (a)(2), with  
18       such other person; or

19                 “(D)(i) to bucket an order if such order is  
20       either represented by such person as an order  
21       to be executed, or required to be executed, on  
22       or subject to the rules of a designated contract  
23       market; or

24                 “(ii) to fill an order by offset against the  
25       order or orders of any other person, or willfully

1           and knowingly and without the prior consent of  
2           such other person to become the buyer in re-  
3           spect to any selling order of such other person,  
4           or become the seller in respect to any buying  
5           order of such other person, if such order is ei-  
6           ther represented by such person as an order to  
7           be executed, or required to be executed, on or  
8           subject to the rules of a designated contract  
9           market.

10          “(b) Subsection (a)(2) shall not obligate any person,  
11         in connection with a transaction in a contract of sale of  
12         a commodity for future delivery, or other agreement, con-  
13         tract or transaction subject to section 5a(g) (1) and (2)  
14         of this Act, with another person, to disclose to such other  
15         person nonpublic information that may be material to the  
16         market price of such commodity or transaction, except as  
17         necessary to make any statement made to such other per-  
18         son in connection with such transaction, not misleading  
19         in any material respect.”.

20          (c) JURISDICTION OF THE CFTC.—The Natural Gas  
21         Act (15 U.S.C. 717 et seq.) is amended by adding at the  
22         end:

23         **“SEC. 26. JURISDICTION.**

24          “This Act shall not affect the exclusive jurisdiction  
25         of the Commodity Futures Trading Commission with re-

1 spect to accounts, agreements, contracts, or transactions  
2 in commodities under the Commodity Exchange Act (7  
3 U.S.C. 1 et seq.). Any request for information by the Com-  
4 mission to a designated contract market, registered deriva-  
5 tives transaction execution facility, board of trade, ex-  
6 change, or market involving accounts, agreements, con-  
7 tracts, or transactions in commodities (including natural  
8 gas, electricity, and other energy commodities) within the  
9 exclusive jurisdiction of the Commodity Futures Trading  
10 Commission shall be directed to the Commodity Futures  
11 Trading Commission, which shall cooperate in responding  
12 to any information request by the Commission.”.

13 (d) INCREASED PENALTIES.—Section 21 of the Nat-  
14 ural Gas Act (15 U.S.C. 717t) is amended—

15 (1) in subsection (a)—  
16 (A) by striking “\$5,000” and inserting  
17 “\$1,000,000”; and  
18 (B) by striking “two years” and inserting  
19 “5 years”; and  
20 (2) in subsection (b), by striking “\$500” and  
21 inserting “\$50,000”.

22 **SEC. 333. NATURAL GAS MARKET TRANSPARENCY.**

23 The Natural Gas Act (15 U.S.C. 717 et seq.) is  
24 amended—

1                   (1) by redesignating section 24 as section 25;

2                   and

3                   (2) by inserting after section 23 the following:

4                   **“SEC. 24. NATURAL GAS MARKET TRANSPARENCY.**

5                   “(a) AUTHORIZATION.—(1) Not later than 180 days  
6 after the date of enactment of the Energy Policy Act of  
7 2003, the Federal Energy Regulatory Commission shall  
8 issue rules directing all entities subject to the Commis-  
9 sion’s jurisdiction as provided under this Act to timely re-  
10 port information about the availability and prices of nat-  
11 ural gas sold at wholesale in interstate commerce to the  
12 Commission and price publishers.

13                  “(2) The Commission shall evaluate the data for ade-  
14 quate price transparency and accuracy.

15                  “(3) Rules issued under this subsection requiring the  
16 reporting of information to the Commission that may be-  
17 come publicly available shall be limited to aggregate data  
18 and transaction-specific data that are otherwise required  
19 by the Commission to be made public.

20                  “(4) In exercising its authority under this section, the  
21 Commission shall not—

22                   “(A) compete with, or displace from the market  
23 place, any price publisher; or

24                   “(B) regulate price publishers or impose any re-  
25 quirements on the publication of information.

1       “(b) TIMELY ENFORCEMENT.—No person shall be  
2 subject to any penalty under this section with respect to  
3 a violation occurring more than 3 years before the date  
4 on which the Federal Energy Regulatory Commission  
5 seeks to assess a penalty.

6       “(c) LIMITATION ON COMMISSION AUTHORITY.—(1)  
7 The Commission shall not condition access to interstate  
8 pipeline transportation upon the reporting requirements  
9 authorized under this section.

10       “(2) Natural gas sales by a producer that are attrib-  
11 utable to volumes of natural gas produced by such pro-  
12 ducer shall not be subject to the rules issued pursuant to  
13 this section

14        “(3) The Commission shall not require natural gas  
15 producers, processors, or users who have a de minimis  
16 market presence to participate in the reporting require-  
17 ments provided in this section.”

## **18 Subtitle C—Access to Federal Land**

**19 SEC. 341. OFFICE OF FEDERAL ENERGY PROJECT COORDI-**

**20 NATION.**

21       (a) ESTABLISHMENT.—The President shall establish  
22 the Office of Federal Energy Project Coordination (re-  
23 ferred to in this section as the “Office”) within the Execu-  
24 tive Office of the President in the same manner and with  
25 the same mission as the White House Energy Projects

1 Task Force established by Executive Order No. 13212 (42  
2 U.S.C. 13201 note).

3 (b) STAFFING.—The Office shall be staffed by func-  
4 tional experts from relevant Federal agencies on a non-  
5 reimbursable basis to carry out the mission of the Office.

6 (c) REPORT.—The Office shall transmit an annual  
7 report to Congress that describes the activities put in place  
8 to coordinate and expedite Federal decisions on energy  
9 projects. The report shall list accomplishments in improv-  
10 ing the Federal decisionmaking process and shall include  
11 any additional recommendations or systemic changes  
12 needed to establish a more effective and efficient Federal  
13 permitting process.

14 **SEC. 342. FEDERAL ONSHORE OIL AND GAS LEASING AND**  
15 **PERMITTING PRACTICES.**

16 (a) REVIEW OF ONSHORE OIL AND GAS LEASING  
17 PRACTICES.—

18 (1) IN GENERAL.—The Secretary of the Inter-  
19 rior, in consultation with the Secretary of Agri-  
20 culture with respect to National Forest System lands  
21 under the jurisdiction of the Department of Agri-  
22 culture, shall perform an internal review of current  
23 Federal onshore oil and gas leasing and permitting  
24 practices.

1                         (2) INCLUSIONS.—The review shall include the  
2                         process for—

3                                 (A) accepting or rejecting offers to lease;  
4                                 (B) administrative appeals of decisions or  
5                                 orders of officers or employees of the Bureau of  
6                                 Land Management with respect to a Federal oil  
7                                 or gas lease;

8                                 (C) considering surface use plans of oper-  
9                                 ation, including the timeframes in which the  
10                                 plans are considered, and any recommendations  
11                                 for improving and expediting the process; and

12                                 (D) identifying stipulations to address site-  
13                                 specific concerns and conditions, including those  
14                                 stipulations relating to the environment and re-  
15                                 source use conflicts.

16                         (b) REPORT.—Not later than 180 days after the date  
17                                 of enactment of this Act, the Secretary of the Interior and  
18                                 the Secretary of Agriculture shall transmit a report to  
19                                 Congress that describes—

20                                 (1) actions taken under section 3 of Executive  
21                                 Order No. 13212 (42 U.S.C. 13201 note); and

22                                 (2) actions taken or any plans to improve the  
23                                 Federal onshore oil and gas leasing program.

1   **SEC. 343. MANAGEMENT OF FEDERAL OIL AND GAS LEAS-**

2           **ING PROGRAMS.**

3       (a) **TIMELY ACTION ON LEASES AND PERMITS.**—To  
4   ensure timely action on oil and gas leases and applications  
5   for permits to drill on land otherwise available for leasing,  
6   the Secretary of the Interior (in this section referred to  
7   as the “Secretary”) shall—

8              (1) ensure expeditious compliance with section  
9   102(2)(C) of the National Environmental Policy Act  
10   of 1969 (42 U.S.C. 4332(2)(C));

11              (2) improve consultation and coordination with  
12   the States and the public; and

13              (3) improve the collection, storage, and retrieval  
14   of information relating to the leasing activities.

15       (b) **BEST MANAGEMENT PRACTICES.**—

16              (1) **IN GENERAL.**—Not later than 18 months  
17   after the date of enactment of this Act, the Sec-  
18   retary shall develop and implement best manage-  
19   ment practices to—

20                  (A) improve the administration of the on-  
21   shore oil and gas leasing program under the  
22   Mineral Leasing Act (30 U.S.C. 181 et seq.);  
23   and

24                  (B) ensure timely action on oil and gas  
25   leases and applications for permits to drill on  
26   lands otherwise available for leasing.

1                         (2) CONSIDERATIONS.—In developing the best  
2                         management practices under paragraph (1), the Sec-  
3                         retary shall consider any recommendations from the  
4                         review under section 342.

5                         (3) REGULATIONS.—Not later than 180 days  
6                         after the development of best management practices  
7                         under paragraph (1), the Secretary shall publish, for  
8                         public comment, proposed regulations that set forth  
9                         specific timeframes for processing leases and appli-  
10                         cations in accordance with the practices, including  
11                         deadlines for—

12                         (A) approving or disapproving resource  
13                         management plans and related documents, lease  
14                         applications, and surface use plans; and  
15                         (B) related administrative appeals.

16                         (c) IMPROVED ENFORCEMENT.—The Secretary shall  
17                         improve inspection and enforcement of oil and gas activi-  
18                         ties, including enforcement of terms and conditions in per-  
19                         mits to drill.

20                         (d) AUTHORIZATION OF APPROPRIATIONS.—In addi-  
21                         tion to amounts authorized to be appropriated to carry  
22                         out section 17 of the Mineral Leasing Act (30 U.S.C.  
23                         226), there are authorized to be appropriated to the Sec-  
24                         retary for each of fiscal years 2004 through 2007—

- 1                   (1) \$40,000,000 to carry out subsections (a)  
2                   and (b); and  
3                   (2) \$20,000,000 to carry out subsection (c).

4 **SEC. 344. CONSULTATION REGARDING OIL AND GAS LEAS-  
5                   ING ON PUBLIC LAND.**

6                   (a) IN GENERAL.—Not later than 180 days after the  
7                   date of enactment of this Act, the Secretary of the Interior  
8                   and the Secretary of Agriculture shall enter into a memo-  
9                   randum of understanding regarding oil and gas leasing  
10                  on—

11                  (1) public lands under the jurisdiction of the  
12                  Secretary of the Interior; and  
13                  (2) National Forest System lands under the ju-  
14                  risdiction of the Secretary of Agriculture.

15                  (b) CONTENTS.—The memorandum of understanding  
16                  shall include provisions that—

17                  (1) establish administrative procedures and  
18                  lines of authority that ensure timely processing of oil  
19                  and gas lease applications, surface use plans of oper-  
20                  ation, and applications for permits to drill, including  
21                  steps for processing surface use plans and applica-  
22                  tions for permits to drill consistent with the  
23                  timelines established by the amendment made by  
24                  section 348;

1                         (2) eliminate duplication of effort by providing  
2                         for coordination of planning and environmental com-  
3                         pliance efforts; and

4                         (3) ensure that lease stipulations are—

5                             (A) applied consistently;  
6                             (B) coordinated between agencies; and  
7                             (C) only as restrictive as necessary to pro-  
8                         tect the resource for which the stipulations are  
9                         applied.

10                         (c) DATA RETRIEVAL SYSTEM.—

11                         (1) IN GENERAL.—Not later than 1 year after  
12                         the date of enactment of this Act, the Secretary of  
13                         the Interior and the Secretary of Agriculture shall  
14                         establish a joint data retrieval system that is capable  
15                         of—

16                             (A) tracking applications and formal re-  
17                         quests made in accordance with procedures of  
18                         the Federal onshore oil and gas leasing pro-  
19                         gram; and

20                             (B) providing information regarding the  
21                         status of the applications and requests within  
22                         the Department of the Interior and the Depart-  
23                         ment of Agriculture.

24                         (2) RESOURCE MAPPING.—Not later than 2  
25                         years after the date of enactment of this Act, the

1       Secretary of the Interior and the Secretary of Agri-  
2       culture shall establish a joint Geographic Informa-  
3       tion System mapping system for use in—

- 4                     (A) tracking surface resource values to aid  
5                     in resource management; and  
6                     (B) processing surface use plans of oper-  
7                     ation and applications for permits to drill.

8       **SEC. 345. ESTIMATES OF OIL AND GAS RESOURCES UNDER-**

9                     **LYING ONSHORE FEDERAL LAND.**

10      (a) ASSESSMENT.—Section 604 of the Energy Act of  
11     2000 (42 U.S.C. 6217) is amended—

12       (1) in subsection (a)—

13       (A) in paragraph (1)—

14       (i) by striking “reserve”; and

15       (ii) by striking “and” after the semi-  
16       colon; and

17       (B) by striking paragraph (2) and insert-  
18       ing the following:

19       “(2) the extent and nature of any restrictions  
20       or impediments to the development of the resources,  
21       including—

22       “(A) impediments to the timely granting of  
23       leases;

24       “(B) post-lease restrictions, impediments,  
25       or delays on development for conditions of ap-

1           proval, applications for permits to drill, or proc-  
2           essing of environmental permits; and

3           “(C) permits or restrictions associated with  
4           transporting the resources for entry into com-  
5           merce; and

6           “(3) the quantity of resources not produced or  
7           introduced into commerce because of the restric-  
8           tions.”;

9           (2) in subsection (b)—

10           (A) by striking “reserve” and inserting  
11           “resource”; and

12           (B) by striking “publically” and inserting  
13           “publicly”; and

14           (3) by striking subsection (d) and inserting the  
15           following:

16           “(d) ASSESSMENTS.—Using the inventory, the Sec-  
17           retary of Energy shall make periodic assessments of eco-  
18           nomically recoverable resources accounting for a range of  
19           parameters such as current costs, commodity prices, tech-  
20           nology, and regulations.”.

21           (b) METHODOLOGY.—The Secretary of the Interior  
22           shall use the same assessment methodology across all geo-  
23           logical provinces, areas, and regions in preparing and  
24           issuing national geological assessments to ensure accurate  
25           comparisons of geological resources.

1   **SEC. 346. COMPLIANCE WITH EXECUTIVE ORDER 13211; AC-**  
2                         **TIONS CONCERNING REGULATIONS THAT**  
3                         **SIGNIFICANTLY AFFECT ENERGY SUPPLY,**  
4                         **DISTRIBUTION, OR USE.**

5         (a) REQUIREMENT.—The head of each Federal agen-  
6 cy shall require that before the Federal agency takes any  
7 action that could have a significant adverse effect on the  
8 supply of domestic energy resources from Federal public  
9 land, the Federal agency taking the action shall comply  
10 with Executive Order No. 13211 (42 U.S.C. 13201 note).

11         (b) GUIDANCE.—Not later than 180 days after the  
12 date of enactment of this Act, the Secretary of Energy  
13 shall publish guidance for purposes of this section describ-  
14 ing what constitutes a significant adverse effect on the  
15 supply of domestic energy resources under Executive  
16 Order No. 13211 (42 U.S.C. 13201 note).

17         (c) MEMORANDUM OF UNDERSTANDING.—The Sec-  
18 retary of the Interior and the Secretary of Agriculture  
19 shall include in the memorandum of understanding under  
20 section 344 provisions for implementing subsection (a) of  
21 this section.

22   **SEC. 347. PILOT PROJECT TO IMPROVE FEDERAL PERMIT**  
23                         **COORDINATION.**

24         (a) ESTABLISHMENT.—The Secretary of the Interior  
25 (in this section referred to as the “Secretary”) shall estab-

1 lish a Federal Permit Streamlining Pilot Project (in this  
2 section referred to as the “Pilot Project”).

3 (b) MEMORANDUM OF UNDERSTANDING.—

4 (1) IN GENERAL.—Not later than 90 days after  
5 the date of enactment of this Act, the Secretary  
6 shall enter into a memorandum of understanding  
7 with the Secretary of Agriculture, the Administrator  
8 of the Environmental Protection Agency, and the  
9 Chief of Engineers of the Army Corps of Engineers  
10 for purposes of this section.

11 (2) STATE PARTICIPATION.—The Secretary  
12 may request that the Governors of Wyoming, Mon-  
13 tana, Colorado, Utah, and New Mexico be signato-  
14 ries to the memorandum of understanding.

15 (c) DESIGNATION OF QUALIFIED STAFF.—

16 (1) IN GENERAL.—Not later than 30 days after  
17 the date of the signing of the memorandum of un-  
18 derstanding under subsection (b), all Federal signa-  
19 tory parties shall assign to each of the field offices  
20 identified in subsection (d), on a nonreimbursable  
21 basis, an employee who has expertise in the regu-  
22 latory issues relating to the office in which the em-  
23 ployee is employed, including, as applicable, par-  
24 ticular expertise in—

(A) the consultations and the preparation  
of biological opinions under section 7 of the En-  
dangered Species Act of 1973 (16 U.S.C.  
1536).

(E) the preparation of analyses under the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

15                   (2) DUTIES.—Each employee assigned under  
16 paragraph (1) shall—

(B) be responsible for all issues relating to  
the jurisdiction of the home office or agency of  
the employee; and

(C) participate as part of the team of personnel working on proposed energy projects, planning, and environmental analyses.

4       (d) FIELD OFFICES.—The following Bureau of Land  
5 Management Field Offices shall serve as the Pilot Project  
6 offices:

- (1) Rawlins, Wyoming.
- (2) Buffalo, Wyoming.
- (3) Miles City, Montana
- (4) Farmington, New Mexico.
- (5) Carlsbad, New Mexico.
- (6) Glenwood Springs, Colorado.
- (7) Vernal, Utah.

14 (e) REPORTS.—Not later than 3 years after the date  
15 of enactment of this Act, the Secretary shall transmit to  
16 Congress a report that—

17 (1) outlines the results of the Pilot Project to  
18 date; and

22 (f) ADDITIONAL PERSONNEL.—The Secretary shall  
23 assign to each field office identified in subsection (d) any  
24 additional personnel that are necessary to ensure the ef-  
25 fective implementation of—

8       (g) SAVINGS PROVISION.—Nothing in this section af-  
9 fects—

10                   (1) the operation of any Federal or State law;  
11                  or

15 SEC. 348. DEADLINE FOR CONSIDERATION OF APPLICA-  
16 TIONS FOR PERMITS.

17 Section 17 of the Mineral Leasing Act (30 U.S.C.  
18 226) is amended by adding at the end the following:

19        "(p) DEADLINES FOR CONSIDERATION OF APPLICA-  
20 TIONS FOR PERMITS —

21               “(1) IN GENERAL.—Not later than 10 days  
22               after the date on which the Secretary receives an ap-  
23               plication for any permit to drill, the Secretary  
24               shall—

1                 “(A) notify the applicant that the applica-  
2                 tion is complete; or

3                 “(B) notify the applicant that information  
4                 is missing and specify any information that is  
5                 required to be submitted for the application to  
6                 be complete.

7                 “(2) ISSUANCE OR DEFERRAL.—Not later than  
8                 30 days after the applicant for a permit has sub-  
9                 mitted a complete application, the Secretary shall—

10                 “(A) issue the permit; or

11                 “(B)(i) defer decision on the permit; and

12                 “(ii) provide to the applicant a notice that  
13                 specifies any steps that the applicant could take  
14                 for the permit to be issued.

15                 “(3) REQUIREMENTS FOR DEFERRED APPLICA-  
16                 TIONS.—

17                 “(A) IN GENERAL.—If the Secretary pro-  
18                 vides notice under paragraph (2)(B)(ii), the ap-  
19                 plicant shall have a period of 2 years from the  
20                 date of receipt of the notice in which to com-  
21                 plete all requirements specified by the Sec-  
22                 retary, including providing information needed  
23                 for compliance with the National Environmental  
24                 Policy Act of 1969 (42 U.S.C. 4321 et seq.).

1                 “(B) ISSUANCE OF DECISION ON PER-  
2                 MIT.—If the applicant completes the require-  
3                 ments within the period specified in subpara-  
4                 graph (A), the Secretary shall issue a decision  
5                 on the permit not later than 10 days after the  
6                 date of completion of the requirements de-  
7                 scribed in subparagraph (A).

8                 “(C) DENIAL OF PERMIT.—If the appli-  
9                 cant does not complete the requirements within  
10                 the period specified in subparagraph (A), the  
11                 Secretary shall deny the permit.

12                 “(q) REPORT.—On a quarterly basis, each field office  
13                 of the Bureau of Land Management and the Forest Serv-  
14                 ice shall transmit to the Secretary of the Interior or the  
15                 Secretary of Agriculture, respectively, a report that—

16                 “(1) specifies the number of applications for  
17                 permits to drill received by the field office in the pe-  
18                 riod covered by the report; and

19                 “(2) describes how each of the applications was  
20                 disposed of by the field office.”.

21                 **SEC. 349. CLARIFICATION OF FAIR MARKET RENTAL VALUE**  
22                 **DETERMINATIONS FOR PUBLIC LAND AND**  
23                 **FOREST SERVICE RIGHTS-OF-WAY.**

24                 (a) LINEAR RIGHTS-OF-WAY UNDER FEDERAL  
25                 LAND POLICY AND MANAGEMENT ACT OF 1976.—Section

1 504 of the Federal Land Policy and Management Act of  
2 1976 (43 U.S.C. 1764) is amended by adding at the end  
3 the following:

4       **“(k) DETERMINATION OF FAIR MARKET VALUE OF  
5 LINEAR RIGHTS-OF-WAY.—**

6           “(1) IN GENERAL.—Effective beginning on the  
7 date of the issuance of the rules required by para-  
8 graph (2), for purposes of subsection (g), the Sec-  
9 retary concerned shall determine the fair market  
10 value for the use of land encumbered by a linear  
11 right-of-way granted, issued, or renewed under this  
12 title using the valuation method described in para-  
13 graphs (2), (3), and (4).

14           “(2) REVISIONS.—Not later than 1 year after  
15 the date of enactment of this subsection—

16           “(A) the Secretary of the Interior shall  
17 amend section 2803.1–2 of title 43, Code of  
18 Federal Regulations, as in effect on the date of  
19 enactment of this subsection, to revise the per  
20 acre rental fee zone value schedule by State,  
21 county, and type of linear right-of-way use to  
22 reflect current values of land in each zone; and

23           “(B) the Secretary of Agriculture shall  
24 make the same revision for linear rights-of-way

1           granted, issued, or renewed under this title on  
2           National Forest System land.

3           “(3) UPDATES.—The Secretary concerned shall  
4           annually update the schedule revised under para-  
5           graph (2) by multiplying the current year’s rental  
6           per acre by the annual change, second quarter to  
7           second quarter (June 30 to June 30) in the Gross  
8           National Product Implicit Price Deflator Index pub-  
9           lished in the Survey of Current Business of the De-  
10          partment of Commerce, Bureau of Economic Anal-  
11          ysis.

12          “(4) REVIEW.—If the cumulative change in the  
13          index referred to in paragraph (3) exceeds 30 per-  
14          cent, or the change in the 3-year average of the 1-  
15          year Treasury interest rate used to determine per  
16          acre rental fee zone values exceeds plus or minus 50  
17          percent, the Secretary concerned shall conduct a re-  
18          view of the zones and rental per acre figures to de-  
19          termine whether the value of Federal land has dif-  
20          fered sufficiently from the index referred to in para-  
21          graph (3) to warrant a revision in the base zones  
22          and rental per acre figures. If, as a result of the re-  
23          view, the Secretary concerned determines that such  
24          a revision is warranted, the Secretary concerned  
25          shall revise the base zones and rental per acre fig-

1       ures accordingly. Any revision of base zones and  
2       rental per acre figure shall only affect lease rental  
3       rates at inception or renewal.”.

4       (b) RIGHTS-OF-WAY UNDER MINERAL LEASING  
5 ACT.—Section 28(l) of the Mineral Leasing Act (30  
6 U.S.C. 185(l)) is amended by inserting before the period  
7 at the end the following: “using the valuation method de-  
8 scribed in section 2803.1–2 of title 43, Code of Federal  
9 Regulations, as revised in accordance with section 504(k)  
10 of the Federal Land Policy and Management Act of 1976  
11 (43 U.S.C. 1764(k))”.

12 **SEC. 350. ENERGY FACILITY RIGHTS-OF-WAY AND COR-  
13 RIDORS ON FEDERAL LAND.**

14 (a) REPORT TO CONGRESS.—

15           (1) IN GENERAL.—Not later than 1 year after  
16 the date of enactment of this Act, the Secretary of  
17 Agriculture and the Secretary of the Interior, in con-  
18 sultation with the Secretary of Commerce, the Sec-  
19 retary of Defense, the Secretary of Energy, and the  
20 Federal Energy Regulatory Commission, shall sub-  
21 mit to Congress a joint report—

22           (A) that addresses—

23           (i) the location of existing rights-of-  
24 way and designated and de facto corridors  
25 for oil and gas pipelines and electric trans-

1                   mission and distribution facilities on Fed-  
2                   eral land; and

3                         (ii) opportunities for additional oil  
4                         and gas pipeline and electric transmission  
5                         capacity within those rights-of-way and  
6                         corridors; and

7                         (B) that includes a plan for making avail-  
8                         able, on request, to the appropriate Federal,  
9                         State, and local agencies, tribal governments,  
10                         and other persons involved in the siting of oil  
11                         and gas pipelines and electricity transmission  
12                         facilities Geographic Information System-based  
13                         information regarding the location of the exist-  
14                         ing rights-of-way and corridors and any planned  
15                         rights-of-way and corridors.

16                         (2) CONSULTATIONS AND CONSIDERATIONS.—  
17                         In preparing the report, the Secretary of the Interior  
18                         and the Secretary of Agriculture shall consult  
19                         with—

20                         (A) other agencies of Federal, State, tribal,  
21                         or local units of government, as appropriate;

22                         (B) persons involved in the siting of oil  
23                         and gas pipelines and electric transmission fa-  
24                         cilities; and

25                         (C) other interested members of the public.

(3) LIMITATION.—The Secretary of the Interior and the Secretary of Agriculture shall limit the distribution of the report and Geographic Information System-based information referred to in paragraph (1) as necessary for national and infrastructure security reasons, if either Secretary determines that the information may be withheld from public disclosure under a national security or other exception under section 552(b) of title 5, United States Code.

10 (b) CORRIDOR DESIGNATIONS.—

1                   Policy and Management Act of 1976 (43 U.S.C.  
2                   1702));

3                   (B) perform any environmental reviews  
4                   that may be required to complete the designa-  
5                   tions of corridors for the facilities on Federal  
6                   land in the eleven contiguous Western States;  
7                   and

8                   (C) incorporate the designated corridors  
9                   into—

10                  (i) the relevant departmental and  
11                  agency land use and resource management  
12                  plans; or

13                  (ii) equivalent plans.

14                  (2) OTHER STATES.—Not later than 4 years  
15                  after the date of enactment of this Act, the Sec-  
16                  retary of Agriculture, the Secretary of Commerce,  
17                  the Secretary of Defense, the Secretary of Energy,  
18                  and the Secretary of the Interior, in consultation  
19                  with the Federal Energy Regulatory Commission  
20                  and the affected utility industries, shall jointly—

21                  (A) identify corridors for oil and gas pipe-  
22                  lines and electricity transmission and distribu-  
23                  tion facilities on Federal land in the States  
24                  other than those described in paragraph (1);  
25                  and

(B) schedule prompt action to identify, designate, and incorporate the corridors into the land use plan.

(B) expedite applications to construct or modify oil and gas pipelines and electricity transmission and distribution facilities within the corridors, taking into account prior analyses and environmental reviews undertaken during the designation of corridors.

23 (c) CONSIDERATIONS.—In carrying out this section,  
24 the Secretaries shall take into account the need for up-

1 graded and new electricity transmission and distribution  
2 facilities to—  
3 (1) improve reliability;  
4 (2) relieve congestion; and  
5 (3) enhance the capability of the national grid  
6 to deliver electricity.

7 (d) DEFINITION OF CORRIDOR.—  
8 (1) IN GENERAL.—In this section and title V of  
9 the Federal Land Policy and Management Act of  
10 1976 (43 U.S.C. 1761 et seq.), the term “corridor”  
11 means—

12 (A) a linear strip of land—  
13 (i) with a width determined with con-  
14 sideration given to technological, environ-  
15 mental, and topographical factors; and  
16 (ii) that contains, or may in the fu-  
17 ture contain, 1 or more utility, communica-  
18 tion, or transportation facilities;  
19 (B) a land use designation that is estab-  
20 lished—  
21 (i) by law;  
22 (ii) by Secretarial Order;  
23 (iii) through the land use planning  
24 process; or

(iv) by other management decision;

2 and

(C) a designation made for the purpose of establishing the preferred location of compatible linear facilities and land uses.

**10 SEC. 351. CONSULTATION REGARDING ENERGY RIGHTS-OF-**

**11 WAY ON PUBLIC LAND.**

12 (a) MEMORANDUM OF UNDERSTANDING.—

(1) IN GENERAL.—Not later than 6 months after the date of enactment of this Act, the Secretary of Energy, in consultation with the Secretary of the Interior, the Secretary of Agriculture, and the Secretary of Defense with respect to lands under their respective jurisdictions, shall enter into a memorandum of understanding to coordinate all applicable Federal authorizations and environmental reviews relating to a proposed or existing utility facility. To the maximum extent practicable under applicable law, the Secretary of Energy shall, to ensure timely review and permit decisions, coordinate such authorizations and reviews with any Indian tribes,

1 multi-State entities, and State agencies that are re-  
2 sponsible for conducting any separate permitting  
3 and environmental reviews of the affected utility fa-  
4 cility.

5 (2) CONTENTS.—The memorandum of under-  
6 standing shall include provisions that—

7 (A) establish—

8 (i) a unified right-of-way application  
9 form; and

10 (ii) an administrative procedure for  
11 processing right-of-way applications, in-  
12 cluding lines of authority, steps in applica-  
13 tion processing, and timeframes for appli-  
14 cation processing;

15 (B) provide for coordination of planning  
16 relating to the granting of the rights-of-way;

17 (C) provide for an agreement among the  
18 affected Federal agencies to prepare a single  
19 environmental review document to be used as  
20 the basis for all Federal authorization decisions;  
21 and

22 (D) provide for coordination of use of  
23 right-of-way stipulations to achieve consistency.

24 (b) NATURAL GAS PIPELINES.—

1                             (1) IN GENERAL.—With respect to permitting  
2 activities for interstate natural gas pipelines, the  
3 May 2002 document entitled “Interagency Agree-  
4 ment On Early Coordination Of Required Environ-  
5 mental And Historic Preservation Reviews Con-  
6 ducted In Conjunction With The Issuance Of Au-  
7 thorizations To Construct And Operate Interstate  
8 Natural Gas Pipelines Certificated By The Federal  
9 Energy Regulatory Commission” shall constitute  
10 compliance with subsection (a).

11                             (2) REPORT.—

12                             (A) IN GENERAL.—Not later than 1 year  
13 after the date of enactment of this Act, and  
14 every 2 years thereafter, agencies that are sig-  
15 natories to the document referred to in para-  
16 graph (1) shall transmit to Congress a report  
17 on how the agencies under the jurisdiction of  
18 the Secretaries are incorporating and imple-  
19 menting the provisions of the document referred  
20 to in paragraph (1).

21                             (B) CONTENTS.—The report shall ad-  
22 dress—

23                                 (i) efforts to implement the provisions  
24 of the document referred to in paragraph  
25 (1);

8           (c) DEFINITION OF UTILITY FACILITY.—In this sec-  
9 tion, the term “utility facility” means any privately, pub-  
10 licly, or cooperatively owned line, facility, or system—

11 (1) for the transportation of—

(A) oil, natural gas, synthetic liquid fuel,  
or gaseous fuel;

(B) any refined product produced from oil,  
natural gas, synthetic liquid fuel, or gaseous  
fuel; or

17 (C) products in support of the production  
18 of material referred to in subparagraph (A) or  
19 (B);

20                         (2) for storage and terminal facilities in connec-  
21                         tion with the production of material referred to in  
22                         paragraph (1); or

1 **SEC. 352. RENEWABLE ENERGY ON FEDERAL LAND.**

## 2 (a) REPORT.—

3                         (1) IN GENERAL.—Not later than 24 months  
4 after the date of enactment of this Act, the Sec-  
5 retary of the Interior, in cooperation with the Sec-  
6 retary of Agriculture, shall develop and transmit to  
7 Congress a report that includes recommendations on  
8 opportunities to develop renewable energy on—

9                         (A) public lands under the jurisdiction of  
10 the Secretary of the Interior; and

11                         (B) National Forest System lands under  
12 the jurisdiction of the Secretary of Agriculture.

13                         (2) CONTENTS.—The report shall include—

14                         (A) 5-year plans developed by the Sec-  
15 retary of the Interior and the Secretary of Agri-  
16 culture, respectively, for encouraging the devel-  
17 opment of renewable energy consistent with ap-  
18 plicable law and management plans;

19                         (B) an analysis of—

20                                 (i) the use of rights-of-way, leases, or  
21 other methods to develop renewable energy  
22 on such lands;

23                                 (ii) the anticipated benefits of grants,  
24 loans, tax credits, or other provisions to  
25 promote renewable energy development on  
26 such lands; and

15 (D) any recommendations relating to the  
16 issues addressed in the report.

17 (b) NATIONAL ACADEMY OF SCIENCES STUDY.—

(A) study the potential for the development of wind, solar, and ocean energy (including tidal, wave, and thermal energy) on the outer Continental Shelf;

8       (c) GENERATION CAPACITY OF ELECTRICITY FROM  
9 RENEWABLE ENERGY RESOURCES ON PUBLIC LAND.—  
10 The Secretary of the Interior shall, not later than 10 years  
11 after the date of enactment of this Act, seek to approve  
12 renewable energy projects located (or to be located) on  
13 public lands with a generation capacity of at least 10,000  
14 megawatts of electricity.

15 SEC. 353. ELECTRICITY TRANSMISSION LINE RIGHT-OF-  
16 WAY, CLEVELAND NATIONAL FOREST AND  
17 ADJACENT PUBLIC LAND, CALIFORNIA.

18 (a) ISSUANCE.—

1 right-of-way running approximately north to south  
2 through the Trabuco Ranger District of the Cleve-  
3 land National Forest in the State of California and  
4 adjacent lands under the jurisdiction of the Bureau  
5 of Land Management and the Forest Service.

6 (2) INCLUSIONS.—The right-of-way approvals  
7 under paragraph (1) shall provide all necessary Fed-  
8 eral authorization from the Secretary of the Interior  
9 and the Secretary of Agriculture for the routing,  
10 construction, operation, and maintenance of a 500-  
11 kilovolt transmission line capable of meeting the  
12 long-term electricity transmission needs of the region  
13 between the existing Valley-Serrano transmission  
14 line to the north and the Telega-Escondido trans-  
15 mission line to the south, and for connecting to fu-  
16 ture generating capacity that may be developed in  
17 the region.

18 (b) PROTECTION OF WILDERNESS AREAS.—The Sec-  
19 retary of the Interior and the Secretary of Agriculture  
20 shall not allow any portion of a transmission line right-  
21 of-way corridor identified in subsection (a) to enter any  
22 identified wilderness area in existence as of the date of  
23 enactment of this Act.

24 (c) ENVIRONMENTAL AND ADMINISTRATIVE RE-  
25 VIEWS.—

1                   (1) DEPARTMENT OF INTERIOR OR LOCAL  
2 AGENCY.—The Secretary of the Interior, acting  
3 through the Director of the Bureau of Land Man-  
4 agement, shall be the lead Federal agency with over-  
5 all responsibility to ensure completion of required  
6 environmental and other reviews of the approvals to  
7 be issued under subsection (a).

8                   (2) NATIONAL FOREST SYSTEM LAND.—For the  
9 portions of the corridor on National Forest System  
10 lands, the Secretary of Agriculture shall complete all  
11 required environmental reviews and administrative  
12 actions in coordination with the Secretary of the In-  
13 terior.

14                   (3) EXPEDITIOUS COMPLETION.—The reviews  
15 required for issuance of the approvals under sub-  
16 section (a) shall be completed not later than 1 year  
17 after the date of the enactment of this Act.

18                   (d) OTHER TERMS AND CONDITIONS.—The trans-  
19 mission line right-of-way shall be subject to such terms  
20 and conditions as the Secretary of the Interior and the  
21 Secretary of Agriculture consider necessary, based on the  
22 environmental reviews under subsection (c), to protect the  
23 value of historic, cultural, and natural resources under the  
24 jurisdiction of the Secretary of the Interior or the Sec-  
25 retary of Agriculture.

1       (e) PREFERENCE AMONG PROPOSALS.—The Sec-  
2 retary of the Interior and the Secretary of Agriculture  
3 shall give a preference to any application or preapplication  
4 proposal for a transmission line right-of-way referred to  
5 in subsection (a) that was submitted before December 31,  
6 2002, over all other applications and proposals for the  
7 same or a similar right-of-way submitted on or after that  
8 date.

9 **SEC. 354. SENSE OF CONGRESS REGARDING DEVELOPMENT**

10                   **OF MINERALS UNDER PADRE ISLAND NA-**  
11                   **TIONAL SEASHORE.**

12       (a) FINDINGS.—Congress finds the following:

13                  (1) Pursuant to Public Law 87-712 (16 U.S.C.  
14 459d et seq.; popularly known as the “Federal Ena-  
15 bling Act”) and various deeds and actions under  
16 that Act, the United States is the owner of only the  
17 surface estate of certain lands constituting the  
18 Padre Island National Seashore.

19                  (2) Ownership of the oil, gas, and other min-  
20 erals in the subsurface estate of the lands consti-  
21 tuting the Padre Island National Seashore was never  
22 acquired by the United States, and ownership of  
23 those interests is held by the State of Texas and pri-  
24 vate parties.

21 (b) SENSE OF CONGRESS.—It is the sense of Con-  
22 gress that with regard to Federal law, any regulation of  
23 the development of oil, gas, or other minerals in the sub-  
24 surface of the lands constituting Padre Island National

1 Seashore should be made as if those lands retained the  
2 status that the lands had on September 27, 1962.

3 **SEC. 355. ENCOURAGING PROHIBITION OF OFF-SHORE**  
4 **DRILLING IN THE GREAT LAKES.**

5 Congress encourages—

6 (1) the States of Illinois, Michigan, New York,  
7 Pennsylvania, and Wisconsin to continue to prohibit  
8 offshore drilling in the Great Lakes for oil and gas;  
9 and

10 (2) the States of Indiana, Minnesota, and Ohio  
11 to enact a prohibition of such drilling.

12 **SEC. 356. FINGER LAKES NATIONAL FOREST WITHDRAWAL.**

13 All Federal land within the boundary of Finger Lakes  
14 National Forest in the State of New York is withdrawn  
15 from—

16 (1) all forms of entry, appropriation, or disposal  
17 under the public land laws; and  
18 (2) disposition under all laws relating to oil and  
19 gas leasing.

20 **SEC. 357. STUDY ON LEASE EXCHANGES IN THE ROCKY**  
21 **MOUNTAIN FRONT.**

22 (a) **DEFINITIONS.**—For the purposes of this section:  
23 (1) **BADGER-TWO MEDICINE AREA.**—The term  
24 “Badger-Two Medicine Area” means the Forest  
25 Service land located in—

21                         (5) SECRETARY.—The term “Secretary” means  
22                         the Secretary of the Interior.

23                   (6) STATE.—The term “State” means the State  
24                   of Montana.

## 25 (b) EVALUATION.—

1                         (1) IN GENERAL.—The Secretary, in consulta-  
2                         tion with the Governor of the State, and the eligible  
3                         lessees, shall evaluate opportunities for domestic oil  
4                         and gas production through the exchange of the  
5                         nonproducing leases.

6                         (2) REQUIREMENTS.—In carrying out the eval-  
7                         uation under subsection (a), the Secretary shall—

8                             (A) consider opportunities for domestic  
9                         production of oil and gas through—

10                             (i) the exchange of the nonproducing  
11                         leases for oil and gas lease tracts of com-  
12                         parable value in the State; and

13                             (ii) the issuance of bidding, royalty, or  
14                         rental credits for Federal oil and gas leases  
15                         in the State in exchange for the cancella-  
16                         tion of the nonproducing leases;

17                             (B) consider any other appropriate means  
18                         to exchange, or provide compensation for the  
19                         cancellation of, nonproducing leases, subject to  
20                         the consent of the eligible lessees;

21                             (C) consider the views of any interested  
22                         persons, including the State;

23                             (D) determine the level of interest of the  
24                         eligible lessees in exchanging the nonproducing  
25                         leases;

(E) assess the economic impact on the lessees and the State of lease exchange, lease cancellation, and final judicial or administrative decisions related to the nonproducing leases; and

(F) provide recommendations on—

(ii) any changes in laws (including regulations) that are necessary for the Secretary to carry out the exchange; and

(iii) any other appropriate means to exchange or provide compensation for the cancellation of a nonproducing lease, subject to the consent of the eligible lessee.

15       (c) VALUATION OF NONPRODUCING LEASES.—For  
16 the purpose of the evaluation under subsection (a), the  
17 value of a nonproducing lease shall be an amount equal  
18 to the difference between—

19 (1) the sum of—

(A) the amount paid by the eligible lessee  
for the nonproducing lease;

(B) any direct expenditures made by the eligible lessee before the transmittal of the report in subsection (c) associated with the explo-

1           ration and development of the nonproducing  
2           lease; and

3           (C) interest on any amounts under sub-  
4           paragraphs (A) and (B) during the period be-  
5           ginning on the date on which the amount was  
6           paid and ending on the date on which credits  
7           are issued under subsection (b)(2)(A)(ii); and  
8           (2) the sum of the revenues from the nonpro-  
9           ducing lease.

10          (d) REPORT TO CONGRESS.—Not later than 2 years  
11         after the date of the enactment of this Act, the Secretary  
12         shall initiate the evaluation in subsection (b) and transmit  
13         to Congress a report on the evaluation.

14 **SEC. 358. FEDERAL COALBED METHANE REGULATION.**

15          Any State currently on the list of Affected States es-  
16         tablished under section 1339(b) of the Energy Policy Act  
17         of 1992 (42 U.S.C. 13368(b)) shall be removed from the  
18         list if, not later than 3 years after the date of enactment  
19         of this Act, the State takes, or prior to the date of enact-  
20         ment has taken, any of the actions required for removal  
21         from the list under such section 1339(b).

22 **SEC. 359. LIVINGSTON PARISH MINERAL RIGHTS TRANS-**  
23           **FER.**

24          (a) AMENDMENTS.—Section 102 of Public Law 102–  
25         562 (106 Stat. 4234) is amended—

1                   (1) by striking “(a) IN GENERAL.—”;  
2                   (2) by striking “and subject to the reservation  
3                   in subsection (b),”; and  
4                   (3) by striking subsection (b).  
5                   (b) IMPLEMENTATION OF AMENDMENT.—The Sec-  
6                   retary of the Interior shall execute the legal instruments  
7                   necessary to effectuate the amendment made by sub-  
8                   section (a)(3).

9                   **Subtitle D—Alaska Natural Gas  
10                   Pipeline**

11                   **SEC. 371. SHORT TITLE.**

12                  This subtitle may be cited as the “Alaska Natural  
13                  Gas Pipeline Act”.

14                   **SEC. 372. DEFINITIONS.**

15                  In this subtitle:

16                   (1) ALASKA NATURAL GAS.—The term “Alaska  
17                  natural gas” means natural gas derived from the  
18                  area of the State of Alaska lying north of 64 degrees  
19                  north latitude.

20                   (2) ALASKA NATURAL GAS TRANSPORTATION  
21                  PROJECT.—The term “Alaska natural gas transpor-  
22                  tation project” means any natural gas pipeline sys-  
23                  tem that carries Alaska natural gas to the border  
24                  between Alaska and Canada (including related facili-

1 ties subject to the jurisdiction of the Commission)  
2 that is authorized under—

3 (A) the Alaska Natural Gas Transpor-  
4 tation Act of 1976 (15 U.S.C. 719 et seq.); or  
5 (B) section 373.

6 (3) ALASKA NATURAL GAS TRANSPORTATION  
7 SYSTEM.—The term “Alaska natural gas transpor-  
8 tation system” means the Alaska natural gas trans-  
9 portation project authorized under the Alaska Nat-  
10 ural Gas Transportation Act of 1976 (15 U.S.C.  
11 719 et seq.) and designated and described in section  
12 2 of the President’s decision.

13 (4) COMMISSION.—The term “Commission”  
14 means the Federal Energy Regulatory Commission.

15 (5) FEDERAL COORDINATOR.—The term “Fed-  
16 eral Coordinator” means the head of the Office of  
17 the Federal Coordinator for Alaska Natural Gas  
18 Transportation Projects established by section  
19 376(a).

20 (6) PRESIDENT’S DECISION.—The term “Presi-  
21 dent’s decision” means the decision and report to  
22 Congress on the Alaska natural gas transportation  
23 system—

24 (A) issued by the President on September  
25 22, 1977, in accordance with section 7 of the

1           Alaska Natural Gas Transportation Act of  
2           1976 (15 U.S.C. 719e); and

3                 (B) approved by Public Law 95–158 (15  
4                 U.S.C. 719f note; 91 Stat. 1268).

5                 (7) SECRETARY.—The term “Secretary” means  
6                 the Secretary of Energy.

7                 (8) STATE.—The term “State” means the State  
8                 of Alaska.

9                 **SEC. 373. ISSUANCE OF CERTIFICATE OF PUBLIC CONVEN-**

10                 **IENCE AND NECESSITY.**

11                 (a) AUTHORITY OF THE COMMISSION.—Notwith-  
12 standing the Alaska Natural Gas Transportation Act of  
13 1976 (15 U.S.C. 719 et seq.), the Commission may, in  
14 accordance with section 7(c) of the Natural Gas Act (15  
15 U.S.C. 717f(c)), consider and act on an application for  
16 the issuance of a certificate of public convenience and ne-  
17 cessity authorizing the construction and operation of an  
18 Alaska natural gas transportation project other than the  
19 Alaska natural gas transportation system.

20                 (b) ISSUANCE OF CERTIFICATE.—

21                 (1) IN GENERAL.—The Commission shall issue  
22 a certificate of public convenience and necessity au-  
23 thorizing the construction and operation of an Alas-  
24 ka natural gas transportation project under this sec-  
25 tion if the applicant has satisfied the requirements

1       of section 7(e) of the Natural Gas Act (15 U.S.C.  
2       717f(e)).

3                     (2) CONSIDERATIONS.—In considering an appli-  
4       cation under this section, the Commission shall pre-  
5       sume that—

6                     (A) a public need exists to construct and  
7       operate the proposed Alaska natural gas trans-  
8       portation project; and

9                     (B) sufficient downstream capacity will  
10      exist to transport the Alaska natural gas mov-  
11      ing through the project to markets in the con-  
12      tiguous United States.

13                 (c) EXPEDITED APPROVAL PROCESS.—Not later  
14      than 60 days after the date of issuance of the final envi-  
15      ronmental impact statement under section 374 for an  
16      Alaska natural gas transportation project, the Commission  
17      shall issue a final order granting or denying any applica-  
18      tion for a certificate of public convenience and necessity  
19      for the project under section 7(c) of the Natural Gas Act  
20      (15 U.S.C. 717f(c)) and this section.

21                 (d) PROHIBITION OF CERTAIN PIPELINE ROUTE.—  
22      No license, permit, lease, right-of-way, authorization, or  
23      other approval required under Federal law for the con-  
24      struction of any pipeline to transport natural gas from

1 land within the Prudhoe Bay oil and gas lease area may  
2 be granted for any pipeline that follows a route that—

3                 (1) traverses land beneath navigable waters (as  
4                 defined in section 2 of the Submerged Lands Act  
5                 (43 U.S.C. 1301)) beneath, or the adjacent shoreline  
6                 of, the Beaufort Sea; and

7                 (2) enters Canada at any point north of 68 de-  
8                 grees north latitude.

9                 (e) OPEN SEASON.—

10                 (1) IN GENERAL.—Not later than 120 days  
11                 after the date of enactment of this Act, the Commis-  
12                 sion shall issue regulations governing the conduct of  
13                 open seasons for Alaska natural gas transportation  
14                 projects (including procedures for the allocation of  
15                 capacity).

16                 (2) REGULATIONS.—The regulations referred to  
17                 in paragraph (1) shall—

18                         (A) include the criteria for and timing of  
19                 any open seasons;

20                         (B) promote competition in the explo-  
21                 ration, development, and production of Alaska  
22                 natural gas; and

23                         (C) for any open season for capacity ex-  
24                 ceeding the initial capacity, provide the oppor-  
25                 tunity for the transportation of natural gas

1           other than from the Prudhoe Bay and Point  
2           Thomson units.

3           (3) APPLICABILITY.—Except in a case in which  
4           an expansion is ordered in accordance with section  
5           375, initial or expansion capacity on any Alaska nat-  
6           ural gas transportation project shall be allocated in  
7           accordance with procedures to be established by the  
8           Commission in regulations issued under paragraph  
9           (1).

10          (f) PROJECTS IN THE CONTIGUOUS UNITED  
11          STATES.—

12          (1) IN GENERAL.—An application for additional  
13          or expanded pipeline facilities that may be required  
14          to transport Alaska natural gas from Canada to  
15          markets in the contiguous United States may be  
16          made in accordance with the Natural Gas Act (15  
17          U.S.C. 717a et seq.).

18          (2) EXPANSION.—To the extent that a pipeline  
19          facility described in paragraph (1) includes the ex-  
20          pansion of any facility constructed in accordance  
21          with the Alaska Natural Gas Transportation Act of  
22          1976 (15 U.S.C. 719 et seq.), that Act shall con-  
23          tinue to apply.

24          (g) STUDY OF IN-STATE NEEDS.—The holder of the  
25          certificate of public convenience and necessity issued,

1 modified, or amended by the Commission for an Alaska  
2 natural gas transportation project shall demonstrate that  
3 the holder has conducted a study of Alaska in-State needs,  
4 including tie-in points along the Alaska natural gas trans-  
5 portation project for in-State access.

6 (h) ALASKA ROYALTY GAS.—

7 (1) IN GENERAL.—Except as provided in para-  
8 graph (2), the Commission, on a request by the  
9 State and after a hearing, may provide for reason-  
10 able access to the Alaska natural gas transportation  
11 project by the State (or State designee) for the  
12 transportation of royalty gas of the State for the  
13 purpose of meeting local consumption needs within  
14 the State.

15 (2) EXCEPTION.—The rates of shippers of sub-  
16 scribed capacity on an Alaska natural gas transpor-  
17 tation project described in paragraph (1), as in ef-  
18 fect as of the date on which access under that para-  
19 graph is granted, shall not be increased as a result  
20 of such access.

21 (i) REGULATIONS.—The Commission may issue such  
22 regulations as are necessary to carry out this section.

23 **SEC. 374. ENVIRONMENTAL REVIEWS.**

24 (a) COMPLIANCE WITH NEPA.—The issuance of a  
25 certificate of public convenience and necessity authorizing

1 the construction and operation of any Alaska natural gas  
2 transportation project under section 373 shall be treated  
3 as a major Federal action significantly affecting the qual-  
4 ity of the human environment within the meaning of sec-  
5 tion 102(2)(C) of the National Environmental Policy Act  
6 of 1969 (42 U.S.C. 4332(2)(C)).

7 (b) DESIGNATION OF LEAD AGENCY.—

8 (1) IN GENERAL.—The Commission—

9 (A) shall be the lead agency for purposes  
10 of complying with the National Environmental  
11 Policy Act of 1969 (42 U.S.C. 4321 et seq.);  
12 and

13 (B) shall be responsible for preparing the  
14 environmental impact statement required by  
15 section 102(2)(c) of that Act (42 U.S.C.  
16 4332(2)(c)) with respect to an Alaska natural  
17 gas transportation project under section 373.

18 (2) CONSOLIDATION OF STATEMENTS.—In car-  
19 rying out paragraph (1), the Commission shall pre-  
20 pare a single environmental impact statement, which  
21 shall consolidate the environmental reviews of all  
22 Federal agencies considering any aspect of the Alas-  
23 ka natural gas transportation project covered by the  
24 environmental impact statement.

25 (c) OTHER AGENCIES.—

1                         (1) IN GENERAL.—Each Federal agency consider-  
2 ering an aspect of the construction and operation of  
3 an Alaska natural gas transportation project under  
4 section 373 shall—

5                             (A) cooperate with the Commission; and  
6                             (B) comply with deadlines established by  
7 the Commission in the preparation of the envi-  
8 ronmental impact statement under this section.

9                         (2) SATISFACTION OF NEPA REQUIREMENTS.—  
10                         The environmental impact statement prepared under  
11 this section shall be adopted by each Federal agency  
12 described in paragraph (1) in satisfaction of the re-  
13 sponsibilities of the Federal agency under section  
14 102(2)(C) of the National Environmental Policy Act  
15 of 1969 (42 U.S.C. 4332(2)(C)) with respect to the  
16 Alaska natural gas transportation project covered by  
17 the environmental impact statement.

18                         (d) EXPEDITED PROCESS.—The Commission shall—  
19                             (1) not later than 1 year after the Commission  
20 determines that the application under section 373  
21 with respect to an Alaska natural gas transportation  
22 project is complete, issue a draft environmental im-  
23 pact statement under this section; and  
24                             (2) not later than 180 days after the date of  
25 issuance of the draft environmental impact state-

1       ment, issue a final environmental impact statement,  
2       unless the Commission for good cause determines  
3       that additional time is needed.

4 **SEC. 375. PIPELINE EXPANSION.**

5       (a) AUTHORITY.—With respect to any Alaska natural  
6       gas transportation project, on a request by 1 or more per-  
7       sons and after giving notice and an opportunity for a hear-  
8       ing, the Commission may order the expansion of the Alas-  
9       ka natural gas project if the Commission determines that  
10      such an expansion is required by the present and future  
11      public convenience and necessity.

12      (b) RESPONSIBILITIES OF COMMISSION.—Before or-  
13      dering an expansion under subsection (a), the Commission  
14      shall—

15           (1) approve or establish rates for the expansion  
16           service that are designed to ensure the recovery, on  
17           an incremental or rolled-in basis, of the cost associ-  
18           ated with the expansion (including a reasonable rate  
19           of return on investment);

20           (2) ensure that the rates do not require existing  
21           shippers on the Alaska natural gas transportation  
22           project to subsidize expansion shippers;

23           (3) find that a proposed shipper will comply  
24           with, and the proposed expansion and the expansion  
25           of service will be undertaken and implemented based

1       on, terms and conditions consistent with the tariff of  
2       the Alaska natural gas transportation project in ef-  
3       fect as of the date of the expansion;

4                 (4) find that the proposed facilities will not ad-  
5       versely affect the financial or economic viability of  
6       the Alaska natural gas transportation project;

7                 (5) find that the proposed facilities will not ad-  
8       versely affect the overall operations of the Alaska  
9       natural gas transportation project;

10                 (6) find that the proposed facilities will not di-  
11       minish the contract rights of existing shippers to  
12       previously subscribed certificated capacity;

13                 (7) ensure that all necessary environmental re-  
14       views have been completed; and

15                 (8) find that adequate downstream facilities  
16       exist or are expected to exist to deliver incremental  
17       Alaska natural gas to market.

18       (c) REQUIREMENT FOR A FIRM TRANSPORTATION  
19       AGREEMENT.—Any order of the Commission issued in ac-  
20       cordance with this section shall be void unless the person  
21       requesting the order executes a firm transportation agree-  
22       ment with the Alaska natural gas transportation project  
23       within such reasonable period of time as the order may  
24       specify.

1       (d) LIMITATION.—Nothing in this section expands or  
2 otherwise affects any authority of the Commission with  
3 respect to any natural gas pipeline located outside the  
4 State.

5       (e) REGULATIONS.—The Commission may issue such  
6 regulations as are necessary to carry out this section.

7 **SEC. 376. FEDERAL COORDINATOR.**

8       (a) ESTABLISHMENT.—There is established, as an  
9 independent office in the executive branch, the Office of  
10 the Federal Coordinator for Alaska Natural Gas Trans-  
11 portation Projects.

12       (b) FEDERAL COORDINATOR.—

13           (1) APPOINTMENT.—The Office shall be headed  
14 by a Federal Coordinator for Alaska Natural Gas  
15 Transportation Projects, who shall be appointed by  
16 the President, by and with the advice and consent  
17 of the Senate, to serve a term to last until 1 year  
18 following the completion of the project referred to in  
19 section 373.

20           (2) COMPENSATION.—The Federal Coordinator  
21 shall be compensated at the rate prescribed for level  
22 III of the Executive Schedule (5 U.S.C. 5314).

23       (c) DUTIES.—The Federal Coordinator shall be re-  
24 sponsible for—

1                         (1) coordinating the expeditious discharge of all  
2                         activities by Federal agencies with respect to an  
3                         Alaska natural gas transportation project; and

4                         (2) ensuring the compliance of Federal agencies  
5                         with the provisions of this subtitle.

6                         (d) REVIEWS AND ACTIONS OF OTHER FEDERAL  
7                         AGENCIES.—

8                         (1) EXPEDITED REVIEWS AND ACTIONS.—All  
9                         reviews conducted and actions taken by any Federal  
10                        agency relating to an Alaska natural gas transpor-  
11                        tation project authorized under this section shall be  
12                        expedited, in a manner consistent with completion of  
13                        the necessary reviews and approvals by the deadlines  
14                        under this subtitle.

15                         (2) PROHIBITION OF CERTAIN TERMS AND CON-  
16                         DITIONS.—No Federal agency may include in any  
17                         certificate, right-of-way, permit, lease, or other au-  
18                         thorization issued to an Alaska natural gas trans-  
19                         portation project any term or condition that may be  
20                         permitted, but is not required, by any applicable law  
21                         if the Federal Coordinator determines that the term  
22                         or condition would prevent or impair in any signifi-  
23                         cant respect the expeditious construction and oper-  
24                         ation, or an expansion, of the Alaska natural gas  
25                         transportation project.

(3) PROHIBITION OF CERTAIN ACTIONS.—Unless required by law, no Federal agency shall add to, amend, or abrogate any certificate, right-of-way, permit, lease, or other authorization issued to an Alaska natural gas transportation project if the Federal Coordinator determines that the action would prevent or impair in any significant respect the expeditious construction and operation, or an expansion, of the Alaska natural gas transportation project.

12 (A) override—

13 (i) the implementation or enforcement  
14 of regulations issued by the Commission  
15 under section 373; or

16 (ii) an order by the Commission to ex-  
17 pand the project under section 375; or

23 (e) STATE COORDINATION.—

1       and monitoring agreement similar to the agreement  
2       in effect during construction of the Trans-Alaska  
3       Pipeline, to be approved by the President and the  
4       Governor of the State, for the purpose of monitoring  
5       the construction of the Alaska natural gas transpor-  
6       tation project.

7                     (2) PRIMARY RESPONSIBILITY.—With respect  
8       to an Alaska natural gas transportation project—

9                         (A) the Federal Government shall have pri-  
10       mary surveillance and monitoring responsibility  
11       in areas where the Alaska natural gas transpor-  
12       tation project crosses Federal land or private  
13       land; and

14                         (B) the State government shall have pri-  
15       mary surveillance and monitoring responsibility  
16       in areas where the Alaska natural gas transpor-  
17       tation project crosses State land.

18                     (f) TRANSFER OF FEDERAL INSPECTOR FUNCTIONS  
19       AND AUTHORITY.—On appointment of the Federal Coor-  
20       dinator by the President, all of the functions and authority  
21       of the Office of Federal Inspector of Construction for the  
22       Alaska Natural Gas Transportation System vested in the  
23       Secretary under section 3012(b) of the Energy Policy Act  
24       of 1992 (15 U.S.C. 719e note; Public Law 102–486), in-  
25       cluding all functions and authority described and enumer-

1 ated in the Reorganization Plan No. 1 of 1979 (44 Fed.  
2 Reg. 33663), Executive Order No. 12142 of June 21,  
3 1979 (44 Fed. Reg. 36927), and section 5 of the Presi-  
4 dent's decision, shall be transferred to the Federal Coordi-  
5 nator.

6 (g) TEMPORARY AUTHORITY.—The functions, au-  
7 thorities, duties, and responsibilities of the Federal Coor-  
8 dinator shall be vested in the Secretary until the later of  
9 the appointment of the Federal Coordinator by the Presi-  
10 dent, or 18 months after the date of enactment of this  
11 Act.

12 **SEC. 377. JUDICIAL REVIEW.**

13 (a) EXCLUSIVE JURISDICTION.—Except for review by  
14 the Supreme Court on writ of certiorari, the United States  
15 Court of Appeals for the District of Columbia Circuit shall  
16 have original and exclusive jurisdiction to determine—

17 (1) the validity of any final order or action (in-  
18 cluding a failure to act) of any Federal agency or of-  
19 ficer under this subtitle;

20 (2) the constitutionality of any provision of this  
21 subtitle, or any decision made or action taken under  
22 this subtitle; or

23 (3) the adequacy of any environmental impact  
24 statement prepared under the National Environ-

1       mental Policy Act of 1969 (42 U.S.C. 4321 et seq.)  
2       with respect to any action under this subtitle.

3           (b) DEADLINE FOR FILING CLAIM.—A claim arising  
4       under this subtitle may be brought not later than 60 days  
5       after the date of the decision or action giving rise to the  
6       claim.

7           (c) EXPEDITED CONSIDERATION.—The United  
8       States Court of Appeals for the District of Columbia Cir-  
9       cuit shall set any action brought under subsection (a) for  
10      expedited consideration, taking into account the national  
11      interest of enhancing national energy security by providing  
12      access to the significant gas reserves in Alaska needed to  
13      meet the anticipated demand for natural gas.

14           (d) AMENDMENT OF THE ALASKA NATURAL GAS  
15      TRANSPORTATION ACT OF 1976.—Section 10(c) of the  
16      Alaska Natural Gas Transportation Act of 1976 (15  
17      U.S.C. 719h) is amended—

18                  (1) by striking “(c)(1) A claim” and inserting  
19                  the following:

20                  “(c) JURISDICTION.—

21                  “(1) SPECIAL COURTS.—

22                  “(A) IN GENERAL.—A claim”;

23                  (2) by striking “Such court shall have” and in-  
24                  serting the following:

1                 “(B) EXCLUSIVE JURISDICTION.—The  
2                 Special Court shall have”;

3                 (3) by inserting after paragraph (1) the fol-  
4                 lowing:

5                 “(2) EXPEDITED CONSIDERATION.—The Spe-  
6                 cial Court shall set any action brought under this  
7                 section for expedited consideration, taking into ac-  
8                 count the national interest described in section 2.”;  
9                 and

10                 (4) in paragraph (3), by striking “(3) The en-  
11                 actment” and inserting the following:

12                 “(3) ENVIRONMENTAL IMPACT STATEMENTS.—  
13                 The enactment”.

14 **SEC. 378. STATE JURISDICTION OVER IN-STATE DELIVERY  
15                 OF NATURAL GAS.**

16                 (a) LOCAL DISTRIBUTION.—Any facility receiving  
17                 natural gas from an Alaska natural gas transportation  
18                 project for delivery to consumers within the State—

19                 (1) shall be deemed to be a local distribution fa-  
20                 cility within the meaning of section 1(b) of the Nat-  
21                 ural Gas Act (15 U.S.C. 717(b)); and

22                 (2) shall not be subject to the jurisdiction of the  
23                 Commission.

24                 (b) ADDITIONAL PIPELINES.—Except as provided in  
25                 section 373(d), nothing in this subtitle shall preclude or

1 otherwise affect a future natural gas pipeline that may  
2 be constructed to deliver natural gas to Fairbanks, An-  
3 chorage, Matanuska-Susitna Valley, or the Kenai penin-  
4 sula or Valdez or any other site in the State for consump-  
5 tion within or distribution outside the State.

6       (c) RATE COORDINATION.—

7           (1) IN GENERAL.—In accordance with the Nat-  
8       ural Gas Act (15 U.S.C. 717a et seq.), the Commis-  
9       sion shall establish rates for the transportation of  
10      natural gas on any Alaska natural gas transpor-  
11      tation project.

12           (2) CONSULTATION.—In carrying out para-  
13       graph (1), the Commission, in accordance with sec-  
14       tion 17(b) of the Natural Gas Act (15 U.S.C.  
15       717p(b)), shall consult with the State regarding  
16       rates (including rate settlements) applicable to nat-  
17       ural gas transported on and delivered from the Alas-  
18       ka natural gas transportation project for use within  
19       the State.

20 **SEC. 379. STUDY OF ALTERNATIVE MEANS OF CONSTRUC-**  
21 **TION.**

22       (a) REQUIREMENT OF STUDY.—If no application for  
23       the issuance of a certificate or amended certificate of pub-  
24       lic convenience and necessity authorizing the construction  
25       and operation of an Alaska natural gas transportation

1 project has been filed with the Commission by the date  
2 that is 18 months after the date of enactment of this Act,  
3 the Secretary shall conduct a study of alternative ap-  
4 proaches to the construction and operation of such an  
5 Alaska natural gas transportation project.

6 (b) SCOPE OF STUDY.—The study under subsection

7 (a) shall take into consideration the feasibility of—

8 (1) establishing a Federal Government corpora-  
9 tion to construct an Alaska natural gas transpor-  
10 tation project; and

11 (2) securing alternative means of providing  
12 Federal financing and ownership (including alter-  
13 native combinations of Government and private cor-  
14 porate ownership) of the Alaska natural gas trans-  
15 portation project.

16 (c) CONSULTATION.—In conducting the study under

17 subsection (a), the Secretary shall consult with the Sec-  
18 retary of the Treasury and the Secretary of the Army (act-  
19 ing through the Chief of Engineers).

20 (d) REPORT.—On completion of any study under sub-  
21 section (a), the Secretary shall submit to Congress a re-  
22 port that describes—

23 (1) the results of the study; and

(2) any recommendations of the Secretary (including proposals for legislation to implement the recommendations).

4 SEC. 380. CLARIFICATION OF ANGTA STATUS AND AU-  
5 THORITIES.

6 (a) SAVINGS CLAUSE.—Nothing in this subtitle af-  
7 fects—

12                   (2) any Presidential finding or waiver issued in  
13 accordance with that Act.

14       (b) CLARIFICATION OF AUTHORITY TO AMEND  
15 TERMS AND CONDITIONS TO MEET CURRENT PROJECT  
16 REQUIREMENTS.—Any Federal agency responsible for  
17 granting or issuing any certificate, permit, right-of-way,  
18 lease, or other authorization under section 9 of the Alaska  
19 Natural Gas Transportation Act of 1976 (15 U.S.C.  
20 719g) may add to, amend, or rescind any term or condi-  
21 tion included in the certificate, permit, right-of-way, lease,  
22 or other authorization to meet current project require-  
23 ments (including the physical design, facilities, and tariff  
24 specifications), if the addition, amendment, or rescission—

1                   (1) would not compel any change in the basic  
2                   nature and general route of the Alaska natural gas  
3                   transportation system as designated and described in  
4                   section 2 of the President's decision; or

5                   (2) would not otherwise prevent or impair in  
6                   any significant respect the expeditious construction  
7                   and initial operation of the Alaska natural gas  
8                   transportation system.

9                   (c) UPDATED ENVIRONMENTAL REVIEWS.—The Sec-  
10                  retary shall require the sponsor of the Alaska natural gas  
11                  transportation system to submit such updated environ-  
12                  mental data, reports, permits, and impact analyses as the  
13                  Secretary determines are necessary to develop detailed  
14                  terms, conditions, and compliance plans required by sec-  
15                  tion 5 of the President's decision.

16                  **SEC. 381. SENSE OF CONGRESS CONCERNING USE OF**  
17                  **STEEL MANUFACTURED IN NORTH AMERICA**  
18                  **NEGOTIATION OF A PROJECT LABOR AGREE-**  
19                  **MENT.**

20                  It is the sense of Congress that—

21                  (1) an Alaska natural gas transportation  
22                  project would provide significant economic benefits  
23                  to the United States and Canada; and

1                         (2) to maximize those benefits, the sponsors of  
2                         the Alaska natural gas transportation project should  
3                         make every effort to—

4                             (A) use steel that is manufactured in  
5                         North America; and

6                             (B) negotiate a project labor agreement to  
7                         expedite construction of the pipeline.

8                         **SEC. 382. SENSE OF CONGRESS AND STUDY CONCERNING**  
9                         **PARTICIPATION BY SMALL BUSINESS CON-**  
10                         **CERNS.**

11                         (a) DEFINITION OF SMALL BUSINESS CONCERN.—  
12                         In this section, the term “small business concern” has the  
13                         meaning given the term in section 3(a) of the Small Busi-  
14                         ness Act (15 U.S.C. 632(a)).

15                         (b) SENSE OF CONGRESS.—It is the sense of Con-  
16                         gress that—

17                             (1) an Alaska natural gas transportation  
18                         project would provide significant economic benefits  
19                         to the United States and Canada; and

20                             (2) to maximize those benefits, the sponsors of  
21                         the Alaska natural gas transportation project should  
22                         maximize the participation of small business con-  
23                         cerns in contracts and subcontracts awarded in car-  
24                         rying out the project.

25                         (c) STUDY.—

1                     (1) IN GENERAL.—The Comptroller General of  
2 the United States shall conduct a study to determine  
3 the extent to which small business concerns partici-  
4 pate in the construction of oil and gas pipelines in  
5 the United States.

6                     (2) REPORT.—Not later than 1 year after the  
7 date of enactment of this Act, the Comptroller Gen-  
8 eral shall submit to Congress a report that describes  
9 results of the study under paragraph (1).

10                    (3) UPDATES.—The Comptroller General  
11 shall—

12                    (A) update the study at least once every 5  
13 years until construction of an Alaska natural  
14 gas transportation project is completed; and

15                    (B) on completion of each update, submit  
16 to Congress a report containing the results of  
17 the update.

18 **SEC. 383. ALASKA PIPELINE CONSTRUCTION TRAINING**

19                    **PROGRAM.**

20                    (a) PROGRAM.—

21                    (1) ESTABLISHMENT.—The Secretary of Labor  
22 (in this section referred to as the “Secretary”) shall  
23 make grants to the Alaska Workforce Investment  
24 Board—

(A) to recruit and train adult and dislocated workers in Alaska, including Alaska Natives, in the skills required to construct and operate an Alaska gas pipeline system; and

16           (b) REQUIREMENTS FOR GRANTS.—The Secretary  
17 shall make a grant under subsection (a) only if—

1                   (2) the Secretary of Energy concurs in writing  
2       to the Secretary with the certification made under  
3       paragraph (1) after considering—

(B) the availability of financing for the Alaska natural gas pipeline project; and

8 (C) other relevant factors.

9           (c) AUTHORIZATION OF APPROPRIATIONS.—There  
10 are authorized to be appropriated to the Secretary to carry  
11 out this section \$20,000,000. Not more than 15 percent  
12 of the funds may be used for the facility described in sub-  
13 section (a)(1)(B).

14 SEC. 384. SENSE OF CONGRESS CONCERNING NATURAL  
15 GAS DEMAND.

16 It is the sense of Congress that—

17                   (1) North American demand for natural gas  
18                  will increase dramatically over the course of the next  
19                  several decades;

1 projects can move forward in a mutually beneficial  
2 fashion;

3 (4) Federal and State officials should acknowl-  
4 edge that the smaller scope, fewer permitting re-  
5 quirements, and lower cost of the Mackenzie Delta  
6 project means it will most likely be completed before  
7 the Alaska Natural Gas Pipeline;

8 (5) natural gas production in the 48 contiguous  
9 States and Canada will not be able to meet all do-  
10 mestic demand in the coming decades; and

11 (6) as a result, natural gas delivered from Alas-  
12 kan North Slope will not displace or reduce the com-  
13 mercial viability of Canadian natural gas produced  
14 from the Mackenzie Delta or production from the 48  
15 contiguous States.

16 **SEC. 385. SENSE OF CONGRESS CONCERNING ALASKAN  
17 OWNERSHIP.**

18 It is the sense of Congress that—

19 (1) Alaska Native Regional Corporations, com-  
20 panies owned and operated by Alaskans, and indi-  
21 vidual Alaskans should have the opportunity to own  
22 shares of the Alaska natural gas pipeline in a way  
23 that promotes economic development for the State;  
24 and

## **5 SEC. 386. LOAN GUARANTEES.**

6       (a) AUTHORITY.—(1) The Secretary may enter into  
7 agreements with 1 or more holders of a certificate of pub-  
8 lic convenience and necessity issued under section 373(b)  
9 of this Act or section 9 of the Alaska Natural Gas Trans-  
10 portation Act of 1976 (15 U.S.C. 719g) to issue Federal  
11 guarantee instruments with respect to loans and other  
12 debt obligations for a qualified infrastructure project.

13           (2) Subject to the requirements of this section, the  
14 Secretary may also enter into agreements with 1 or more  
15 owners of the Canadian portion of a qualified infrastruc-  
16 ture project to issue Federal guarantee instruments with  
17 respect to loans and other debt obligations for a qualified  
18 infrastructure project as though such owner were a holder  
19 described in paragraph (1).

(3) The authority of the Secretary to issue Federal  
guarantee instruments under this section for a qualified  
infrastructure project shall expire on the date that is 2  
years after the date on which the final certificate of public  
convenience and necessity (including any Canadian certifi-  
cates of public convenience and necessity) is issued for the

1 project. A final certificate shall be considered to have been  
2 issued when all certificates of public convenience and ne-  
3 cessity have been issued that are required for the initial  
4 transportation of commercially economic quantities of nat-  
5 ural gas from Alaska to the continental United States.

6 (b) CONDITIONS.—(1) The Secretary may issue a  
7 Federal guarantee instrument for a qualified infrastruc-  
8 ture project only after a certificate of public convenience  
9 and necessity under section 373(b) of this Act or an  
10 amended certificate under section 9 of the Alaska Natural  
11 Gas Transportation Act of 1976 (15 U.S.C. 719g) has  
12 been issued for the project.

13 (2) The Secretary may issue a Federal guarantee in-  
14 strument under this section for a qualified infrastructure  
15 project only if the loan or other debt obligation guaranteed  
16 by the instrument has been issued by an eligible lender.

17 (3) The Secretary shall not require as a condition of  
18 issuing a Federal guarantee instrument under this section  
19 any contractual commitment or other form of credit sup-  
20 port of the sponsors (other than equity contribution com-  
21 mitments and completion guarantees), or any throughput  
22 or other guarantee from prospective shippers greater than  
23 such guarantees as shall be required by the project own-  
24 ers.

1       (c) LIMITATIONS ON AMOUNTS.—(1) The amount of  
2 loans and other debt obligations guaranteed under this  
3 section for a qualified infrastructure project shall not ex-  
4 ceed 80 percent of the total capital costs of the project,  
5 including interest during construction.

6       (2) The principal amount of loans and other debt ob-  
7 ligations guaranteed under this section shall not exceed,  
8 in the aggregate, \$18,000,000,000, which amount shall be  
9 indexed for United States dollar inflation from the date  
10 of enactment of this Act, as measured by the Consumer  
11 Price Index.

12       (d) LOAN TERMS AND FEES.—(1) The Secretary  
13 may issue Federal guarantee instruments under this sec-  
14 tion that take into account repayment profiles and grace  
15 periods justified by project cash flows and project-specific  
16 considerations. The term of any loan guaranteed under  
17 this section shall not exceed 30 years.

18       (2) An eligible lender may assess and collect from the  
19 borrower such other fees and costs associated with the ap-  
20 plication and origination of the loan or other debt obliga-  
21 tion as are reasonable and customary for a project finance  
22 transaction in the oil and gas sector.

23       (e) REGULATIONS.—The Secretary may issue regula-  
24 tions to carry out this section.

1       (f) AUTHORIZATION OF APPROPRIATIONS.—There  
2 are authorized to be appropriated such sums as may be  
3 necessary to cover the cost of loan guarantees under this  
4 section, as defined by section 502(5) of the Federal Credit  
5 Reform Act of 1990 (2 U.S.C. 661a(5)). Such sums shall  
6 remain available until expended.

7       (g) DEFINITIONS.—In this section, the following defi-  
8 nitions apply:

9               (1) The term “Consumer Price Index” means  
10          the Consumer Price Index for all-urban consumers,  
11          United States city average, as published by the Bu-  
12          reau of Labor Statistics, or if such index shall cease  
13          to be published, any successor index or reasonable  
14          substitute thereof.

15               (2) The term “eligible lender” means any non-  
16          Federal qualified institutional buyer (as defined by  
17          section 230.144A(a) of title 17, Code of Federal  
18          Regulations (or any successor regulation), known as  
19          Rule 144A(a) of the Securities and Exchange Com-  
20          mission and issued under the Securities Act of  
21          1933), including—

22                       (A) a qualified retirement plan (as defined  
23          in section 4974(c) of the Internal Revenue Code  
24          of 1986 (26 U.S.C. 4974(c)) that is a qualified  
25          institutional buyer; and

(B) a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986 (26 U.S.C. 414(d)) that is a qualified institutional buyer.

12                             (4) The term “qualified infrastructure project”  
13       means an Alaskan natural gas transportation project  
14       consisting of the design, engineering, finance, con-  
15       struction, and completion of pipelines and related  
16       transportation and production systems (including  
17       gas treatment plants), and appurtenances thereto,  
18       that are used to transport natural gas from the  
19       Alaska North Slope to the continental United  
20       States.

1                   **TITLE IV—COAL**  
2                   **Subtitle A—Clean Coal Power**  
3                   **Initiative**

4   **SEC. 401. AUTHORIZATION OF APPROPRIATIONS.**

5         (a) CLEAN COAL POWER INITIATIVE.—There are au-  
6 thorized to be appropriated to the Secretary of Energy (re-  
7 ferred to in this title as the “Secretary”) to carry out the  
8 activities authorized by this subtitle \$200,000,000 for  
9 each of fiscal years 2004 through 2012, to remain avail-  
10 able until expended.

11       (b) REPORT.—The Secretary shall submit to Con-  
12 gress the report required by this subsection not later than  
13 March 31, 2005. The report shall include, with respect  
14 to subsection (a), a 10-year plan containing—

15               (1) a detailed assessment of whether the aggre-  
16 gate funding levels provided under subsection (a) are  
17 the appropriate funding levels for that program;

18               (2) a detailed description of how proposals will  
19 be solicited and evaluated, including a list of all ac-  
20 tivities expected to be undertaken;

21               (3) a detailed list of technical milestones for  
22 each coal and related technology that will be pur-  
23 pursued; and

24               (4) a detailed description of how the program  
25 will avoid problems enumerated in General Account-

1       ing Office reports on the Clean Coal Technology  
2       Program, including problems that have resulted in  
3       unspent funds and projects that failed either finan-  
4       cially or scientifically.

5       **SEC. 402. PROJECT CRITERIA.**

6           (a) IN GENERAL.—The Secretary shall not provide  
7       funding under this subtitle for any project that does not  
8       advance efficiency, environmental performance, and cost  
9       competitiveness well beyond the level of technologies that  
10      are in commercial service or have been demonstrated on  
11      a scale that the Secretary determines is sufficient to dem-  
12      onstrate that commercial service is viable as of the date  
13      of enactment of this Act.

14           (b) TECHNICAL CRITERIA FOR CLEAN COAL POWER  
15      INITIATIVE.—

16           (1) GASIFICATION PROJECTS.—

17                  (A) IN GENERAL.—In allocating the funds  
18       made available under section 401(a), the Sec-  
19       retary shall ensure that at least 60 percent of  
20       the funds are used only for projects on coal-  
21       based gasification technologies, including gasifi-  
22       cation combined cycle, gasification fuel cells,  
23       gasification coproduction, and hybrid gasifi-  
24       cation/combustion.

(B) TECHNICAL MILESTONES.—The Secretary shall periodically set technical milestones specifying the emission and thermal efficiency levels that coal gasification projects under this subtitle shall be designed, and reasonably expected, to achieve. The technical milestones shall become more restrictive during the life of the program. The Secretary shall set the periodic milestones so as to achieve by 2020 coal gasification projects able—

(i) to remove 99 percent of sulfur di-

oxide;

(ii) to emit not more than .05 lbs of

NO<sub>x</sub> per million Btu;

(iii) to achieve substantial reductions

in mercury emissions; and

(iv) to achieve a thermal efficiency

of—

(I) 60 percent for coal of more

than 9,000 Btu;

(II) 59 percent for coal of 7,000

to 9,000 Btu; and

(III) 50 percent for coal of less

than 7,000 Btu.

(2) OTHER PROJECTS.—The Secretary shall periodically set technical milestones and ensure that up to 40 percent of the funds appropriated pursuant to section 401(a) are used for projects not described in paragraph (1). The milestones shall specify the emission and thermal efficiency levels that projects funded under this paragraph shall be designed to and reasonably expected to achieve. The technical milestones shall become more restrictive during the life of the program. The Secretary shall set the periodic milestones so as to achieve by 2010 projects able—

(C) 4 percent for coal of less than 7,000 Btu.

1       clude, as part of the project, the separation and cap-  
2       ture of carbon dioxide.

3           (c) FINANCIAL CRITERIA.—The Secretary shall not  
4       provide a funding award under this subtitle unless the re-  
5       cipient documents to the satisfaction of the Secretary  
6       that—

7               (1) the award recipient is financially viable  
8       without the receipt of additional Federal funding;

9               (2) the recipient will provide sufficient informa-  
10       tion to the Secretary to enable the Secretary to en-  
11       sure that the award funds are spent efficiently and  
12       effectively; and

13               (3) a market exists for the technology being  
14       demonstrated or applied, as evidenced by statements  
15       of interest in writing from potential purchasers of  
16       the technology.

17           (d) FINANCIAL ASSISTANCE.—The Secretary shall  
18       provide financial assistance to projects that meet the re-  
19       quirements of subsections (a), (b), and (c) and are likely  
20       to—

21               (1) achieve overall cost reductions in the utiliza-  
22       tion of coal to generate useful forms of energy;

23               (2) improve the competitiveness of coal among  
24       various forms of energy in order to maintain a diver-

1       sity of fuel choices in the United States to meet elec-  
2       tricity generation requirements; and

3               (3) demonstrate methods and equipment that  
4       are applicable to 25 percent of the electricity gener-  
5       ating facilities, using various types of coal, that use  
6       coal as the primary feedstock as of the date of en-  
7       actment of this Act.

8       (e) FEDERAL SHARE.—The Federal share of the cost  
9       of a coal or related technology project funded by the Sec-  
10      retary under this subtitle shall not exceed 50 percent.

11       (f) APPLICABILITY.—No technology, or level of emis-  
12      sion reduction, shall be treated as adequately dem-  
13      onstrated for purposes of section 111 of the Clean Air Act  
14      (42 U.S.C. 7411), achievable for purposes of section 169  
15      of that Act (42 U.S.C. 7479), or achievable in practice  
16      for purposes of section 171 of that Act (42 U.S.C. 7501)  
17      solely by reason of the use of such technology, or the  
18      achievement of such emission reduction, by 1 or more fa-  
19      cilities receiving assistance under this subtitle.

20 **SEC. 403. REPORT.**

21       Not later than 1 year after the date of enactment  
22      of this Act, and once every 2 years thereafter through  
23      2012, the Secretary, in consultation with other appro-  
24      priate Federal agencies, shall submit to Congress a report  
25      describing—

1                   (1) the technical milestones set forth in section  
2                  402 and how those milestones ensure progress to-  
3                  ward meeting the requirements of subsections  
4                  (b)(1)(B) and (b)(2) of section 402; and  
5                   (2) the status of projects funded under this  
6                  subtitle.

7   **SEC. 404. CLEAN COAL CENTERS OF EXCELLENCE.**

8                  As part of the program authorized in section 401,  
9   the Secretary shall award competitive, merit-based grants  
10   to universities for the establishment of Centers of Excel-  
11   lence for Energy Systems of the Future. The Secretary  
12   shall provide grants to universities that show the greatest  
13   potential for advancing new clean coal technologies.

14   **Subtitle B—Clean Power Projects**

15   **SEC. 411. COAL TECHNOLOGY LOAN.**

16                  There are authorized to be appropriated to the Sec-  
17   retary \$125,000,000 to provide a loan to the owner of the  
18   experimental plant constructed under United States De-  
19   partment of Energy cooperative agreement number DE-  
20   FC-22-91PC90544 on such terms and conditions as the  
21   Secretary determines, including interest rates and upfront  
22   payments.

23   **SEC. 412. COAL GASIFICATION.**

24                  The Secretary is authorized to provide loan guaran-  
25   tees for a project to produce energy from a plant using

1 integrated gasification combined cycle technology of at  
2 least 400 megawatts in capacity that produces power at  
3 competitive rates in deregulated energy generation mar-  
4 kets and that does not receive any subsidy (direct or indi-  
5 rect) from ratepayers.

6 **SEC. 413. INTEGRATED GASIFICATION COMBINED CYCLE**

7 **TECHNOLOGY.**

8 The Secretary is authorized to provide loan guaran-  
9 tees for a project to produce energy from a plant using  
10 integrated gasification combined cycle technology located  
11 in a taconite-producing region of the United States that  
12 is entitled under the law of the State in which the plant  
13 is located to enter into a long-term contract approved by  
14 a State Public Utility Commission to sell at least 450  
15 megawatts of output to a utility.

16 **SEC. 414. PETROLEUM COKE GASIFICATION.**

17 The Secretary is authorized to provide loan guaran-  
18 tees for at least 1 petroleum coke gasification  
19 polygeneration project.

20 **SEC. 415. INTEGRATED COAL/RENEWABLE ENERGY SYS-**

21 **TEM.**

22 The Secretary is authorized, subject to the avail-  
23 ability of appropriations, to provide loan guarantees for  
24 a project to produce energy from coal of less than 7000  
25 btu/lb using appropriate advanced integrated gasification

1 combined cycle technology, including repowering of exist-  
2 ing facilities, that is combined with wind and other renew-  
3 able sources, minimizes and offers the potential to seques-  
4 ter carbon dioxide emissions, and provides a ready source  
5 of hydrogen for near-site fuel cell demonstrations. The fa-  
6 cility may be built in stages, combined output shall be at  
7 least 200 megawatts at successively more competitive  
8 rates, and the facility shall be located in the Upper Great  
9 Plains. Section 402(b) technical criteria apply, and the  
10 Federal cost share shall not exceed 50 percent. The loan  
11 guarantees provided under this section do not preclude the  
12 facility from receiving an allocation for investment tax  
13 credits under section 48A of the Internal Revenue Code  
14 of 1986. Utilizing this investment tax credit does not pro-  
15 hibit the use of other Clean Coal Program funding.

**16 SEC. 416. ELECTRON SCRUBBING DEMONSTRATION.**

17 The Secretary shall use \$5,000,000 from amounts  
18 appropriated to initiate, through the Chicago Operations  
19 Office, a project to demonstrate the viability of high-en-  
20 ergy electron scrubbing technology on commercial-scale  
21 electrical generation using high-sulfur coal.

## 1      **Subtitle C—Federal Coal Leases**

### 2      **SEC. 421. REPEAL OF THE 160-ACRE LIMITATION FOR COAL 3                    LEASES.**

4      Section 3 of the Mineral Leasing Act (30 U.S.C. 203)

5      is amended—

6                (1) in the first sentence—

7                    (A) by striking “Any person” and inserting  
8                    “(a) Any person”;

9                    (B) by inserting a comma after “may”;

10                  and

11                  (C) by striking “upon” and all that follows  
12                  through the period and inserting the following:  
13                  “upon a finding by the Secretary that the  
14                  lease—

15                  “(1) would be in the interest of the United  
16                  States;

17                  “(2) would not displace a competitive interest  
18                  in the land; and

19                  “(3) would not include land or deposits that can  
20                  be developed as part of another potential or existing  
21                  operation;

22      secure modifications of the original coal lease by including  
23      additional coal land or coal deposits contiguous or cor-  
24      nering to those embraced in the lease, but in no event shall  
25      the total area added by any modifications to an existing

1 coal lease exceed 1280 acres, or add acreage larger than  
2 the acreage in the original lease.”;

3 (2) in the second sentence, by striking “The  
4 Secretary” and inserting the following:

5 “(b) The Secretary”; and

6 (3) in the third sentence, by striking “The min-  
7 imum” and inserting the following:

8 “(c) The minimum”.

9 **SEC. 422. MINING PLANS.**

10 Section 2(d)(2) of the Mineral Leasing Act (30  
11 U.S.C. 202a(2)) is amended—

12 (1) by inserting “(A)” after “(2)”; and

13 (2) by adding at the end the following:

14 “(B) The Secretary may establish a period of more  
15 than 40 years if the Secretary determines that the longer  
16 period—

17 (i) will ensure the maximum economic recovery  
18 of a coal deposit; or

19 (ii) the longer period is in the interest of the  
20 orderly, efficient, or economic development of a coal  
21 resource.”.

22 **SEC. 423. PAYMENT OF ADVANCE ROYALTIES UNDER COAL  
23 LEASES.**

24 Section 7(b) of the Mineral Leasing Act (30 U.S.C.  
25 207(b)) is amended to read as follows:

1        “(b)(1) Each lease shall be subjected to the condition  
2 of diligent development and continued operation of the  
3 mine or mines, except in a case in which operations under  
4 the lease are interrupted by strikes, the elements, or cas-  
5 ualties not attributable to the lessee.

6        “(2)(A) The Secretary of the Interior may suspend  
7 the condition of continued operation upon the payment of  
8 advance royalties, if the Secretary determines that the  
9 public interest will be served by the suspension.

10       “(B) Advance royalties required under subparagraph  
11 (A) shall be computed based on—

12       “(i) the average price for coal sold in the spot  
13 market from the same region during the last month  
14 of each applicable continued operation year; or

15       “(ii) by using other methods established by the  
16 Secretary of the Interior to capture the commercial  
17 value of coal,

18 and based on commercial quantities, as defined by regula-  
19 tion by the Secretary of the Interior.

20       “(C) The aggregate number of years during the ini-  
21 tial and any extended term of any lease for which advance  
22 royalties may be accepted in lieu of the condition of contin-  
23 ued operation shall not exceed 20.

24       “(3) The amount of any production royalty paid for  
25 any year shall be reduced (but not below 0) by the amount

1 of any advance royalties paid under the lease, to the extent  
2 that the advance royalties have not been used to reduce  
3 production royalties for a prior year.

4 “(4) The Secretary may, upon 6 months’ notice to  
5 a lessee, cease to accept advance royalties in lieu of the  
6 requirement of continued operation.

7 “(5) Nothing in this subsection affects the require-  
8 ment contained in the second sentence of subsection (a)  
9 relating to commencement of production at the end of 10  
10 years.”.

11 **SEC. 424. ELIMINATION OF DEADLINE FOR SUBMISSION OF**  
12 **COAL LEASE OPERATION AND RECLAMATION**  
13 **PLAN.**

14 Section 7(c) of the Mineral Leasing Act (30 U.S.C.  
15 207(c)) is amended in the first sentence by striking “and  
16 not later than three years after a lease is issued,”.

17 **SEC. 425. AMENDMENT RELATING TO FINANCIAL ASSUR-  
18 ANCES WITH RESPECT TO BONUS BIDS.**

19 Section 2(a) of the Mineral Leasing Act (30 U.S.C.  
20 201(a)) is amended by adding at the end the following:

21 “(4)(A) The Secretary shall not require a surety bond  
22 or any other financial assurance to guarantee payment of  
23 deferred bonus bid installments with respect to any coal  
24 lease issued on a cash bonus bid to a lessee or successor  
25 in interest having a history of a timely payment of noncon-

1 tested coal royalties and advanced coal royalties in lieu  
2 of production (where applicable) and bonus bid installment  
3 payments.

4       “(B) The Secretary may waive any requirement that  
5 a lessee provide a surety bond or other financial assurance  
6 for a coal lease issued before the date of the enactment  
7 of the Energy Policy Act of 2003 only if the Secretary  
8 determines that the lessee has a history of making timely  
9 payments referred to in subparagraph (A).

10       “(5) Notwithstanding any other provision of law, if  
11 the lessee under a coal lease fails to pay any installment  
12 of a deferred cash bonus bid within 10 days after the Sec-  
13 retary provides written notice that payment of the install-  
14 ment is past due—

15           “(A) the lease shall automatically terminate;  
16           and

17           “(B) any bonus payments already made to the  
18 United States with respect to the lease shall not be  
19 returned to the lessee or credited in any future lease  
20 sale.”.

21 **SEC. 426. INVENTORY REQUIREMENT.**

22       (a) REVIEW OF ASSESSMENTS.—

23           (1) IN GENERAL.—The Secretary of the Inter-  
24 rior, in consultation with the Secretary of Agri-

1 culture and the Secretary, shall review coal assess-  
2 ments and other available data to identify—

3 (A) public lands, other than National Park  
4 lands, with coal resources;

5 (B) the extent and nature of any restric-  
6 tions or impediments to the development of coal  
7 resources on public lands identified under sub-  
8 paragraph (A); and

9 (C) with respect to areas of such lands for  
10 which sufficient data exists, resources of com-  
11 pliant coal and supercompliant coal.

12 (2) DEFINITIONS.—In this subsection:

13 (A) COMPLIANT COAL.—The term “compli-  
14 ant coal” means coal that contains not less  
15 than 1.0 and not more than 1.2 pounds of sul-  
16 fur dioxide per million Btu.

17 (B) SUPERCOMPLIANT COAL.—The term  
18 “supercompliant coal” means coal that contains  
19 less than 1.0 pounds of sulfur dioxide per mil-  
20 lion Btu.

21 (b) COMPLETION AND UPDATING OF THE INVEN-  
22 TORY.—The Secretary of the Interior—

23 (1) shall complete the inventory under sub-  
24 section (a)(1) by not later than 2 years after the  
25 date of the enactment of this Act; and

1                   (2) shall update the inventory as the availability  
2                   of data and developments in technology warrant.

3                   (c) REPORT.—The Secretary of the Interior shall  
4 submit to Congress, and make publicly available—

5                   (1) a report containing the inventory under this  
6 section by not later than 2 years after the effective  
7 date of this section; and

8                   (2) each update of that inventory.

9 **SEC. 427. APPLICATION OF AMENDMENTS.**

10                  The amendments made by this subtitle apply—

11                  (1) with respect to any coal lease issued on or  
12 after the date of enactment of this Act; and

13                  (2) with respect to any coal lease issued before  
14 the date of enactment of this Act, upon the earlier  
15 of—

16                  (A) the date of readjustment of the lease  
17 as provided for by section 7(a) of the Mineral  
18 Leasing Act (30 U.S.C. 207(a)); or

19                  (B) the date the lessee requests such appli-  
20 cation.

1                   **Subtitle D—Coal and Related**  
2                   **Programs**

3   **SEC. 441. CLEAN AIR COAL PROGRAM.**

4                 (a) AMENDMENT.—The Energy Policy Act of 1992  
5   is amended by adding the following new title at the end  
6   thereof:

7                   **“TITLE XXXI—CLEAN AIR COAL**  
8                   **PROGRAM**

9   **“SEC. 3101. FINDINGS; PURPOSES; DEFINITIONS.**

10          “(a) FINDINGS.—The Congress finds that—

11                 “(1) new environmental regulations present ad-  
12                 ditional challenges for coal-fired electrical generation  
13                 in the private marketplace; and

14                 “(2) the Department of Energy, in cooperation  
15                 with industry, has already fully developed and com-  
16                 mercialized several new clean-coal technologies that  
17                 will allow the clean use of coal.

18          “(b) PURPOSES.—The purposes of this title are to—

19                 “(1) promote national energy policy and energy  
20                 security, diversity, and economic competitiveness  
21                 benefits that result from the increased use of coal;

22                 “(2) mitigate financial risks, reduce the cost,  
23                 and increase the marketplace acceptance of the new  
24                 clean coal technologies; and

1           “(3) advance the deployment of pollution con-  
2       trol equipment to meet the current and future obli-  
3       gations of coal-fired generation units regulated  
4       under the Clean Air Act (42 U.S.C. 7402 and fol-  
5       lowing).

6 **“SEC. 3102. AUTHORIZATION OF PROGRAM.**

7       “The Secretary shall carry out a program to facilitate  
8       production and generation of coal-based power and the in-  
9       stallation of pollution control equipment.

10 **“SEC. 3103. AUTHORIZATION OF APPROPRIATIONS.**

11       “(a) POLLUTION CONTROL PROJECTS.—There are  
12       authorized to be appropriated to the Secretary  
13       \$300,000,000 for fiscal year 2005, \$100,000,000 for fis-  
14       cal year 2006, \$40,000,000 for fiscal year 2007,  
15       \$30,000,000 for fiscal year 2008, and \$30,000,000 for fis-  
16       cal year 2009, to remain available until expended, for car-  
17       rying out the program for pollution control projects, which  
18       may include—

19           “(1) pollution control equipment and processes  
20       for the control of mercury air emissions;

21           “(2) pollution control equipment and processes  
22       for the control of nitrogen dioxide air emissions or  
23       sulfur dioxide emissions;

1           “(3) pollution control equipment and processes  
2       for the mitigation or collection of more than one pol-  
3       lutant;

4           “(4) advanced combustion technology for the  
5       control of at least two pollutants, including mercury,  
6       particulate matter, nitrogen oxides, and sulfur diox-  
7       ide, which may also be designed to improve the en-  
8       ergy efficiency of the unit; and

9           “(5) advanced pollution control equipment and  
10      processes designed to allow use of the waste byprod-  
11      ucts or other byproducts of the equipment or an  
12      electrical generation unit designed to allow the use  
13      of byproducts.

14 Funds appropriated under this subsection which are not  
15 awarded before fiscal year 2011 may be applied to projects  
16 under subsection (b), in addition to amounts authorized  
17 under subsection (b).

18       “(b) GENERATION PROJECTS.—There are authorized  
19      to be appropriated to the Secretary \$150,000,000 for fis-  
20      cal year 2006, \$250,000,000 for each of the fiscal years  
21      2007 through 2011, and \$100,000,000 for fiscal year  
22      2012, to remain available until expended, for generation  
23      projects and air pollution control projects. Such projects  
24      may include—

1           “(1) coal-based electrical generation equipment  
2 and processes, including gasification combined cycle  
3 or other coal-based generation equipment and proc-  
4 esses;

5           “(2) associated environmental control equip-  
6 ment, that will be cost-effective and that is designed  
7 to meet anticipated regulatory requirements;

8           “(3) coal-based electrical generation equipment  
9 and processes, including gasification fuel cells, gas-  
10 ification coproduction, and hybrid gasification/com-  
11 bustion projects; and

12          “(4) advanced coal-based electrical generation  
13 equipment and processes, including oxidation com-  
14 bustion techniques, ultra-supercritical boilers, and  
15 chemical looping, which the Secretary determines  
16 will be cost-effective and could substantially con-  
17 tribute to meeting anticipated environmental or en-  
18 ergy needs.

19          “(c) LIMITATION.—Funds placed at risk during any  
20 fiscal year for Federal loans or loan guarantees pursuant  
21 to this title may not exceed 30 percent of the total funds  
22 obligated under this title.

23 **“SEC. 3104. AIR POLLUTION CONTROL PROJECT CRITERIA.**

24          “The Secretary shall pursuant to authorizations con-  
25 tained in section 3103 provide funding for air pollution

1 control projects designed to facilitate compliance with  
2 Federal and State environmental regulations, including  
3 any regulation that may be established with respect to  
4 mercury.

5 **“SEC. 3105. CRITERIA FOR GENERATION PROJECTS.**

6       “(a) CRITERIA.—The Secretary shall establish cri-  
7 teria on which selection of individual projects described in  
8 section 3103(b) should be based. The Secretary may mod-  
9 ify the criteria as appropriate to reflect improvements in  
10 equipment, except that the criteria shall not be modified  
11 to be less stringent. These selection criteria shall include—

12           “(1) prioritization of projects whose installation  
13 is likely to result in significant air quality improve-  
14 ments in nonattainment air quality areas;

15           “(2) prioritization of projects that result in the  
16 repowering or replacement of older, less efficient  
17 units;

18           “(3) documented broad interest in the procure-  
19 ment of the equipment and utilization of the proc-  
20 esses used in the projects by electrical generator  
21 owners or operators;

22           “(4) equipment and processes beginning in  
23 2005 through 2010 that are projected to achieve an  
24 thermal efficiency of—

1               “(A) 40 percent for coal of more than  
2               9,000 Btu per pound based on higher heating  
3               values;

4               “(B) 38 percent for coal of 7,000 to 9,000  
5               Btu per pound based on higher heating values;  
6               and

7               “(C) 36 percent for coal of less than 7,000  
8               Btu per pound based on higher heating values,  
9               except that energy used for coproduction or cogen-  
10               eration shall not be counted in calculating the ther-  
11               mal efficiency under this paragraph; and

12               “(5) equipment and processes beginning in  
13               2011 and 2012 that are projected to achieve an  
14               thermal efficiency of—

15               “(A) 45 percent for coal of more than  
16               9,000 Btu per pound based on higher heating  
17               values;

18               “(B) 44 percent for coal of 7,000 to 9,000  
19               Btu per pound based on higher heating values;  
20               and

21               “(C) 40 percent for coal of less than 7,000  
22               Btu per pound based on higher heating values,  
23               except that energy used for coproduction or cogen-  
24               eration shall not be counted in calculating the ther-  
25               mal efficiency under this paragraph.

1        “(b) SELECTION.—(1) In selecting the projects, up  
2 to 25 percent of the projects selected may be either co-  
3 production or cogeneration or other gasification projects,  
4 but at least 25 percent of the projects shall be for the  
5 sole purpose of electrical generation, and priority should  
6 be given to equipment and projects less than 600 MW to  
7 foster and promote standard designs.

8        “(2) The Secretary shall give priority to projects that  
9 have been developed and demonstrated that are not yet  
10 cost competitive, and for coal energy generation projects  
11 that advance efficiency, environmental performance, or  
12 cost competitiveness significantly beyond the level of pollu-  
13 tion control equipment that is in operation on a full scale.

14 **“SEC. 3106. FINANCIAL CRITERIA.**

15        “(a) IN GENERAL.—The Secretary shall only provide  
16 financial assistance to projects that meet the requirements  
17 of sections 3103 and 3104 and are likely to—

18            “(1) achieve overall cost reductions in the utili-  
19 zation of coal to generate useful forms of energy;  
20 and

21            “(2) improve the competitiveness of coal in  
22 order to maintain a diversity of domestic fuel choices  
23 in the United States to meet electricity generation  
24 requirements.

1       “(b) CONDITIONS.—The Secretary shall not provide  
2 a funding award under this title unless—

3           “(1) the award recipient is financially viable  
4 without the receipt of additional Federal funding;  
5 and

6           “(2) the recipient provides sufficient informa-  
7 tion to the Secretary for the Secretary to ensure  
8 that the award funds are spent efficiently and effec-  
9 tively.

10       “(c) EQUAL ACCESS.—The Secretary shall, to the ex-  
11 tent practical, utilize cooperative agreement, loan guar-  
12 antee, and direct Federal loan mechanisms designed to en-  
13 sure that all electrical generation owners have equal access  
14 to these technology deployment incentives. The Secretary  
15 shall develop and direct a competitive solicitation process  
16 for the selection of technologies and projects under this  
17 title.

18 **“SEC. 3107. FEDERAL SHARE.**

19       “The Federal share of the cost of a coal or related  
20 technology project funded by the Secretary under this title  
21 shall not exceed 50 percent. For purposes of this title,  
22 Federal funding includes only appropriated funds.

23 **“SEC. 3108. APPLICABILITY.**

24       “No technology, or level of emission reduction, shall  
25 be treated as adequately demonstrated for purposes of sec-

1 tion 111 of the Clean Air Act (42 U.S.C. 7411), achievable  
 2 for purposes of section 169 of the Clean Air Act (42  
 3 U.S.C. 7479), or achievable in practice for purposes of  
 4 section 171 of the Clean Air Act (42 U.S.C. 7501) solely  
 5 by reason of the use of such technology, or the achieve-  
 6 ment of such emission reduction, by one or more facilities  
 7 receiving assistance under this title.”.

8       (b) TABLE OF CONTENTS AMENDMENT.—The table  
 9 of contents of the Energy Policy Act of 1992 is amended  
 10 by adding at the end the following:

“TITLE XXXI CLEAN AIR COAL PROGRAM

“Sec. 3101. Findings; purposes; definitions.  
 “Sec. 3102. Authorization of program.  
 “Sec. 3103. Authorization of appropriations.  
 “Sec. 3104. Air pollution control project criteria.  
 “Sec. 3105. Criteria for generation projects.  
 “Sec. 3106. Financial criteria.  
 “Sec. 3107. Federal share.  
 “Sec. 3108. Applicability.”.

## 11           **TITLE V—INDIAN ENERGY**

### 12 **SEC. 501. SHORT TITLE.**

13       This title may be cited as the “Indian Tribal Energy  
 14 Development and Self-Determination Act of 2004”.

### 15 **SEC. 502. OFFICE OF INDIAN ENERGY POLICY AND PRO- 16 GRAMS.**

17       (a) IN GENERAL.—Title II of the Department of En-  
 18 ergy Organization Act (42 U.S.C. 7131 et seq.) is amend-  
 19 ed by adding at the end the following:

1       “OFFICE OF INDIAN ENERGY POLICY AND PROGRAMS

2           “SEC. 217. (a) ESTABLISHMENT.—There is estab-  
3       lished within the Department an Office of Indian Energy  
4       Policy and Programs (referred to in this section as the  
5       ‘Office’). The Office shall be headed by a Director, who  
6       shall be appointed by the Secretary and compensated at  
7       a rate equal to that of level IV of the Executive Schedule  
8       under section 5315 of title 5, United States Code.

9           “(b) DUTIES OF DIRECTOR.—The Director, in ac-  
10      cordance with Federal policies promoting Indian self-de-  
11      termination and the purposes of this Act, shall provide,  
12      direct, foster, coordinate, and implement energy planning,  
13      education, management, conservation, and delivery pro-  
14      grams of the Department that—

15           “(1) promote Indian tribal energy development,  
16      efficiency, and use;

17           “(2) reduce or stabilize energy costs;

18           “(3) enhance and strengthen Indian tribal en-  
19      ergy and economic infrastructure relating to natural  
20      resource development and electrification; and

21           “(4) bring electrical power and service to In-  
22      dian land and the homes of tribal members located  
23      on Indian lands or acquired, constructed, or im-  
24      proved (in whole or in part) with Federal funds.”.

25       (b) CONFORMING AMENDMENTS.—

1                             (1) The table of contents of the Department of  
2                             Energy Organization Act (42 U.S.C. prec. 7101) is  
3                             amended—

4                             (A) in the item relating to section 209, by  
5                                 striking “Section” and inserting “Sec.”; and

6                             (B) by striking the items relating to sec-  
7                             tions 213 through 216 and inserting the fol-  
8                             lowing:

“Sec. 213. Establishment of policy for National Nuclear Security Administra-  
tion.

“Sec. 214. Establishment of security, counterintelligence, and intelligence poli-  
cies.

“Sec. 215. Office of Counterintelligence.

“Sec. 216. Office of Intelligence.

“Sec. 217. Office of Indian Energy Policy and Programs.”.

9                             (2) Section 5315 of title 5, United States Code,  
10                            is amended by inserting “Director, Office of Indian  
11                             Energy Policy and Programs, Department of En-  
12                             ergy.” after “Inspector General, Department of En-  
13                             ergy.”.

14 **SEC. 503. INDIAN ENERGY.**

15                             (a) IN GENERAL.—Title XXVI of the Energy Policy  
16                             Act of 1992 (25 U.S.C. 3501 et seq.) is amended to read  
17                             as follows:

18 **“TITLE XXVI—INDIAN ENERGY**

19 **“SEC. 2601. DEFINITIONS.**

20                             “For purposes of this title:

1           “(1) The term ‘Director’ means the Director of  
2       the Office of Indian Energy Policy and Programs,  
3       Department of Energy.

4           “(2) The term ‘Indian land’ means—

5           “(A) any land located within the bound-  
6       aries of an Indian reservation, pueblo, or  
7       rancheria;

8           “(B) any land not located within the  
9       boundaries of an Indian reservation, pueblo, or  
10      rancheria, the title to which is held—

11           “(i) in trust by the United States for  
12       the benefit of an Indian tribe or an indi-  
13       vidual Indian;

14           “(ii) by an Indian tribe or an indi-  
15       vidual Indian, subject to restriction against  
16       alienation under laws of the United States;  
17       or

18           “(iii) by a dependent Indian commu-  
19       nity; and

20           “(C) land that is owned by an Indian tribe  
21       and was conveyed by the United States to a  
22       Native Corporation pursuant to the Alaska Na-  
23       tive Claims Settlement Act (43 U.S.C. 1601 et  
24       seq.), or that was conveyed by the United

1 States to a Native Corporation in exchange for  
2 such land.

3 “(3) The term ‘Indian reservation’ includes—

4       “(A) an Indian reservation in existence in  
5 any State or States as of the date of enactment  
6 of this paragraph;

7       “(B) a public domain Indian allotment;  
8 and

9       “(C) a dependent Indian community lo-  
10 cated within the borders of the United States,  
11 regardless of whether the community is lo-  
12 cated—

13           “(i) on original or acquired territory  
14 of the community; or

15           “(ii) within or outside the boundaries  
16 of any particular State.

17       “(4) The term ‘Indian tribe’ has the meaning  
18 given the term in section 4 of the Indian Self-Deter-  
19 mination and Education Assistance Act (25 U.S.C.  
20 450b), except that the term ‘Indian tribe’, for the  
21 purpose of paragraph (11) and sections 2603(b)(3)  
22 and 2604, shall not include any Native Corporation.

23       “(5) The term ‘integration of energy resources’  
24 means any project or activity that promotes the loca-  
25 tion and operation of a facility (including any pipe-

1 line, gathering system, transportation system or fa-  
2 cility, or electric transmission or distribution facility)  
3 on or near Indian land to process, refine, generate  
4 electricity from, or otherwise develop energy re-  
5 sources on, Indian land.

6 “(6) The term ‘Native Corporation’ has the  
7 meaning given the term in section 3 of the Alaska  
8 Native Claims Settlement Act (43 U.S.C. 1602).

9 “(7) The term ‘organization’ means a partner-  
10 ship, joint venture, limited liability company, or  
11 other unincorporated association or entity that is es-  
12 tablished to develop Indian energy resources.

13 “(8) The term ‘Program’ means the Indian en-  
14 ergy resource development program established  
15 under section 2602(a).

16 “(9) The term ‘Secretary’ means the Secretary  
17 of the Interior.

18 “(10) The term ‘tribal energy resource develop-  
19 ment organization’ means an organization of 2 or  
20 more entities, at least 1 of which is an Indian tribe,  
21 that has the written consent of the governing bodies  
22 of all Indian tribes participating in the organization  
23 to apply for a grant, loan, or other assistance au-  
24 thorized by section 2602.

1           “(11) The term ‘tribal land’ means any land or  
2     interests in land owned by any Indian tribe, title to  
3     which is held in trust by the United States or which  
4     is subject to a restriction against alienation under  
5     laws of the United States.

6     **“SEC. 2602. INDIAN TRIBAL ENERGY RESOURCE DEVELOP-**  
7           **MENT.**

8        “(a) DEPARTMENT OF THE INTERIOR PROGRAM.—  
9           “(1) To assist Indian tribes in the development  
10      of energy resources and further the goal of Indian  
11      self-determination, the Secretary shall establish and  
12      implement an Indian energy resource development  
13      program to assist consenting Indian tribes and tribal  
14      energy resource development organizations in achiev-  
15      ing the purposes of this title.

16       “(2) In carrying out the Program, the Sec-  
17      retary shall—

18           “(A) provide development grants to Indian  
19      tribes and tribal energy resource development  
20      organizations for use in developing or obtaining  
21      the managerial and technical capacity needed to  
22      develop energy resources on Indian land, and to  
23      properly account for resulting energy produc-  
24      tion and revenues;

1                 “(B) provide grants to Indian tribes and  
2                 tribal energy resource development organiza-  
3                 tions for use in carrying out projects to pro-  
4                 mote the integration of energy resources, and to  
5                 process, use, or develop those energy resources,  
6                 on Indian land; and

7                 “(C) provide low-interest loans to Indian  
8                 tribes and tribal energy resource development  
9                 organizations for use in the promotion of en-  
10                 ergy resource development on Indian land and  
11                 integration of energy resources.

12                 “(3) There are authorized to be appropriated to  
13                 carry out this subsection such sums as are necessary  
14                 for each of fiscal years 2004 through 2014.

15                 “(b) DEPARTMENT OF ENERGY INDIAN ENERGY  
16                 EDUCATION PLANNING AND MANAGEMENT ASSISTANCE  
17                 PROGRAM.—

18                 “(1) The Director shall establish programs to  
19                 assist consenting Indian tribes in meeting energy  
20                 education, research and development, planning, and  
21                 management needs.

22                 “(2) In carrying out this subsection, the Direc-  
23                 tor may provide grants, on a competitive basis, to an  
24                 Indian tribe or tribal energy resource development  
25                 organization for use in carrying out—

1               “(A) energy, energy efficiency, and energy  
2               conservation programs;

3               “(B) studies and other activities sup-  
4               porting tribal acquisitions of energy supplies,  
5               services, and facilities;

6               “(C) planning, construction, development,  
7               operation, maintenance, and improvement of  
8               tribal electrical generation, transmission, and  
9               distribution facilities located on Indian land;  
10              and

11              “(D) development, construction, and inter-  
12              connection of electric power transmission facil-  
13              ties located on Indian land with other electric  
14              transmission facilities.

15              “(3)(A) The Director may develop, in consulta-  
16              tion with Indian tribes, a formula for providing  
17              grants under this subsection.

18              “(B) In providing a grant under this sub-  
19              section, the Director shall give priority to an applica-  
20              tion received from an Indian tribe with inadequate  
21              electric service (as determined by the Director).

22              “(4) The Secretary of Energy may issue such  
23              regulations as necessary to carry out this subsection.

1           “(5) There are authorized to be appropriated to  
2       carry out this subsection \$20,000,000 for each of  
3       fiscal years 2004 through 2014.

4       “(c) DEPARTMENT OF ENERGY LOAN GUARANTEE  
5       PROGRAM.—

6           “(1) Subject to paragraph (3), the Secretary of  
7       Energy may provide loan guarantees (as defined in  
8       section 502 of the Federal Credit Reform Act of  
9       1990 (2 U.S.C. 661a)) for not more than 90 percent  
10      of the unpaid principal and interest due on any loan  
11      made to any Indian tribe for energy development.

12          “(2) A loan guarantee under this subsection  
13      shall be made by—

14           “(A) a financial institution subject to ex-  
15       amination by the Secretary of Energy; or

16           “(B) an Indian tribe, from funds of the In-  
17       dian tribe.

18          “(3) The aggregate outstanding amount guar-  
19       anteed by the Secretary of Energy at any time under  
20       this subsection shall not exceed \$2,000,000,000.

21          “(4) The Secretary of Energy may issue such  
22       regulations as the Secretary of Energy determines  
23       are necessary to carry out this subsection.

1           “(5) There are authorized to be appropriated  
2       such sums as are necessary to carry out this sub-  
3       section, to remain available until expended.

4           “(6) Not later than 1 year from the date of en-  
5       actment of this section, the Secretary of Energy  
6       shall report to Congress on the financing require-  
7       ments of Indian tribes for energy development on In-  
8       dian land.

9           “(d) FEDERAL AGENCIES-INDIAN ENERGY PREF-  
10      ERENCE.—

11           “(1) In purchasing electricity or any other en-  
12       ergy product or byproduct, a Federal agency or de-  
13       partment may give preference to an energy and re-  
14       source production enterprise, partnership, consor-  
15       tium, corporation, or other type of business organi-  
16       zation the majority of the interest in which is owned  
17       and controlled by 1 or more Indian tribes.

18           “(2) In carrying out this subsection, a Federal  
19       agency or department shall not—

20            “(A) pay more than the prevailing market  
21       price for an energy product or byproduct; or  
22            “(B) obtain less than prevailing market  
23       terms and conditions.

1   **“SEC. 2603. INDIAN TRIBAL ENERGY RESOURCE REGULA-**  
2                         **TION.**

3       “(a) GRANTS.—The Secretary may provide to Indian  
4   tribes, on an annual basis, grants for use in accordance  
5   with subsection (b).

6       “(b) USE OF FUNDS.—Funds from a grant provided  
7   under this section may be used—

8               “(1) by an Indian tribe for the development of  
9   a tribal energy resource inventory or tribal energy  
10   resource on Indian land;

11           “(2) by an Indian tribe for the development of  
12   a feasibility study or other report necessary to the  
13   development of energy resources on Indian land;

14           “(3) by an Indian tribe (other than an Indian  
15   Tribe in Alaska except the Metlakatla Indian Com-  
16   munity) for the development and enforcement of  
17   tribal laws (including regulations) relating to tribal  
18   energy resource development and the development of  
19   technical infrastructure to protect the environment  
20   under applicable law; or

21           “(4) by a Native Corporation for the develop-  
22   ment and implementation of corporate policies and  
23   the development of technical infrastructure to pro-  
24   tect the environment under applicable law; and

25           “(5) by an Indian tribe for the training of em-  
26   ployees that—

1               “(A) are engaged in the development of en-  
2               ergy resources on Indian land; or

3               “(B) are responsible for protecting the en-  
4               vironment.

5               “(c) OTHER ASSISTANCE.—In carrying out the obli-  
6               gations of the United States under this title, the Secretary  
7               shall ensure, to the maximum extent practicable and to  
8               the extent of available resources, that upon the request  
9               of an Indian tribe, the Indian tribe shall have available  
10          scientific and technical information and expertise, for use  
11          in the Indian tribe’s regulation, development, and manage-  
12          ment of energy resources on Indian land. The Secretary  
13          may fulfill this responsibility either directly, through the  
14          use of Federal officials, or indirectly, by providing finan-  
15          cial assistance to the Indian tribe to secure independent  
16          assistance.

17       **“SEC. 2604. LEASES, BUSINESS AGREEMENTS, AND RIGHTS-**  
18               **OF-WAY INVOLVING ENERGY DEVELOPMENT**  
19               **OR TRANSMISSION.**

20               “(a) LEASES AND BUSINESS AGREEMENTS.—Subject  
21          to the provisions of this section—

22               “(1) an Indian tribe may, at its discretion,  
23          enter into a lease or business agreement for the pur-  
24          pose of energy resource development on tribal land,  
25          including a lease or business agreement for—

1               “(A) exploration for, extraction of, proc-  
2               essing of, or other development of the Indian  
3               tribe’s energy mineral resources located on trib-  
4               al land; and

5               “(B) construction or operation of an elec-  
6               tric generation, transmission, or distribution fa-  
7               cility located on tribal land or a facility to proc-  
8               ess or refine energy resources developed on trib-  
9               al land; and

10              “(2) such lease or business agreement described  
11             in paragraph (1) shall not require the approval of  
12             the Secretary under section 2103 of the Revised  
13             Statutes (25 U.S.C. 81) or any other provision of  
14             law, if—

15              “(A) the lease or business agreement is ex-  
16             ecuted pursuant to a tribal energy resource  
17             agreement approved by the Secretary under  
18             subsection (e);

19              “(B) the term of the lease or business  
20             agreement does not exceed—

21              “(i) 30 years; or

22              “(ii) in the case of a lease for the pro-  
23             duction of oil resources, gas resources, or  
24             both, 10 years and as long thereafter as oil

1           or gas is produced in paying quantities;  
2           and

3           “(C) the Indian tribe has entered into a  
4           tribal energy resource agreement with the Sec-  
5           retary, as described in subsection (e), relating  
6           to the development of energy resources on tribal  
7           land (including the periodic review and evalua-  
8           tion of the activities of the Indian tribe under  
9           the agreement, to be conducted pursuant to the  
10          provisions required by subsection (e)(2)(D)(i)).

11        “(b) RIGHTS-OF-WAY FOR PIPELINES OR ELECTRIC  
12 TRANSMISSION OR DISTRIBUTION LINES.—An Indian  
13 tribe may grant a right-of-way over tribal land for a pipe-  
14 line or an electric transmission or distribution line without  
15 approval by the Secretary if—

16           “(1) the right-of-way is executed in accordance  
17           with a tribal energy resource agreement approved by  
18           the Secretary under subsection (e);

19           “(2) the term of the right-of-way does not ex-  
20           ceed 30 years;

21           “(3) the pipeline or electric transmission or dis-  
22 tribution line serves—

23           “(A) an electric generation, transmission,  
24           or distribution facility located on tribal land; or

1                 “(B) a facility located on tribal land that  
2                 processes or refines energy resources developed  
3                 on tribal land; and

4                 “(4) the Indian tribe has entered into a tribal  
5                 energy resource agreement with the Secretary, as de-  
6                 scribed in subsection (e), relating to the development  
7                 of energy resources on tribal land (including the  
8                 periodic review and evaluation of the Indian tribe’s  
9                 activities under such agreement described in sub-  
10                paragraphs (D) and (E) of subsection (e)(2)).

11                “(c) RENEWALS.—A lease or business agreement en-  
12                tered into or a right-of-way granted by an Indian tribe  
13                under this section may be renewed at the discretion of the  
14                Indian tribe in accordance with this section.

15                “(d) VALIDITY.—No lease, business agreement, or  
16                right-of-way relating to the development of tribal energy  
17                resources pursuant to the provisions of this section shall  
18                be valid unless the lease, business agreement, or right-of-  
19                way is authorized by the provisions of a tribal energy re-  
20                source agreement approved by the Secretary under sub-  
21                section (e)(2).

22                “(e) TRIBAL ENERGY RESOURCE AGREEMENTS.—

23                “(1) On issuance of regulations under para-  
24                graph (8), an Indian tribe may submit to the Sec-  
25                retary for approval a tribal energy resource agree-

1       ment governing leases, business agreements, and  
2       rights-of-way under this section.

3           “(2)(A) Not later than 180 days after the date  
4       on which the Secretary receives a tribal energy re-  
5       source agreement submitted by an Indian tribe  
6       under paragraph (1), or not later than 60 days after  
7       the Secretary receives a revised tribal energy re-  
8       source agreement submitted by an Indian tribe  
9       under paragraph (4)(C), (or such later date as may  
10      be agreed to by the Secretary and the Indian tribe),  
11      the Secretary shall approve or disapprove the tribal  
12      energy resource agreement.

13           “(B) The Secretary shall approve a tribal en-  
14       ergy resource agreement submitted under paragraph  
15      (1) if—

16                “(i) the Secretary determines that the In-  
17       dian tribe has demonstrated that the Indian  
18       tribe has sufficient capacity to regulate the de-  
19       velopment of energy resources of the Indian  
20       tribe;

21                “(ii) the tribal energy resource agreement  
22       includes provisions required under subpara-  
23       graph (D); and

24                “(iii) the tribal energy resource agreement  
25       includes provisions that, with respect to a lease,

1 business agreement, or right-of-way under this  
2 section—

3 “(I) ensure the acquisition of nec-  
4 essary information from the applicant for  
5 the lease, business agreement, or right-of-  
6 way;

7 “(II) address the term of the lease or  
8 business agreement or the term of convey-  
9 ance of the right-of-way;

10 “(III) address amendments and re-  
11 newals;

12 “(IV) address the economic return to  
13 the Indian tribe under leases, business  
14 agreements, and rights-of-way;

15 “(V) address technical or other rel-  
16 evant requirements;

17 “(VI) establish requirements for envi-  
18 ronmental review in accordance with sub-  
19 paragraph (C);

20 “(VII) ensure compliance with all ap-  
21 plicable environmental laws;

22 “(VIII) identify final approval author-  
23 ity;

24 “(IX) provide for public notification of  
25 final approvals;

1                 “(X) establish a process for consulta-  
2                 tion with any affected States concerning  
3                 off-reservation impacts, if any, identified  
4                 pursuant to the provisions required under  
5                 subparagraph (C)(i);

6                 “(XI) describe the remedies for  
7                 breach of the lease, business agreement, or  
8                 right-of-way;

9                 “(XII) require each lease, business  
10                 agreement, and right-of-way to include a  
11                 statement that, in the event that any of its  
12                 provisions violates an express term or re-  
13                 quirement set forth in the tribal energy re-  
14                 source agreement pursuant to which it was  
15                 executed—

16                 “(aa) such provision shall be null  
17                 and void; and

18                 “(bb) if the Secretary determines  
19                 such provision to be material, the Sec-  
20                 retary shall have the authority to sus-  
21                 pend or rescind the lease, business  
22                 agreement, or right-of-way or take  
23                 other appropriate action that the Sec-  
24                 retary determines to be in the best in-  
25                 terest of the Indian tribe;

1                 “(XIII) require each lease, business  
2                 agreement, and right-of-way to provide  
3                 that it will become effective on the date on  
4                 which a copy of the executed lease, busi-  
5                 ness agreement, or right-of-way is deliv-  
6                 ered to the Secretary in accordance with  
7                 regulations adopted pursuant to this sub-  
8                 section; and

9                 “(XIV) include citations to tribal  
10                laws, regulations, or procedures, if any,  
11                that set out tribal remedies that must be  
12                exhausted before a petition may be sub-  
13                mitted to the Secretary pursuant to para-  
14                graph (7)(B).

15                “(C) Tribal energy resource agreements sub-  
16                mitted under paragraph (1) shall establish, and in-  
17                clude provisions to ensure compliance with, an envi-  
18                ronmental review process that, with respect to a  
19                lease, business agreement, or right-of-way under this  
20                section, provides for—

21                “(i) the identification and evaluation of all  
22                significant environmental impacts (as compared  
23                with a no-action alternative), including effects  
24                on cultural resources;

1                 “(ii) the identification of proposed mitigation;

3                 “(iii) a process for ensuring that the public  
4                 is informed of and has an opportunity to comment on the environmental impacts of the proposed action before tribal approval of the lease, business agreement, or right-of-way; and

8                 “(iv) sufficient administrative support and  
9                 technical capability to carry out the environmental review process.

11                 “(D) A tribal energy resource agreement negotiated between the Secretary and an Indian tribe in accordance with this subsection shall include—

14                 “(i) provisions requiring the Secretary to conduct a periodic review and evaluation to monitor the performance of the Indian tribe's activities associated with the development of energy resources under the tribal energy resource agreement; and

20                 “(ii) when such review and evaluation result in a finding by the Secretary of imminent jeopardy to a physical trust asset arising from a violation of the tribal energy resource agreement or applicable Federal laws, provisions authorizing the Secretary to take appropriate ac-

1           tions determined by the Secretary to be nec-  
2       essary to protect such asset, which actions may  
3       include reassumption of responsibility for activi-  
4       ties associated with the development of energy  
5       resources on tribal land until the violation and  
6       conditions that gave rise to such jeopardy have  
7       been corrected.

8           “(E) The periodic review and evaluation de-  
9       scribed in subparagraph (D) shall be conducted on  
10      an annual basis, except that, after the third such an-  
11      nual review and evaluation, the Secretary and the  
12      Indian tribe may mutually agree to amend the tribal  
13      energy resource agreement to authorize the review  
14      and evaluation required by subparagraph (D) to be  
15      conducted once every 2 years.

16           “(3) The Secretary shall provide notice and op-  
17       portunity for public comment on tribal energy re-  
18       source agreements submitted for approval under  
19       paragraph (1). The Secretary’s review of a tribal en-  
20       ergy resource agreement under the National Envi-  
21       ronmental Policy Act of 1969 (42 U.S.C. 4321 et  
22       seq.) shall be limited to the direct effects of that ap-  
23       proval.

24           “(4) If the Secretary disapproves a tribal en-  
25       ergy resource agreement submitted by an Indian

1       tribe under paragraph (1), the Secretary shall, not  
2       later than 10 days after the date of disapproval—

3               “(A) notify the Indian tribe in writing of  
4               the basis for the disapproval;

5               “(B) identify what changes or other ac-  
6               tions are required to address the concerns of  
7               the Secretary; and

8               “(C) provide the Indian tribe with an op-  
9               portunity to revise and resubmit the tribal en-  
10              ergy resource agreement.

11              “(5) If an Indian tribe executes a lease or busi-  
12              ness agreement or grants a right-of-way in accord-  
13              ance with a tribal energy resource agreement ap-  
14              proved under this subsection, the Indian tribe shall,  
15              in accordance with the process and requirements set  
16              forth in the Secretary’s regulations adopted pursu-  
17              ant to paragraph (8), provide to the Secretary—

18               “(A) a copy of the lease, business agree-  
19               ment, or right-of-way document (including all  
20               amendments to and renewals of the document);  
21              and

22               “(B) in the case of a tribal energy resource  
23               agreement or a lease, business agreement, or  
24               right-of-way that permits payments to be made  
25               directly to the Indian tribe, information and

1 documentation of those payments sufficient to  
2 enable the Secretary to discharge the trust re-  
3 sponsibility of the United States to enforce the  
4 terms of, and protect the Indian tribe's rights  
5 under, the lease, business agreement, or right-  
6 of-way.

7 “(6)(A) For purposes of the activities to be un-  
8 dertaken by the Secretary pursuant to this section,  
9 the Secretary shall—

10 “(i) carry out such activities in a manner  
11 consistent with the trust responsibility of the  
12 United States relating to mineral and other  
13 trust resources; and

14 “(ii) act in good faith and in the best in-  
15 terests of the Indian tribes.

16 “(B) Subject to the provisions of subsections  
17 (a)(2), (b), and (c) waiving the requirement of Sec-  
18 retarial approval of leases, business agreements, and  
19 rights-of-way executed pursuant to tribal energy re-  
20 source agreements approved under this section, and  
21 the provisions of subparagraph (D), nothing in this  
22 section shall absolve the United States from any re-  
23 sponsibility to Indians or Indian tribes, including,  
24 but not limited to, those which derive from the trust  
25 relationship or from any treaties, statutes, and other

1 laws of the United States, Executive Orders, or  
2 agreements between the United States and any In-  
3 dian tribe.

4 “(C) The Secretary shall continue to have a  
5 trust obligation to ensure that the rights and inter-  
6 ests of an Indian tribe are protected in the event  
7 that—

8           “(i) any other party to any such lease,  
9 business agreement, or right-of-way violates any  
10 applicable provision of Federal law or the terms  
11 of any lease, business agreement, or right-of-  
12 way under this section; or

13           “(ii) any provision in such lease, business  
14 agreement, or right-of-way violates any express  
15 provision or requirement set forth in the tribal  
16 energy resource agreement pursuant to which  
17 the lease, business agreement, or right-of-way  
18 was executed.

19           “(D) Notwithstanding subparagraph (B), the  
20 United States shall not be liable to any party (in-  
21 cluding any Indian tribe) for any of the negotiated  
22 terms of, or any losses resulting from the negotiated  
23 terms of, a lease, business agreement, or right-of-  
24 way executed pursuant to and in accordance with a  
25 tribal energy resource agreement approved by the

1       Secretary under paragraph (2). For the purpose of  
2       this subparagraph, the term ‘negotiated terms’  
3       means any terms or provisions that are negotiated  
4       by an Indian tribe and any other party or parties to  
5       a lease, business agreement, or right-of-way entered  
6       into pursuant to an approved tribal energy resource  
7       agreement.

8           “(7)(A) In this paragraph, the term ‘interested  
9       party’ means any person or entity the interests of  
10      which have sustained or will sustain a significant ad-  
11      verse environmental impact as a result of the failure  
12      of an Indian tribe to comply with a tribal energy re-  
13      source agreement of the Indian tribe approved by  
14      the Secretary under paragraph (2).

15           “(B) After exhaustion of tribal remedies, and in  
16      accordance with the process and requirements set  
17      forth in regulations adopted by the Secretary pursu-  
18      ant to paragraph (8), an interested party may sub-  
19      mit to the Secretary a petition to review compliance  
20      of an Indian tribe with a tribal energy resource  
21      agreement of the Indian tribe approved by the Sec-  
22      retary under paragraph (2).

23           “(C)(i) Not later than 120 days after the date  
24      on which the Secretary receives a petition under sub-  
25      paragraph (B), the Secretary shall determine wheth-

1       er the Indian tribe is not in compliance with the  
2       tribal energy resource agreement, as alleged in the  
3       petition.

4             “(ii) The Secretary may adopt procedures  
5       under paragraph (8) authorizing an extension of  
6       time, not to exceed 120 days, for making the deter-  
7       mination under clause (i) in any case in which the  
8       Secretary determines that additional time is nec-  
9       essary to evaluate the allegations of the petition.

10          “(iii) Subject to subparagraph (D), if the Sec-  
11       etary determines that the Indian tribe is not in  
12       compliance with the tribal energy resource agree-  
13       ment as alleged in the petition, the Secretary shall  
14       take such action as is necessary to ensure compli-  
15       ance with the provisions of the tribal energy resource  
16       agreement, which action may include—

17                 “(I) temporarily suspending some or all ac-  
18       tivities under a lease, business agreement, or  
19       right-of-way under this section until the Indian  
20       tribe or such activities are in compliance with  
21       the provisions of the approved tribal energy re-  
22       source agreement; or

23                 “(II) rescinding approval of all or part of  
24       the tribal energy resource agreement, and if all  
25       of such agreement is rescinded, reassuming the

1 responsibility for approval of any future leases,  
2 business agreements, or rights-of-way described  
3 in subsections (a) and (b).

4 “(D) Prior to seeking to ensure compliance with  
5 the provisions of the tribal energy resource agree-  
6 ment of an Indian tribe under subparagraph (C)(iii),  
7 the Secretary shall—

8       “(i) make a written determination that de-  
9 scribes the manner in which the tribal energy  
10 resource agreement has been violated;

11       “(ii) provide the Indian tribe with a writ-  
12 ten notice of the violations together with the  
13 written determination; and

14       “(iii) before taking any action described in  
15 subparagraph (C)(iii) or seeking any other rem-  
16 edy, provide the Indian tribe with a hearing and  
17 a reasonable opportunity to attain compliance  
18 with the tribal energy resource agreement.

19       “(E) An Indian tribe described in subparagraph  
20 (D) shall retain all rights to appeal as provided in  
21 regulations issued by the Secretary.

22       “(8) Not later than 1 year after the date of en-  
23 actment of the Indian Tribal Energy Development  
24 and Self-Determination Act of 2004, the Secretary

1 shall issue regulations that implement the provisions  
2 of this subsection, including—

3                 “(A) criteria to be used in determining the  
4 capacity of an Indian tribe described in para-  
5 graph (2)(B)(i), including the experience of the  
6 Indian tribe in managing natural resources and  
7 financial and administrative resources available  
8 for use by the Indian tribe in implementing the  
9 approved tribal energy resource agreement of  
10 the Indian tribe;

11                 “(B) a process and requirements in accord-  
12 ance with which an Indian tribe may—

13                     “(i) voluntarily rescind a tribal energy  
14 resource agreement approved by the Sec-  
15 retary under this subsection; and

16                     “(ii) return to the Secretary the re-  
17 sponsibility to approve any future leases,  
18 business agreements, and rights-of-way de-  
19 scribed in this subsection;

20                 “(C) provisions setting forth the scope of,  
21 and procedures for, the periodic review and  
22 evaluation described in subparagraphs (D) and  
23 (E) of paragraph (2), including provisions for  
24 review of transactions, reports, site inspections,

1           and any other review activities the Secretary  
2        determines to be appropriate; and

3           “(D) provisions defining final agency ac-  
4        tions after exhaustion of administrative appeals  
5        from determinations of the Secretary under  
6        paragraph (7).

7        “(f) NO EFFECT ON OTHER LAW.—Nothing in this  
8        section affects the application of—

9           “(1) any Federal environment law;  
10          “(2) the Surface Mining Control and Reclama-  
11        tion Act of 1977 (30 U.S.C. 1201 et seq.); or

12          “(3) except as otherwise provided in this title,  
13        the Indian Mineral Development Act of 1982 (25  
14        U.S.C. 2101 et seq.) and the National Environ-  
15        mental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

16        “(g) AUTHORIZATION OF APPROPRIATIONS.—There  
17        are authorized to be appropriated to the Secretary such  
18        sums as are necessary for each of fiscal years 2004  
19        through 2014 to implement the provisions of this section  
20        and to make grants or provide other appropriate assist-  
21        ance to Indian tribes to assist the Indian tribes in devel-  
22        oping and implementing tribal energy resource agreements  
23        in accordance with the provisions of this section.

## 1 "SEC. 2605. INDIAN MINERAL DEVELOPMENT REVIEW.

2       “(a) IN GENERAL.—The Secretary shall conduct a  
3 review of all activities being conducted under the Indian  
4 Mineral Development Act of 1982 (25 U.S.C. 2101 et  
5 seq.) as of that date.

6        “(b) REPORT.—Not later than 1 year after the date  
7 of enactment of the Indian Tribal Energy Development  
8 and Self-Determination Act of 2004, the Secretary shall  
9 submit to Congress a report that includes—

10                   “(1) the results of the review;

11               “(2) recommendations to ensure that Indian  
12               tribes have the opportunity to develop Indian energy  
13               resources; and

14               “(3) an analysis of the barriers to the develop-  
15               ment of energy resources on Indian land (including  
16               legal, fiscal, market, and other barriers), along with  
17               recommendations for the removal of those barriers.

18 "SEC. 2606. FEDERAL POWER MARKETING ADMINISTRA-  
19 TIONS.

**20**        "(a) DEFINITIONS.—In this section:

21               “(1) The term ‘Administrator’ means the Ad-  
22 ministrator of the Bonneville Power Administration  
23 and the Administrator of the Western Area Power  
24 Administration.

“(2) The term ‘power marketing administration’ means—

1               “(A) the Bonneville Power Administration;  
2               “(B) the Western Area Power Administra-  
3               tion; and

4               “(C) any other power administration the  
5               power allocation of which is used by or for the  
6               benefit of an Indian tribe located in the service  
7               area of the administration.

8       “(b) ENCOURAGEMENT OF INDIAN TRIBAL ENERGY  
9 DEVELOPMENT.—Each Administrator shall encourage In-  
10 dian tribal energy development by taking such actions as  
11 are appropriate, including administration of programs of  
12 the Bonneville Power Administration and the Western  
13 Area Power Administration, in accordance with this sec-  
14 tion.

15       “(c) ACTION BY THE ADMINISTRATOR.—In carrying  
16 out this section, and in accordance with existing law—

17               “(1) each Administrator shall consider the  
18               unique relationship that exists between the United  
19               States and Indian tribes;

20               “(2) power allocations from the Western Area  
21               Power Administration to Indian tribes may be used  
22               to meet firming and reserve needs of Indian-owned  
23               energy projects on Indian land;

24               “(3) the Administrator of the Western Area  
25               Power Administration may purchase non-federally

1       generated power from Indian tribes to meet the  
2       firming and reserve requirements of the Western  
3       Area Power Administration; and

4               “(4) each Administrator shall not pay more  
5       than the prevailing market price for an energy prod-  
6       uct nor obtain less than prevailing market terms and  
7       conditions.

8               “(d) ASSISTANCE FOR TRANSMISSION SYSTEM  
9 USE.—(1) An Administrator may provide technical assist-  
10 ance to Indian tribes seeking to use the high-voltage trans-  
11 mission system for delivery of electric power.

12               “(2) The costs of technical assistance provided under  
13 paragraph (1) shall be funded by the Secretary of Energy  
14 using nonreimbursable funds appropriated for that pur-  
15 pose, or by the applicable Indian tribes.

16               “(e) POWER ALLOCATION STUDY.—Not later than 2  
17 years after the date of enactment of the Indian Tribal En-  
18 ergy Development and Self-Determination Act of 2004,  
19 the Secretary of Energy shall submit to Congress a report  
20 that—

21               “(1) describes the use by Indian tribes of Fed-  
22 eral power allocations of the Western Area Power  
23 Administration (or power sold by the Southwestern  
24 Power Administration) and the Bonneville Power

1       Administration to or for the benefit of Indian tribes  
2       in service areas of those administrations; and

3               “(2) identifies—

4                       “(A) the quantity of power allocated to, or  
5                       used for the benefit of, Indian tribes by the  
6                       Western Area Power Administration;

7                       “(B) the quantity of power sold to Indian  
8                       tribes by other power marketing administra-  
9                       tions; and

10                       “(C) barriers that impede tribal access to  
11                       and use of Federal power, including an assess-  
12                       ment of opportunities to remove those barriers  
13                       and improve the ability of power marketing ad-  
14                       ministrations to deliver Federal power.

15               “(f) AUTHORIZATION OF APPROPRIATIONS.—There  
16       are authorized to be appropriated to carry out this section  
17       \$750,000, which shall remain available until expended and  
18       shall not be reimbursable.

19       **“SEC. 2607. WIND AND HYDROPOWER FEASIBILITY STUDY.**

20               “(a) STUDY.—The Secretary of Energy, in coordina-  
21       tion with the Secretary of the Army and the Secretary,  
22       shall conduct a study of the cost and feasibility of devel-  
23       oping a demonstration project that would use wind energy  
24       generated by Indian tribes and hydropower generated by  
25       the Army Corps of Engineers on the Missouri River to

1 supply firming power to the Western Area Power Adminis-  
2 tration.

3       “(b) SCOPE OF STUDY.—The study shall—

4           “(1) determine the feasibility of the blending of  
5           wind energy and hydropower generated from the  
6           Missouri River dams operated by the Army Corps of  
7           Engineers;

8           “(2) review historical and projected require-  
9           ments for firming power and the patterns of avail-  
10          ability and use of firming power;

11          “(3) assess the wind energy resource potential  
12          on tribal land and projected cost savings through a  
13          blend of wind and hydropower over a 30-year period;

14          “(4) determine seasonal capacity needs and as-  
15          sociated transmission upgrades for integration of  
16          tribal wind generation; and

17          “(5) include an independent tribal engineer as  
18          a study team member.

19        “(c) REPORT.—Not later than 1 year after the date  
20      of enactment of the Energy Policy Act of 2003, the Sec-  
21      retary and Secretary of the Army shall submit to Congress  
22      a report that describes the results of the study, includ-  
23      ing—

24           “(1) an analysis of the potential energy cost or  
25          benefits to the customers of the Western Area Power

1       Administration through the use of combined wind  
2       and hydropower;

3               “(2) an evaluation of whether a combined wind  
4       and hydropower system can reduce reservoir fluctua-  
5       tion, enhance efficient and reliable energy produc-  
6       tion, and provide Missouri River management flexi-  
7       bility;

8               “(3) recommendations for a demonstration  
9       project that could be carried out by the Western  
10      Area Power Administration in partnership with an  
11      Indian tribal government or tribal energy resource  
12      development organization to demonstrate the feasi-  
13      bility and potential of using wind energy produced  
14      on Indian land to supply firming energy to the  
15      Western Area Power Administration or any other  
16      Federal power marketing agency; and

17               “(4) an identification of—

18                       “(A) the economic and environmental costs  
19       or benefits to be realized through such a Fed-  
20       eral-tribal partnership; and

21                       “(B) the manner in which such a partner-  
22       ship could contribute to the energy security of  
23       the United States.

24       “(d) FUNDING.—

1           “(1) AUTHORIZATION OF APPROPRIATIONS.—

2       There are authorized to be appropriated to carry out  
3       this section \$500,000, to remain available until ex-  
4       pended.

5           “(2) NONREIMBURSABILITY.—Costs incurred by the  
6       Secretary in carrying out this section shall be non-  
7       reimbursable.”.

8           (b) CONFORMING AMENDMENTS.—The table of con-  
9       tents for the Energy Policy Act of 1992 is amended by  
10      striking the items relating to title XXVI and inserting the  
11      following:

“Sec. 2601. Definitions.

“Sec. 2602. Indian tribal energy resource development.

“Sec. 2603. Indian tribal energy resource regulation.

“Sec. 2604. Leases, business agreements, and rights-of-way involving energy  
development or transmission.

“Sec. 2605. Indian mineral development review.

“Sec. 2606. Federal Power Marketing Administrations.

“Sec. 2607. Wind and hydropower feasibility study.”.

12 **SEC. 504. FOUR CORNERS TRANSMISSION LINE PROJECT.**

13       The Dine Power Authority, an enterprise of the Nav-  
14      ajo Nation, shall be eligible to receive grants and other  
15      assistance as authorized by section 217 of the Department  
16      of Energy Organization Act, as added by section 502 of  
17      this title, and section 2602 of the Energy Policy Act of  
18      1992, as amended by this title, for activities associated  
19      with the development of a transmission line from the Four  
20      Corners Area to southern Nevada, including related power  
21      generation opportunities.

1   **SEC. 505. ENERGY EFFICIENCY IN FEDERALLY ASSISTED**  
2                   **HOUSING.**

3       (a) IN GENERAL.—The Secretary of Housing and  
4   Urban Development shall promote energy conservation in  
5   housing that is located on Indian land and assisted with  
6   Federal resources through—

7                  (1) the use of energy-efficient technologies and  
8   innovations (including the procurement of energy-ef-  
9   ficient refrigerators and other appliances);

10                 (2) the promotion of shared savings contracts;  
11                 and

12                 (3) the use and implementation of such other  
13   similar technologies and innovations as the Secretary  
14   of Housing and Urban Development considers to be  
15   appropriate.

16       (b) AMENDMENT.—Section 202(2) of the Native  
17   American Housing and Self-Determination Act of 1996  
18   (25 U.S.C. 4132(2)) is amended by inserting “improve-  
19   ment to achieve greater energy efficiency,” after “plan-  
20   ning.”.

21   **SEC. 506. CONSULTATION WITH INDIAN TRIBES.**

22       In carrying out this title and the amendments made  
23   by this title, the Secretary of Energy and the Secretary  
24   shall, as appropriate and to the maximum extent prac-  
25   ticable, involve and consult with Indian tribes in a manner  
26   that is consistent with the Federal trust and the govern-

1 ment-to-government relationships between Indian tribes  
2 and the United States.

3           **TITLE VI—NUCLEAR MATTERS**  
4           **Subtitle A—Price-Anderson Act**  
5           **Amendments**

6           **SEC. 601. SHORT TITLE.**

7           This subtitle may be cited as the “Price-Anderson  
8 Amendments Act of 2003”.

9           **SEC. 602. EXTENSION OF INDEMNIFICATION AUTHORITY.**

10          (a) INDEMNIFICATION OF NUCLEAR REGULATORY  
11 COMMISSION LICENSEES.—Section 170 c. of the Atomic  
12 Energy Act of 1954 (42 U.S.C. 2210(c)) is amended—

13           (1) in the subsection heading, by striking “LI-  
14 CENSES” and inserting “LICENSEES”; and

15           (2) by striking “December 31, 2003” each  
16 place it appears and inserting “December 31,  
17 2023”.

18          (b) INDEMNIFICATION OF DEPARTMENT OF ENERGY  
19 CONTRACTORS.—Section 170 d.(1)(A) of the Atomic En-  
20 ergy Act of 1954 (42 U.S.C. 2210(d)(1)(A)) is amended  
21 by striking “December 31, 2004” and inserting “Decem-  
22 ber 31, 2023”.

23          (c) INDEMNIFICATION OF NONPROFIT EDUCATIONAL  
24 INSTITUTIONS.—Section 170 k. of the Atomic Energy Act  
25 of 1954 (42 U.S.C. 2210(k)) is amended by striking “Au-

1   gust 1, 2002” each place it appears and inserting “Decem-  
2   ber 31, 2023”.

3   **SEC. 603. MAXIMUM ASSESSMENT.**

4       Section 170 of the Atomic Energy Act of 1954 (42  
5   U.S.C. 2210) is amended—

6               (1) in the second proviso of the third sentence  
7   of subsection b.(1)—

8                       (A) by striking “\$63,000,000” and insert-  
9                       ing “\$95,800,000”; and

10                      (B) by striking “\$10,000,000 in any 1  
11                      year” and inserting “\$15,000,000 in any 1 year  
12                      (subject to adjustment for inflation under sub-  
13                      section t.”); and

14                      (2) in subsection t.(1)—

15                       (A) by inserting “total and annual” after  
16                       “amount of the maximum”;

17                       (B) by striking “the date of the enactment  
18                       of the Price-Anderson Amendments Act of  
19                       1988” and inserting “August 20, 2003”; and

20                       (C) in subparagraph (A), by striking “such  
21                       date of enactment” and inserting “August 20,  
22                       2003”.

23   **SEC. 604. DEPARTMENT OF ENERGY LIABILITY LIMIT.**

24       (a) INDEMNIFICATION OF DEPARTMENT OF ENERGY  
25   CONTRACTORS.—Section 170 d. of the Atomic Energy Act

1 of 1954 (42 U.S.C. 2210(d)) is amended by striking para-  
2 graph (2) and inserting the following:

3 “(2) In an agreement of indemnification entered into  
4 under paragraph (1), the Secretary—

5       “(A) may require the contractor to provide and  
6 maintain financial protection of such a type and in  
7 such amounts as the Secretary shall determine to be  
8 appropriate to cover public liability arising out of or  
9 in connection with the contractual activity; and

10       “(B) shall indemnify the persons indemnified  
11 against such liability above the amount of the finan-  
12 cial protection required, in the amount of  
13 \$10,000,000,000 (subject to adjustment for inflation  
14 under subsection t.), in the aggregate, for all per-  
15 sons indemnified in connection with the contract and  
16 for each nuclear incident, including such legal costs  
17 of the contractor as are approved by the Secretary.”.

18 (b) CONTRACT AMENDMENTS.—Section 170 d. of the  
19 Atomic Energy Act of 1954 (42 U.S.C. 2210(d)) is further  
20 amended by striking paragraph (3) and inserting the fol-  
21 lowing—

22       “(3) All agreements of indemnification under which  
23 the Department of Energy (or its predecessor agencies)  
24 may be required to indemnify any person under this sec-  
25 tion shall be deemed to be amended, on the date of enact-

1 ment of the Price-Anderson Amendments Act of 2003, to  
2 reflect the amount of indemnity for public liability and any  
3 applicable financial protection required of the contractor  
4 under this subsection.”.

5 (c) LIABILITY LIMIT.—Section 170 e.(1)(B) of the  
6 Atomic Energy Act of 1954 (42 U.S.C. 2210(e)(1)(B)) is  
7 amended—

8 (1) by striking “the maximum amount of finan-  
9 cial protection required under subsection b. or”; and  
10 (2) by striking “paragraph (3) of subsection d.,  
11 whichever amount is more” and inserting “para-  
12 graph (2) of subsection d.”.

13 **SEC. 605. INCIDENTS OUTSIDE THE UNITED STATES.**

14 (a) AMOUNT OF INDEMNIFICATION.—Section 170  
15 d.(5) of the Atomic Energy Act of 1954 (42 U.S.C.  
16 2210(d)(5)) is amended by striking “\$100,000,000” and  
17 inserting “\$500,000,000”.

18 (b) LIABILITY LIMIT.—Section 170 e.(4) of the  
19 Atomic Energy Act of 1954 (42 U.S.C. 2210(e)(4)) is  
20 amended by striking “\$100,000,000” and inserting  
21 “\$500,000,000”.

22 **SEC. 606. REPORTS.**

23 Section 170 p. of the Atomic Energy Act of 1954 (42  
24 U.S.C. 2210(p)) is amended by striking “August 1, 1998”  
25 and inserting “December 31, 2019”.

**1 SEC. 607. INFLATION ADJUSTMENT.**

2       Section 170 t. of the Atomic Energy Act of 1954 (42

3 U.S.C. 2210(t)) is amended—

4           (1) by redesignating paragraph (2) as para-  
5           graph (3); and

6           (2) by inserting after paragraph (1) the fol-  
7           lowing:

8           “(2) The Secretary shall adjust the amount of indem-  
9 nification provided under an agreement of indemnification  
10 under subsection d. not less than once during each 5-year  
11 period following July 1, 2003, in accordance with the ag-  
12 gregate percentage change in the Consumer Price Index  
13 since—

14           “(A) that date, in the case of the first adjust-  
15 ment under this paragraph; or

16           “(B) the previous adjustment under this para-  
17 graph.”.

**18 SEC. 608. TREATMENT OF MODULAR REACTORS.**

19       Section 170 b. of the Atomic Energy Act of 1954 (42

20 U.S.C. 2210(b)) is amended by adding at the end the fol-  
21 lowing:

22           “(5)(A) For purposes of this section only, the Com-  
23 mission shall consider a combination of facilities described  
24 in subparagraph (B) to be a single facility having a rated  
25 capacity of 100,000 electrical kilowatts or more.

1       “(B) A combination of facilities referred to in sub-  
2 paragraph (A) is 2 or more facilities located at a single  
3 site, each of which has a rated capacity of 100,000 elec-  
4 trical kilowatts or more but not more than 300,000 elec-  
5 trical kilowatts, with a combined rated capacity of not  
6 more than 1,300,000 electrical kilowatts.”.

7 **SEC. 609. APPLICABILITY.**

8       The amendments made by sections 603, 604, and 605  
9 do not apply to a nuclear incident that occurs before the  
10 date of the enactment of this Act.

11 **SEC. 610. PROHIBITION ON ASSUMPTION BY UNITED**  
12 **STATES GOVERNMENT OF LIABILITY FOR**  
13 **CERTAIN FOREIGN INCIDENTS.**

14       Section 170 of the Atomic Energy Act of 1954 (42  
15 U.S.C. 2210) is amended by adding at the end the fol-  
16 lowing new subsection:

17       “u. PROHIBITION ON ASSUMPTION OF LIABILITY FOR  
18 CERTAIN FOREIGN INCIDENTS.—Notwithstanding this  
19 section or any other provision of law, no officer of the  
20 United States or of any department, agency, or instrumen-  
21 tality of the United States Government may enter into any  
22 contract or other arrangement, or into any amendment or  
23 modification of a contract or other arrangement, the pur-  
24 pose or effect of which would be to directly or indirectly  
25 impose liability on the United States Government, or any

1 department, agency, or instrumentality of the United  
2 States Government, or to otherwise directly or indirectly  
3 require an indemnity by the United States Government,  
4 for nuclear incidents occurring in connection with the de-  
5 sign, construction, or operation of a production facility or  
6 utilization facility in any country whose government has  
7 been identified by the Secretary of State as engaged in  
8 state sponsorship of terrorist activities (specifically includ-  
9 ing any country the government of which, as of September  
10 11, 2001, had been determined by the Secretary of State  
11 under section 620A(a) of the Foreign Assistance Act of  
12 1961 (22 U.S.C. 2371(a)), section 6(j)(1) of the Export  
13 Administration Act of 1979 (50 U.S.C. App. 2405(j)(1)),  
14 or section 40(d) of the Arms Export Control Act (22  
15 U.S.C. 2780(d)) to have repeatedly provided support for  
16 acts of international terrorism). This subsection shall not  
17 apply to nuclear incidents occurring as a result of mis-  
18 sions, carried out under the direction of the Secretary of  
19 Energy, the Secretary of Defense, or the Secretary of  
20 State, that are necessary to safely secure, store, transport,  
21 or remove nuclear materials for nuclear safety or non-  
22 proliferation purposes.”.

1   **SEC. 611. CIVIL PENALTIES.**

2       (a) REPEAL OF AUTOMATIC REMISSION.—Section  
3   234A b.(2) of the Atomic Energy Act of 1954 (42 U.S.C.  
4   2282a(b)(2)) is amended by striking the last sentence.

5       (b) LIMITATION FOR NOT-FOR-PROFIT INSTITU-  
6   TIONS.—Subsection d. of section 234A of the Atomic En-  
7   ergy Act of 1954 (42 U.S.C. 2282a(d)) is amended to read  
8   as follows:

9           “d.(1) Notwithstanding subsection a., in the case of  
10   any not-for-profit contractor, subcontractor, or supplier,  
11   the total amount of civil penalties paid under subsection  
12   a. may not exceed the total amount of fees paid within  
13   any 1-year period (as determined by the Secretary) under  
14   the contract under which the violation occurs.

15           “(2) For purposes of this section, the term ‘not-for-  
16   profit’ means that no part of the net earnings of the con-  
17   tractor, subcontractor, or supplier inures to the benefit of  
18   any natural person or for-profit artificial person.”.

19       (c) EFFECTIVE DATE.—The amendments made by  
20   this section shall not apply to any violation of the Atomic  
21   Energy Act of 1954 (42 U.S.C. 2011 et seq.) occurring  
22   under a contract entered into before the date of enactment  
23   of this section.

1                   **Subtitle B—General Nuclear**  
2                   **Matters**

3   **SEC. 621. LICENSES.**

4       Section 103 c. of the Atomic Energy Act of 1954 (42  
5   U.S.C. 2133(c)) is amended by inserting “from the au-  
6   thorization to commence operations” after “forty years”.

7   **SEC. 622. NRC TRAINING PROGRAM.**

8       (a) IN GENERAL.—In order to maintain the human  
9   resource investment and infrastructure of the United  
10   States in the nuclear sciences, health physics, and engi-  
11   neering fields, in accordance with the statutory authorities  
12   of the Nuclear Regulatory Commission relating to the ci-  
13   vilian nuclear energy program, the Nuclear Regulatory  
14   Commission shall carry out a training and fellowship pro-  
15   gram to address shortages of individuals with critical nu-  
16   clear safety regulatory skills.

17       (b) AUTHORIZATION OF APPROPRIATIONS.—

18               (1) IN GENERAL.—There are authorized to be  
19   appropriated to the Nuclear Regulatory Commission  
20   to carry out this section \$1,000,000 for each of fis-  
21   cal years 2004 through 2008.

22               (2) AVAILABILITY.—Funds made available  
23   under paragraph (1) shall remain available until ex-  
24   pended.

1   **SEC. 623. COST RECOVERY FROM GOVERNMENT AGENCIES.**

2       Section 161 w. of the Atomic Energy Act of 1954

3   (42 U.S.C. 2201(w)) is amended—

4           (1) by striking “for or is issued” and all that  
5       follows through “1702” and inserting “to the Com-  
6       mission for, or is issued by the Commission, a li-  
7       cense or certificate”;

8           (2) by striking “483a” and inserting “9701”;

9       and

10          (3) by striking “, of applicants for, or holders  
11       of, such licenses or certificates”.

12   **SEC. 624. ELIMINATION OF PENSION OFFSET.**

13       Section 161 of the Atomic Energy Act of 1954 (42  
14   U.S.C. 2201) is amended by adding at the end the fol-  
15   lowing:

16          “y. Exempt from the application of sections 8344 and  
17   8468 of title 5, United States Code, an annuitant who was  
18   formerly an employee of the Commission who is hired by  
19   the Commission as a consultant, if the Commission finds  
20   that the annuitant has a skill that is critical to the per-  
21   formance of the duties of the Commission.”.

22   **SEC. 625. ANTITRUST REVIEW.**

23       Section 105 c. of the Atomic Energy Act of 1954 (42  
24   U.S.C. 2135(c)) is amended by adding at the end the fol-  
25   lowing:

1       “(9) APPLICABILITY.—This subsection does not  
2 apply to an application for a license to construct or oper-  
3 ate a utilization facility or production facility under sec-  
4 tion 103 or 104 b. that is filed on or after the date of  
5 enactment of this paragraph.”.

6 **SEC. 626. DECOMMISSIONING.**

7       Section 161 i. of the Atomic Energy Act of 1954 (42  
8 U.S.C. 2201(i)) is amended—

9               (1) by striking “and (3)” and inserting “(3)”;  
10          and

11              (2) by inserting before the semicolon at the end  
12          the following: “, and (4) to ensure that sufficient  
13          funds will be available for the decommissioning of  
14          any production or utilization facility licensed under  
15          section 103 or 104 b., including standards and re-  
16          strictions governing the control, maintenance, use,  
17          and disbursement by any former licensee under this  
18          Act that has control over any fund for the decom-  
19          missioning of the facility”.

20 **SEC. 627. LIMITATION ON LEGAL FEE REIMBURSEMENT.**

21       The Department of Energy shall not, except as re-  
22 quired under a contract entered into before the date of  
23 enactment of this Act, reimburse any contractor or sub-  
24 contractor of the Department for any legal fees or ex-

1   penses incurred with respect to a complaint subsequent  
2   to—

3                 (1) an adverse determination on the merits with  
4       respect to such complaint against the contractor or  
5       subcontractor by the Director of the Department of  
6       Energy's Office of Hearings and Appeals pursuant  
7       to part 708 of title 10, Code of Federal Regulations,  
8       or by a Department of Labor Administrative Law  
9       Judge pursuant to section 211 of the Energy Reor-  
10      ganization Act of 1974 (42 U.S.C. 5851); or

11                 (2) an adverse final judgment by any State or  
12      Federal court with respect to such complaint against  
13      the contractor or subcontractor for wrongful termi-  
14      nation or retaliation due to the making of disclo-  
15      sures protected under chapter 12 of title 5, United  
16      States Code, section 211 of the Energy Reorganiza-  
17      tion Act of 1974 (42 U.S.C. 5851), or any com-  
18      parable State law,

19   unless the adverse determination or final judgment is re-  
20   versed upon further administrative or judicial review.

21   **SEC. 628. DECOMMISSIONING PILOT PROGRAM.**

22                 (a) PILOT PROGRAM.—The Secretary of Energy shall  
23      establish a decommissioning pilot program to decommis-  
24      sion and decontaminate the sodium-cooled fast breeder ex-  
25      perimental test-site reactor located in northwest Arkansas

1 in accordance with the decommissioning activities con-  
2 tained in the August 31, 1998, Department of Energy re-  
3 port on the reactor.

4 (b) AUTHORIZATION OF APPROPRIATIONS.—There  
5 are authorized to be appropriated to the Secretary of En-  
6 ergy to carry out this section \$16,000,000.

7 **SEC. 629. REPORT ON FEASIBILITY OF DEVELOPING COM-**  
8 **MERCIAL NUCLEAR ENERGY GENERATION**  
9 **FACILITIES AT EXISTING DEPARTMENT OF**  
10 **ENERGY SITES.**

11 Not later than 1 year after the date of the enactment  
12 of this Act, the Secretary of Energy shall submit to Con-  
13 gress a report on the feasibility of developing commercial  
14 nuclear energy generation facilities at Department of En-  
15 ergy sites in existence on the date of enactment of this  
16 Act.

17 **SEC. 630. URANIUM SALES.**

18 (a) SALES, TRANSFERS, AND SERVICES.—Section  
19 3112 of the USEC Privatization Act (42 U.S.C. 2297h-  
20 10) is amended by striking subsections (d), (e), and (f)  
21 and inserting the following:

22 “(3) The Secretary may transfer to the Corporation,  
23 notwithstanding subsections (b)(2) and (d), natural ura-  
24 nium in amounts sufficient to fulfill the Department of  
25 Energy’s commitments under Article 4(B) of the Agree-

1 ment between the Department and the Corporation dated  
2 June 17, 2002.

3       “(d) INVENTORY SALES.—(1) In addition to the  
4 transfers and sales authorized under subsections (b) and  
5 (c) and under paragraph (5) of this subsection, the United  
6 States Government may transfer or sell uranium in any  
7 form subject to paragraphs (2), (3), and (4).

8       “(2) Except as provided in subsections (b) and (c)  
9 and paragraph (5) of this subsection, no sale or transfer  
10 of uranium shall be made under this subsection by the  
11 United States Government unless—

12           “(A) the President determines that the material  
13 is not necessary for national security needs and the  
14 sale or transfer has no adverse impact on implemen-  
15 tation of existing government-to-government agree-  
16 ments;

17           “(B) the price paid to the appropriate Federal  
18 agency, if the transaction is a sale, will not be less  
19 than the fair market value of the material; and

20           “(C) the sale or transfer to commercial nuclear  
21 power end users is made pursuant to a contract of  
22 at least 3 years' duration.

23       “(3) Except as provided in paragraph (5), the United  
24 States Government shall not make any transfer or sale  
25 of uranium in any form under this subsection that would

1 cause the total amount of uranium transferred or sold pur-  
2 suant to this subsection that is delivered for consumption  
3 by commercial nuclear power end users to exceed—

4           “(A) 3,000,000 pounds of U<sub>3</sub> O<sub>8</sub> equivalent in  
5           fiscal year 2004, 2005, 2006, 2007, 2008, or 2009;

6           “(B) 5,000,000 pounds of U<sub>3</sub>O<sub>8</sub> equivalent in  
7           fiscal year 2010 or 2011;

8           “(C) 7,000,000 pounds of U<sub>3</sub>O<sub>8</sub> equivalent in  
9           fiscal year 2012; and

10          “(D) 10,000,000 pounds of U<sub>3</sub>O<sub>8</sub> equivalent in  
11          fiscal year 2013 or any fiscal year thereafter.

12          “(4) Except for sales or transfers under paragraph  
13 (5), for the purposes of this subsection, the recovery of  
14 uranium from uranium bearing materials transferred or  
15 sold by the United States Government to the domestic  
16 uranium industry shall be the preferred method of making  
17 uranium available. The recovered uranium shall be count-  
18 ed against the annual maximum deliveries set forth in this  
19 section, when such uranium is sold to end users.

20          “(5) The United States Government may make the  
21 following sales and transfers:

22           “(A) Sales or transfers to a Federal agency if  
23           the material is transferred for the use of the receiv-  
24           ing agency without any resale or transfer to another

1 entity and the material does not meet commercial  
2 specifications.

3 “(B) Sales or transfers to any person for na-  
4 tional security purposes, as determined by the Sec-  
5 retary.

6 “(C) Sales or transfers to any State or local  
7 agency or nonprofit, charitable, or educational insti-  
8 tution for use other than the generation of electricity  
9 for commercial use.

10 “(D) Sales or transfers to the Department of  
11 Energy research reactor sales program.

12 “(E) Sales or transfers, at fair market value,  
13 for emergency purposes in the event of a disruption  
14 in supply to commercial nuclear power end users in  
15 the United States.

16 “(F) Sales or transfers, at fair market value,  
17 for use in a commercial reactor in the United States  
18 with nonstandard fuel requirements.

19 “(G) Sales or transfers provided for under law  
20 for use by the Tennessee Valley Authority in relation  
21 to the Department of Energy’s highly enriched ura-  
22 nium or tritium programs.

23 “(6) For purposes of this subsection, the term  
24 ‘United States Government’ does not include the Ten-  
25 nessee Valley Authority.

1       “(e) SAVINGS PROVISION.—Nothing in this sub-  
2 chapter modifies the terms of the Russian HEU Agree-  
3 ment.

4       “(f) SERVICES.—Notwithstanding any other provi-  
5 sion of this section, if the Secretary determines that the  
6 Corporation has failed, or may fail, to perform any obliga-  
7 tion under the Agreement between the Department of En-  
8 ergy and the Corporation dated June 17, 2002, and as  
9 amended thereafter, which failure could result in termi-  
10 nation of the Agreement, the Secretary shall notify Con-  
11 gress, in such a manner that affords Congress an oppor-  
12 tunity to comment, prior to a determination by the Sec-  
13 retary whether termination, waiver, or modification of the  
14 Agreement is required. The Secretary is authorized to take  
15 such action as he determines necessary under the Agree-  
16 ment to terminate, waive, or modify provisions of the  
17 Agreement to achieve its purposes.”.

18       (b) REPORT.—Not later than 3 years after the date  
19 of enactment of this Act, the Secretary of Energy shall  
20 report to Congress on the implementation of this section.  
21 The report shall include a discussion of available excess  
22 uranium inventories; all sales or transfers made by the  
23 United States Government; the impact of such sales or  
24 transfers on the domestic uranium industry, the spot mar-  
25 ket uranium price, and the national security interests of

1 the United States; and any steps taken to remediate any  
2 adverse impacts of such sales or transfers.

3 **SEC. 631. COOPERATIVE RESEARCH AND DEVELOPMENT**  
4 **AND SPECIAL DEMONSTRATION PROJECTS**  
5 **FOR THE URANIUM MINING INDUSTRY.**

6 (a) **AUTHORIZATION OF APPROPRIATIONS.**—There  
7 are authorized to be appropriated to the Secretary of En-  
8 ergy \$10,000,000 for each of fiscal years 2004, 2005, and  
9 2006 for—

10 (1) cooperative, cost-shared agreements between  
11 the Department of Energy and domestic uranium  
12 producers to identify, test, and develop improved in  
13 situ leaching mining technologies, including low-cost  
14 environmental restoration technologies that may be  
15 applied to sites after completion of in situ leaching  
16 operations; and

17 (2) funding for competitively selected dem-  
18 onstration projects with domestic uranium producers  
19 relating to—

20 (A) enhanced production with minimal en-  
21 vironmental impacts;

22 (B) restoration of well fields; and

23 (C) decommissioning and decontamination  
24 activities.

1       (b) DOMESTIC URANIUM PRODUCER.—For purposes  
2 of this section, the term “domestic uranium producer” has  
3 the meaning given that term in section 1018(4) of the En-  
4 ergy Policy Act of 1992 (42 U.S.C. 2296b–7(4)), except  
5 that the term shall not include any producer that has not  
6 produced uranium from domestic reserves on or after July  
7 30, 1998.

8       (c) LIMITATION.—No activities funded under this  
9 section may be carried out in the State of New Mexico.

10 **SEC. 632. WHISTLEBLOWER PROTECTION.**

11       (a) DEFINITION OF EMPLOYER.—Section 211(a)(2)  
12 of the Energy Reorganization Act of 1974 (42 U.S.C.  
13 5851(a)(2)) is amended—

14               (1) in subparagraph (C), by striking “and” at  
15 the end;

16               (2) in subparagraph (D), by striking the period  
17 at the end and inserting “; and” and

18               (3) by adding at the end the following:

19                       “(E) a contractor or subcontractor of the  
20 Commission.”.

21       (b) DE NOVO REVIEW.—Subsection (b) of such sec-  
22 tion 211 is amended by adding at the end the following  
23 new paragraph:

24               “(4) If the Secretary has not issued a final de-  
25 cision within 540 days after the filing of a complaint

1 under paragraph (1), and there is no showing that  
2 such delay is due to the bad faith of the person  
3 seeking relief under this paragraph, such person  
4 may bring an action at law or equity for de novo re-  
5 view in the appropriate district court of the United  
6 States, which shall have jurisdiction over such an ac-  
7 tion without regard to the amount in controversy.”.

8 **SEC. 633. MEDICAL ISOTOPE PRODUCTION.**

9 Section 134 of the Atomic Energy Act of 1954 (42  
10 U.S.C. 2160d) is amended—

11 (1) in subsection a., by striking “a. The Com-  
12 mission” and inserting “a. IN GENERAL.—Except as  
13 provided in subsection b., the Commission”;

14 (2) by redesignating subsection b. as subsection  
15 c.; and

16 (3) by inserting after subsection a. the fol-  
17 lowing:

18 “b. MEDICAL ISOTOPE PRODUCTION.—

19 “(1) DEFINITIONS.—In this subsection:

20 “(A) HIGHLY ENRICHED URANIUM.—The  
21 term ‘highly enriched uranium’ means uranium  
22 enriched to include concentration of U-235  
23 above 20 percent.

24 “(B) MEDICAL ISOTOPE.—The term ‘med-  
25 ical isotope’ includes Molybdenum 99, Iodine

1           131, Xenon 133, and other radioactive mate-  
2           rials used to produce a radiopharmaceutical for  
3           diagnostic, therapeutic procedures or for re-  
4           search and development.

5           “(C) RADIOPHARMACEUTICAL.—The term  
6           ‘radiopharmaceutical’ means a radioactive iso-  
7           tope that—

8                 “(i) contains byproduct material com-  
9                 bined with chemical or biological material;  
10                 and

11                 “(ii) is designed to accumulate tempo-  
12                 rarily in a part of the body for therapeutic  
13                 purposes or for enabling the production of  
14                 a useful image for use in a diagnosis of a  
15                 medical condition.

16           “(D) RECIPIENT COUNTRY.—The term ‘re-  
17           cipient country’ means Canada, Belgium,  
18           France, Germany, and the Netherlands.

19           “(2) LICENSES.—The Commission may issue a  
20           license authorizing the export (including shipment to  
21           and use at intermediate and ultimate consignees  
22           specified in the license) to a recipient country of  
23           highly enriched uranium for medical isotope produc-  
24           tion if, in addition to any other requirements of this

1       Act (except subsection a.), the Commission deter-  
2       mines that—

3                 “(A) a recipient country that supplies an  
4                 assurance letter to the United States Govern-  
5                 ment in connection with the consideration by  
6                 the Commission of the export license applica-  
7                 tion has informed the United States Govern-  
8                 ment that any intermediate consignees and the  
9                 ultimate consignee specified in the application  
10                 are required to use the highly enriched uranium  
11                 solely to produce medical isotopes; and

12                 “(B) the highly enriched uranium for med-  
13                 ical isotope production will be irradiated only in  
14                 a reactor in a recipient country that—

15                         “(i) uses an alternative nuclear reac-  
16                 tor fuel; or

17                         “(ii) is the subject of an agreement  
18                 with the United States Government to con-  
19                 vert to an alternative nuclear reactor fuel  
20                 when alternative nuclear reactor fuel can  
21                 be used in the reactor.

22                 “(3) REVIEW OF PHYSICAL PROTECTION RE-  
23                 QUIREMENTS.—

24                 “(A) IN GENERAL.—The Commission shall  
25                 review the adequacy of physical protection re-

1        requirements that, as of the date of an applica-  
2        tion under paragraph (2), are applicable to the  
3        transportation and storage of highly enriched  
4        uranium for medical isotope production or con-  
5        trol of residual material after irradiation and  
6        extraction of medical isotopes.

7                 “(B) IMPOSITION OF ADDITIONAL RE-  
8        QUIREMENTS.—If the Commission determines  
9        that additional physical protection requirements  
10      are necessary (including a limit on the quantity  
11      of highly enriched uranium that may be con-  
12      tained in a single shipment), the Commission  
13      shall impose such requirements as license condi-  
14      tions or through other appropriate means.

15                 “(4) FIRST REPORT TO CONGRESS.—

16                 “(A) NAS STUDY.—The Secretary shall  
17      enter into an arrangement with the National  
18      Academy of Sciences to conduct a study to de-  
19      termine—

20                 “(i) the feasibility of procuring sup-  
21      plies of medical isotopes from commercial  
22      sources that do not use highly enriched  
23      uranium;

1                 “(ii) the current and projected de-  
2                 mand and availability of medical isotopes  
3                 in regular current domestic use;

4                 “(iii) the progress that is being made  
5                 by the Department of Energy and others  
6                 to eliminate all use of highly enriched ura-  
7                 nium in reactor fuel, reactor targets, and  
8                 medical isotope production facilities; and

9                 “(iv) the potential cost differential in  
10                 medical isotope production in the reactors  
11                 and target processing facilities if the prod-  
12                 ucts were derived from production systems  
13                 that do not involve fuels and targets with  
14                 highly enriched uranium.

15                 “(B) FEASIBILITY.—For the purpose of  
16                 this subsection, the use of low enriched uranium  
17                 to produce medical isotopes shall be determined  
18                 to be feasible if—

19                 “(i) low enriched uranium targets  
20                 have been developed and demonstrated for  
21                 use in the reactors and target processing  
22                 facilities that produce significant quantities  
23                 of medical isotopes to serve United States  
24                 needs for such isotopes;

1                         “(ii) sufficient quantities of medical  
2                         isotopes are available from low enriched  
3                         uranium targets and fuel to meet United  
4                         States domestic needs; and

5                         “(iii) the average anticipated total  
6                         cost increase from production of medical  
7                         isotopes in such facilities without use of  
8                         highly enriched uranium is less than 10  
9                         percent.

10                         “(C) REPORT BY THE SECRETARY.—Not  
11                         later than 5 years after the date of enactment  
12                         of the Energy Policy Act of 2003, the Secretary  
13                         shall submit to Congress a report that—

14                         “(i) contains the findings of the Na-  
15                         tional Academy of Sciences made in the  
16                         study under subparagraph (A); and

17                         “(ii) discloses the existence of any  
18                         commitments from commercial producers  
19                         to provide domestic requirements for med-  
20                         ical isotopes without use of highly enriched  
21                         uranium consistent with the feasibility cri-  
22                         teria described in subparagraph (B) not  
23                         later than the date that is 4 years after  
24                         the date of submission of the report.

1                 “(5) SECOND REPORT TO CONGRESS.—If the  
2 study of the National Academy of Sciences deter-  
3 mines under paragraph (4)(A)(i) that the procure-  
4 ment of supplies of medical isotopes from commer-  
5 cial sources that do not use highly enriched uranium  
6 is feasible, but the Secretary is unable to report the  
7 existence of commitments under paragraph  
8 (4)(C)(ii), not later than the date that is 6 years  
9 after the date of enactment of the Energy Policy Act  
10 of 2003, the Secretary shall submit to Congress a  
11 report that describes options for developing domestic  
12 supplies of medical isotopes in quantities that are  
13 adequate to meet domestic demand without the use  
14 of highly enriched uranium consistent with the cost  
15 increase described in paragraph (4)(B)(iii).

16                 “(6) CERTIFICATION.—At such time as com-  
17 mercial facilities that do not use highly enriched  
18 uranium are capable of meeting domestic require-  
19 ments for medical isotopes, within the cost increase  
20 described in paragraph (4)(B)(iii) and without im-  
21 pairing the reliable supply of medical isotopes for  
22 domestic utilization, the Secretary shall submit to  
23 Congress a certification to that effect.

24                 “(7) SUNSET PROVISION.—After the Secretary  
25 submits a certification under paragraph (6), the

1       Commission shall, by rule, terminate its review of  
2       export license applications under this subsection.”.

3 **SEC. 634. FERNALD BYPRODUCT MATERIAL.**

4       Notwithstanding any other law, the material in the  
5       concrete silos at the Fernald uranium processing facility  
6       managed on the date of enactment of this Act by the De-  
7       partment of Energy shall be considered byproduct mate-  
8       rial (as defined by section 11 e.(2) of the Atomic Energy  
9       Act of 1954 (42 U.S.C. 2014(e)(2))). The Department of  
10      Energy may dispose of the material in a facility regulated  
11      by the Nuclear Regulatory Commission or by an Agree-  
12      ment State. If the Department of Energy disposes of the  
13      material in such a facility, the Nuclear Regulatory Com-  
14      mission or the Agreement State shall regulate the material  
15      as byproduct material under that Act. This material shall  
16      remain subject to the jurisdiction of the Department of  
17      Energy until it is received at a commercial, Nuclear Regu-  
18      latory Commission-licensed, or Agreement State-licensed  
19      facility, at which time the material shall be subject to the  
20      health and safety requirements of the Nuclear Regulatory  
21      Commission or the Agreement State with jurisdiction over  
22      the disposal site.

## 1 SEC. 635. SAFE DISPOSAL OF GREATER-THAN-CLASS C RA-

## 2 DIOACTIVE WASTE.

3       (a) DESIGNATION OF RESPONSIBILITY.—The Sec-  
4 retary of Energy shall designate an Office within the De-  
5 partment of Energy to have the responsibility for activities  
6 needed to develop a new, or use an existing, facility for  
7 safely disposing of all low-level radioactive waste with con-  
8 centrations of radionuclides that exceed the limits estab-  
9 lished by the Nuclear Regulatory Commission for Class  
10 C radioactive waste (referred to in this section as “GTCC  
11 waste”).

12       (b) COMPREHENSIVE PLAN.—The Secretary of En-  
13 ergy shall develop a comprehensive plan for permanent  
14 disposal of GTCC waste which includes plans for a dis-  
15 posal facility. This plan shall be transmitted to Congress  
16 in a series of reports, including the following:

17           (1) REPORT ON SHORT-TERM PLAN.—Not later  
18 than 180 days after the date of enactment of this  
19 Act, the Secretary of Energy shall submit to Con-  
20 gress a plan describing the Secretary’s operational  
21 strategy for continued recovery and storage of  
22 GTCC waste until a permanent disposal facility is  
23 available.

24           (2) UPDATE OF 1987 REPORT.—

25           (A) IN GENERAL.—Not later than 1 year  
26 after the date of enactment of this Act, the Sec-

1           retary of Energy shall submit to Congress an  
2           update of the Secretary's February 1987 report  
3           submitted to Congress that made comprehen-  
4           sive recommendations for the disposal of GTCC  
5           waste.

6                 (B) CONTENTS.—The update under this  
7           paragraph shall contain—

- 8                             (i) a detailed description and identi-  
9                             fication of the GTCC waste that is to be  
10                          disposed;
- 11                             (ii) a description of current domestic  
12                          and international programs, both Federal  
13                          and commercial, for management and dis-  
14                          position of GTCC waste;
- 15                             (iii) an identification of the Federal  
16                          and private options and costs for the safe  
17                          disposal of GTCC waste;
- 18                             (iv) an identification of the options for  
19                          ensuring that, wherever possible, genera-  
20                          tors and users of GTCC waste bear all rea-  
21                          sonable costs of waste disposal;
- 22                             (v) an identification of any new statu-  
23                          tory authority required for disposal of  
24                          GTCC waste; and

1 (vi) in coordination with the Environmental  
2 Protection Agency and the Nuclear  
3 Regulatory Commission, an identification  
4 of any new regulatory guidance needed for  
5 the disposal of GTCC waste.

(3) REPORT ON COST AND SCHEDULE FOR COMPLETION OF ENVIRONMENTAL IMPACT STATEMENT AND RECORD OF DECISION.—Not later than 180 days after the date of submission of the update required under paragraph (2), the Secretary of Energy shall submit to Congress a report containing an estimate of the cost and schedule to complete a draft and final environmental impact statement and to issue a record of decision for a permanent disposal facility, utilizing either a new or existing facility, for GTCC waste.

**17 SEC. 636. PROHIBITION ON NUCLEAR EXPORTS TO COUN-  
18 TRIES THAT SPONSOR TERRORISM.**

19                 (a) IN GENERAL.—Section 129 of the Atomic Energy  
20 Act of 1954 (42 U.S.C. 2158) is amended—  
21                         (1) by inserting “a.” before “No nuclear mate-  
22                         rials and equipment”; and  
23                         (2) by adding at the end the following new sub-  
24                         section:

1       “b.(1) Notwithstanding any other provision of law,  
2 including specifically section 121 of this Act, and except  
3 as provided in paragraphs (2) and (3), no nuclear mate-  
4 rials and equipment or sensitive nuclear technology, in-  
5 cluding items and assistance authorized by section 57 b.  
6 of this Act and regulated under part 810 of title 10, Code  
7 of Federal Regulations, and nuclear-related items on the  
8 Commerce Control List maintained under part 774 of title  
9 15 of the Code of Federal Regulations, shall be exported  
10 or reexported, or transferred or retransferred whether di-  
11 rectly or indirectly, and no Federal agency shall issue any  
12 license, approval, or authorization for the export or reex-  
13 port, or transfer, or retransfer, whether directly or indi-  
14 rectly, of these items or assistance (as defined in this para-  
15 graph) to any country whose government has been identi-  
16 fied by the Secretary of State as engaged in state sponsor-  
17 ship of terrorist activities (specifically including any coun-  
18 try the government of which has been determined by the  
19 Secretary of State under section 620A(a) of the Foreign  
20 Assistance Act of 1961 (22 U.S.C. 2371(a)), section  
21 6(j)(1) of the Export Administration Act of 1979 (50  
22 U.S.C. App. 2405(j)(1)), or section 40(d) of the Arms Ex-  
23 port Control Act (22 U.S.C. 2780(d)) to have repeatedly  
24 provided support for acts of international terrorism).

1       “(2) This subsection shall not apply to exports, reex-  
2 ports, transfers, or retransfers of radiation monitoring  
3 technologies, surveillance equipment, seals, cameras, tam-  
4 per-indication devices, nuclear detectors, monitoring sys-  
5 tems, or equipment necessary to safely store, transport,  
6 or remove hazardous materials, whether such items, serv-  
7 ices, or information are regulated by the Department of  
8 Energy, the Department of Commerce, or the Nuclear  
9 Regulatory Commission, except to the extent that such  
10 technologies, equipment, seals, cameras, devices, detectors,  
11 or systems are available for use in the design or construc-  
12 tion of nuclear reactors or nuclear weapons.

13       “(3) The President may waive the application of  
14 paragraph (1) to a country if the President determines  
15 and certifies to Congress that the waiver will not result  
16 in any increased risk that the country receiving the waiver  
17 will acquire nuclear weapons, nuclear reactors, or any ma-  
18 terials or components of nuclear weapons and—

19           “(A) the government of such country has not  
20          within the preceding 12-month period willfully aided  
21          or abetted the international proliferation of nuclear  
22          explosive devices to individuals or groups or willfully  
23          aided and abetted an individual or groups in acquir-  
24          ing unsafeguarded nuclear materials;

1           “(B) in the judgment of the President, the gov-  
2 ernment of such country has provided adequate,  
3 verifiable assurances that it will cease its support for  
4 acts of international terrorism;

5           “(C) the waiver of that paragraph is in the vital  
6 national security interest of the United States; or

7           “(D) such a waiver is essential to prevent or re-  
8 spond to a serious radiological hazard in the country  
9 receiving the waiver that may or does threaten pub-  
10 lic health and safety.”.

11          (b) APPLICABILITY TO EXPORTS APPROVED FOR  
12 TRANSFER BUT NOT TRANSFERRED.—Subsection b. of  
13 section 129 of Atomic Energy Act of 1954, as added by  
14 subsection (a) of this section, shall apply with respect to  
15 exports that have been approved for transfer as of the date  
16 of the enactment of this Act but have not yet been trans-  
17 fered as of that date.

18 **SEC. 637. URANIUM ENRICHMENT FACILITIES.**

19          (a) NUCLEAR REGULATORY COMMISSION REVIEW OF  
20 APPLICATIONS.—

21           (1) IN GENERAL.—In order to facilitate a time-  
22 ly review and approval of an application in a pro-  
23 ceeding for a license for the construction and oper-  
24 ation of a uranium enrichment facility under sec-  
25 tions 53 and 63 of the Atomic Energy Act of 1954

(42 U.S.C. 2073, 2093) (referred to in this subsection as a “covered proceeding”), the Nuclear Regulatory Commission shall, not later than 30 days after the receipt of the application, establish, by order, the schedule for the conduct of any hearing that may be requested by any person whose interest may be affected by the covered proceeding.

13 (3) COMPLIANCE WITH SCHEDULE.—

1           schedule established under paragraph (1), in-  
2           cluding a description of the status of actions re-  
3           quired to be completed pursuant to the schedule  
4           by officers and employees of—

5                 (i) the Commission in undertaking the  
6                 safety and environmental review of applica-

7                 tions; and

8                 (ii) the Atomic Safety and Licensing  
9                 Board in the conduct of any covered pro-

10                 ceeding.

11                 (4) ENVIRONMENTAL REVIEW.—

12                 (A) IN GENERAL.—In evaluating an appli-

13                 cation under the National Environmental Policy  
14                 Act of 1969 (42 U.S.C. 4321 et seq.) for licens-

15                 ing of a facility in a covered proceeding, the  
16                 Commission shall limit the consideration of

17                 need to whether the licensing of the facility  
18                 would advance the national interest of encour-

19                 aging in the United States—

20                 (i) additional secure, reliable uranium  
21                 enrichment capacity;

22                 (ii) diverse supplies and suppliers of  
23                 uranium enrichment capacity; and

24                 (iii) the deployment of advanced cen-

25                 trifuge enrichment technology.

5 (C) ATOMIC SAFETY AND LICENSING  
6 BOARD.—

1                   clusions in the environmental report sub-  
2                   mitted by the applicant.

3                   (D) ENVIRONMENTAL JUSTICE.—In a cov-  
4                   ered proceeding, the Commission shall apply the  
5                   criteria in Appendix C of the final report enti-  
6                   tled “Environmental Review Guidance for Li-  
7                   censing Actions Associated with NMSS Pro-  
8                   grams” (NUREG–1748), published in August  
9                   2003, in any required review of environmental  
10                  justice.

11                  (5) LOW-LEVEL WASTE.—In any covered pro-  
12                  ceeding, the Commission shall—

13                  (A) deem the obligation of the Secretary of  
14                  Energy pursuant to section 3113 of the USEC  
15                  Privitization Act (42 U.S.C. 2297 h-11) to con-  
16                  stitute a plausible strategy with regard to the  
17                  disposition of depleted uranium generated by  
18                  such facility; and

19                  (B) treat any residual material that re-  
20                  mains following the extraction of any usable re-  
21                  source value from depleted uranium as low-level  
22                  radioactive waste under part 61 of title 10,  
23                  Code of Federal Regulations.

24                  (6) ADJUDICATORY HEARING ON LICENSING OF  
25                  URANIUM ENRICHMENT FACILITIES.—Section 193(b)

1 of the Atomic Energy Act of 1954 (42 U.S.C.  
2 2243(b)) is amended by striking paragraph (2) and  
3 inserting the following:

4       “(2) TIMING.—On the issuance of a final deci-  
5 sion on the application by the Atomic Safety and Li-  
6 censing Board, the Commission shall issue and make  
7 immediately effective any license for the construction  
8 and operation of a uranium enrichment facility  
9 under sections 53 and 63, on a determination by the  
10 Commission that the issuance of the license would  
11 not cause irreparable injury to the public health and  
12 safety or the common defense and security, notwith-  
13 standing the pendency before the Commission of any  
14 appeal or petition for review of any decision of the  
15 Atomic Safety and Licensing Board.”.

16 (b) DEPARTMENT OF ENERGY RESPONSIBILITIES.—

17       (1) IN GENERAL.—Not later than 180 days  
18 after a request is made to the Secretary of Energy  
19 by an applicant for or recipient of a license for a  
20 uranium enrichment facility under section 53, 63, or  
21 193 of the Atomic Energy Act of 1954 ((42 U.S.C.  
22 2073, 2093, 2243), the Secretary shall enter into a  
23 memorandum of agreement with the applicant or li-  
24 censee that provides a schedule for the transfer to  
25 the Secretary, not later than 5 years after the gen-

1 eration of any depleted uranium hexafluoride, of title  
2 and possession of the depleted uranium hexafluoride  
3 to be generated by the applicant or licensee.

4 (2) COST.—

5 (A) IN GENERAL.—Subject to subparagraphs (B) and (C), the memorandum of agree-  
6 ment shall specify the cost to be assessed by the  
7 Secretary for the transfer to the Secretary of  
8 the depleted uranium hexafluoride.

9 (B) NONDISCRIMINATORY BASIS.—The  
10 cost shall be determined by the Secretary on a  
11 nondiscriminatory basis.

12 (C) COST.—Taking into account the phys-  
13 ical and chemical characteristics of such de-  
14 pleted uranium hexafluoride, the cost shall not  
15 exceed the cost assessed by the Secretary for  
16 the acceptance of depleted uranium hexafluoride  
17 under—

18 (i) the memorandum of agreement be-  
19 tween the United States Department of  
20 Energy and the United States Enrichment  
21 Corporation Relating to Depleted Ura-  
22 nium, dated June 30, 1998; and

#### 4 SEC. 638. NATIONAL URANIUM STOCKPILE.

5       (a) STOCKPILE CREATION.—The Secretary of En-  
6 ergy may create a national low-enriched uranium stockpile  
7 with the goals to—

- (1) enhance national energy security; and
- (2) reduce global proliferation threats.

10           (b) SOURCE OF MATERIAL.—The Secretary shall ob-  
11 tain material for the stockpile from—

15 (2) domestically mined and enriched uranium.

16 (c) LIMITATION ON SALES OR TRANSFERS.—Sales or  
17 transfer of materials in the stockpile shall occur pursuant  
18 to section 3112 of the USEC Privitization Act (42 U.S.C.  
19 2297h-10), as amended by section 630 of this Act.

## **20 Subtitle C—Advanced Reactor 21 Hydrogen Cogeneration Project**

## 22 SEC. 651. PROJECT ESTABLISHMENT.

23 The Secretary of Energy (in this subtitle referred to  
24 as the “Secretary”) is directed to establish an Advanced  
25 Reactor Hydrogen Cogeneration Project.

**1 SEC. 652. PROJECT DEFINITION.**

2       The project shall consist of the research, development,  
3   design, construction, and operation of a hydrogen  
4   production cogeneration research facility that, relative to  
5   the current commercial reactors, enhances safety features,  
6   reduces waste production, enhances thermal efficiencies,  
7   increases proliferation resistance, and has the potential for  
8   improved economics and physical security in reactor siting.  
9   This facility shall be constructed so as to enable research  
10   and development on advanced reactors of the type selected  
11   and on alternative approaches for reactor-based produc-  
12   tion of hydrogen.

**13 SEC. 653. PROJECT MANAGEMENT.**

14       (a) MANAGEMENT.—The project shall be managed  
15   within the Department by the Office of Nuclear Energy,  
16   Science, and Technology.

17       (b) LEAD LABORATORY.—The lead laboratory for the  
18   project, providing the site for the reactor construction,  
19   shall be the Idaho National Engineering and Environ-  
20   mental Laboratory (in this subtitle referred to as  
21   “INEEL”).

22       (c) STEERING COMMITTEE.—The Secretary shall es-  
23   tablish a national steering committee with membership  
24   from the national laboratories, universities, and industry  
25   to provide advice to the Secretary and the Director of the

1 Office of Nuclear Energy, Science, and Technology on  
2 technical and program management aspects of the project.

3 (d) COLLABORATION.—Project activities shall be con-  
4 ducted at INEEL, other national laboratories, univer-  
5 sities, domestic industry, and international partners.

6 **SEC. 654. PROJECT REQUIREMENTS.**

7 (a) RESEARCH AND DEVELOPMENT.—

8 (1) IN GENERAL.—The project shall include  
9 planning, research and development, design, and  
10 construction of an advanced, next-generation, nu-  
11 clear energy system suitable for enabling further re-  
12 search and development on advanced reactor tech-  
13 nologies and alternative approaches for reactor-based  
14 generation of hydrogen.

15 (2) REACTOR TEST CAPABILITIES AT INEEL.—

16 The project shall utilize, where appropriate, exten-  
17 sive reactor test capabilities resident at INEEL.

18 (3) ALTERNATIVES.—The project shall be de-  
19 signed to explore technical, environmental, and eco-  
20 nomic feasibility of alternative approaches for reac-  
21 tor-based hydrogen production.

22 (4) INDUSTRIAL LEAD.—The industrial lead for  
23 the project shall be a company incorporated in the  
24 United States.

25 (b) INTERNATIONAL COLLABORATION.—

1                     (1) IN GENERAL.—The Secretary shall seek  
2                     international cooperation, participation, and financial  
3                     contribution in this project.

4                     (2) ASSISTANCE FROM INTERNATIONAL PART-  
5                     NERS.—The Secretary may contract for assistance  
6                     from specialists or facilities from member countries  
7                     of the Generation IV International Forum, the Russian  
8                     Federation, or other international partners  
9                     where such specialists or facilities provide access to  
10                     cost-effective and relevant skills or test capabilities.

11                    (3) GENERATION IV INTERNATIONAL FORUM.—  
12                     International activities shall be coordinated with the  
13                     Generation IV International Forum.

14                    (4) GENERATION IV NUCLEAR ENERGY SYSTEMS PROGRAM.—The Secretary may combine this  
15                     project with the Generation IV Nuclear Energy Systems Program.

18                    (c) DEMONSTRATION.—The overall project, which  
19                     may involve demonstration of selected project objectives  
20                     in a partner nation, must demonstrate both electricity and  
21                     hydrogen production and may provide flexibility, where  
22                     technically and economically feasible in the design and  
23                     construction, to enable tests of alternative reactor core  
24                     and cooling configurations.

1       (d) PARTNERSHIPS.—The Secretary shall establish  
2 cost-shared partnerships with domestic industry or inter-  
3 national participants for the research, development, de-  
4 sign, construction, and operation of the research facility,  
5 and preference in determining the final project structure  
6 shall be given to an overall project which retains United  
7 States leadership while maximizing cost sharing opportu-  
8 nities and minimizing Federal funding responsibilities.

9       (e) TARGET DATE.—The Secretary shall select tech-  
10 nologies and develop the project to provide initial testing  
11 of either hydrogen production or electricity generation by  
12 2010, or provide a report to Congress explaining why this  
13 date is not feasible.

14      (f) WAIVER OF CONSTRUCTION TIMELINES.—The  
15 Secretary is authorized to conduct the Advanced Reactor  
16 Hydrogen Cogeneration Project without the constraints of  
17 DOE Order 413.3, relating to program and project man-  
18 agement for the acquisition of capital assets, as necessary  
19 to meet the specified operational date.

20      (g) COMPETITION.—The Secretary may fund up to  
21 2 teams for up to 1 year to develop detailed proposals for  
22 competitive evaluation and selection of a single proposal  
23 and concept for further progress. The Secretary shall de-  
24 fine the format of the competitive evaluation of proposals.

1       (h) USE OF FACILITIES.—Research facilities in in-  
2 dustry, national laboratories, or universities either within  
3 the United States or with cooperating international part-  
4 ners may be used to develop the enabling technologies for  
5 the research facility. Utilization of domestic university-  
6 based facilities shall be encouraged to provide educational  
7 opportunities for student development.

8       (i) ROLE OF NUCLEAR REGULATORY COMMISSION.—  
9           (1) IN GENERAL.—The Nuclear Regulatory  
10 Commission shall have licensing and regulatory au-  
11 thority for any reactor authorized under this sub-  
12 title, pursuant to section 202 of the Energy Reorga-  
13 nization Act of 1974 (42 U.S.C. 5842).

14           (2) RISK-BASED CRITERIA.—The Secretary  
15 shall seek active participation of the Nuclear Regu-  
16 latory Commission throughout the project to develop  
17 risk-based criteria for any future commercial devel-  
18 opment of a similar reactor architecture.

19       (j) REPORT.—The Secretary shall develop and trans-  
20 mit to Congress a comprehensive project plan not later  
21 than April 30, 2004. The project plan shall be updated  
22 annually with each annual budget submission.

23 **SEC. 655. AUTHORIZATION OF APPROPRIATIONS.**

24       (a) RESEARCH, DEVELOPMENT, AND DESIGN PRO-  
25 GRAMS.—The following sums are authorized to be appro-

1 priated to the Secretary for all activities under this sub-  
2 title except for construction activities described in sub-  
3 section (b):

4 (1) For fiscal year 2004, \$35,000,000.  
5 (2) For each of fiscal years 2005 through 2008,  
6 \$150,000,000.

7 (3) For fiscal years beyond 2008, such sums as  
8 are necessary.

9 (b) CONSTRUCTION.—There are authorized to be ap-  
10 propriated to the Secretary for all project-related con-  
11 struction activities, to be available until expended,  
12 \$500,000,000.

## 13 **Subtitle D—Nuclear Security**

### 14 **SEC. 661. NUCLEAR FACILITY THREATS.**

15 (a) STUDY.—The President, in consultation with the  
16 Nuclear Regulatory Commission (referred to in this sub-  
17 title as the “Commission”) and other appropriate Federal,  
18 State, and local agencies and private entities, shall con-  
19 duct a study to identify the types of threats that pose an  
20 appreciable risk to the security of the various classes of  
21 facilities licensed by the Commission under the Atomic  
22 Energy Act of 1954 (42 U.S.C. 2011 et seq.). Such study  
23 shall take into account, but not be limited to—

24 (1) the events of September 11, 2001;

- 1                         (2) an assessment of physical, cyber, bio-
- 2                         chemical, and other terrorist threats;
- 3                         (3) the potential for attack on facilities by mul-
- 4                         tiple coordinated teams of a large number of individ-
- 5                         uals;
- 6                         (4) the potential for assistance in an attack
- 7                         from several persons employed at the facility;
- 8                         (5) the potential for suicide attacks;
- 9                         (6) the potential for water-based and air-based
- 10                        threats;
- 11                        (7) the potential use of explosive devices of con-
- 12                        siderable size and other modern weaponry;
- 13                        (8) the potential for attacks by persons with a
- 14                        sophisticated knowledge of facility operations;
- 15                        (9) the potential for fires, especially fires of
- 16                        long duration;
- 17                        (10) the potential for attacks on spent fuel
- 18                        shipments by multiple coordinated teams of a large
- 19                        number of individuals;
- 20                        (11) the adequacy of planning to protect the
- 21                        public health and safety at and around nuclear fa-
- 22                        cilities, as appropriate, in the event of a terrorist at-
- 23                        tack against a nuclear facility; and
- 24                        (12) the potential for theft and diversion of nu-
- 25                        clear materials from such facilities.

1       (b) SUMMARY AND CLASSIFICATION REPORT.—Not  
2 later than 180 days after the date of the enactment of  
3 this Act, the President shall transmit to Congress and the  
4 Commission a report—

5                 (1) summarizing the types of threats identified  
6 under subsection (a); and

7                 (2) classifying each type of threat identified  
8 under subsection (a), in accordance with existing  
9 laws and regulations, as either—

10                         (A) involving attacks and destructive acts,  
11 including sabotage, directed against the facility  
12 by an enemy of the United States, whether a  
13 foreign government or other person, or other-  
14 wise falling under the responsibilities of the  
15 Federal Government; or

16                         (B) involving the type of risks that Com-  
17 mission licensees should be responsible for  
18 guarding against.

19       (c) FEDERAL ACTION REPORT.—Not later than 90  
20 days after the date on which a report is transmitted under  
21 subsection (b), the President shall transmit to Congress  
22 a report on actions taken, or to be taken, to address the  
23 types of threats identified under subsection (b)(2)(A), in-  
24 cluding identification of the Federal, State, and local  
25 agencies responsible for carrying out the obligations and

1 authorities of the United States. Such report may include  
2 a classified annex, as appropriate.

3 (d) REGULATIONS.—Not later than 180 days after  
4 the date on which a report is transmitted under subsection  
5 (b), the Commission may revise, by rule, the design basis  
6 threats issued before the date of enactment of this section  
7 as the Commission considers appropriate based on the  
8 summary and classification report.

9 (e) PHYSICAL SECURITY PROGRAM.—The Commis-  
10 sion shall establish an operational safeguards response  
11 evaluation program that ensures that the physical protec-  
12 tion capability and operational safeguards response for  
13 sensitive nuclear facilities, as determined by the Commis-  
14 sion consistent with the protection of public health and  
15 the common defense and security, shall be tested periodi-  
16 cally through Commission approved or designed, observed,  
17 and evaluated force-on-force exercises to determine wheth-  
18 er the ability to defeat the design basis threat is being  
19 maintained. For purposes of this subsection, the term  
20 “sensitive nuclear facilities” includes at a minimum com-  
21 mercial nuclear power plants and category I fuel cycle fa-  
22 cilities.

23 (f) CONTROL OF INFORMATION.—Notwithstanding  
24 any other provision of law, the Commission may undertake  
25 any rulemaking under this subtitle in a manner that will

1 fully protect safeguards and classified national security in-  
2 formation.

3 (g) FEDERAL SECURITY COORDINATORS.—

4 (1) REGIONAL OFFICES.—Not later than 18  
5 months after the date of enactment of this Act, the  
6 Commission shall assign a Federal security coordi-  
7 nator, under the employment of the Commission, to  
8 each region of the Commission.

9 (2) RESPONSIBILITIES.—The Federal security  
10 coordinator shall be responsible for—

11 (A) communicating with the Commission  
12 and other Federal, State, and local authorities  
13 concerning threats, including threats against  
14 such classes of facilities as the Commission de-  
15 termines to be appropriate;

16 (B) ensuring that such classes of facilities  
17 as the Commission determines to be appropriate  
18 maintain security consistent with the security  
19 plan in accordance with the appropriate threat  
20 level; and

21 (C) assisting in the coordination of secu-  
22 rity measures among the private security forces  
23 at such classes of facilities as the Commission  
24 determines to be appropriate and Federal,  
25 State, and local authorities, as appropriate.

1       (h) TRAINING PROGRAM.—The President shall estab-  
2 lish a program to provide technical assistance and training  
3 to Federal agencies, the National Guard, and State and  
4 local law enforcement and emergency response agencies in  
5 responding to threats against a designated nuclear facility.

6 **SEC. 662. FINGERPRINTING FOR CRIMINAL HISTORY**

7                   **RECORD CHECKS.**

8       (a) IN GENERAL.—Subsection a. of section 149 of  
9 the Atomic Energy Act of 1954 (42 U.S.C. 2169(a)) is  
10 amended—

11                  (1) by striking “a. The Nuclear” and all that  
12 follows through “section 147.” and inserting the fol-  
13 lowing:

14           “a. IN GENERAL.—

15              “(1) REQUIREMENTS.—

16                  “(A) IN GENERAL.—The Commission shall  
17 require each individual or entity—

18                   “(i) that is licensed or certified to en-  
19 gage in an activity subject to regulation by  
20 the Commission;

21                   “(ii) that has filed an application for  
22 a license or certificate to engage in an ac-  
23 tivity subject to regulation by the Commis-  
24 sion; or

1                         “(iii) that has notified the Commis-  
2                         sion, in writing, of an intent to file an ap-  
3                         plication for licensing, certification, permit-  
4                         ting, or approval of a product or activity  
5                         subject to regulation by the Commission,  
6                         to fingerprint each individual described in sub-  
7                         paragraph (B) before the individual is per-  
8                         mitted unescorted access or access, whichever is  
9                         applicable, as described in subparagraph (B).

10                         “(B) INDIVIDUALS REQUIRED TO BE  
11                         FINGERPRINTED.—The Commission shall re-  
12                         quire to be fingerprinted each individual who—  
13                         “(i) is permitted unescorted access  
14                         to—

15                         “(I) a utilization facility; or  
16                         “(II) radioactive material or  
17                         other property subject to regulation  
18                         by the Commission that the Commis-  
19                         sion determines to be of such signifi-  
20                         cance to the public health and safety  
21                         or the common defense and security  
22                         as to warrant fingerprinting and back-  
23                         ground checks; or  
24                         “(ii) is permitted access to safeguards  
25                         information under section 147.”;

1                   (2) by striking “All fingerprints obtained by a  
2 licensee or applicant as required in the preceding  
3 sentence” and inserting the following:

4                   “(2) SUBMISSION TO THE ATTORNEY GEN-  
5 ERAL.—All fingerprints obtained by an individual or  
6 entity as required in paragraph (1);

7                   (3) by striking “The costs of any identification  
8 and records check conducted pursuant to the pre-  
9 ceding sentence shall be paid by the licensee or ap-  
10 plicant.” and inserting the following:

11                  “(3) COSTS.—The costs of any identification  
12 and records check conducted pursuant to paragraph  
13 (1) shall be paid by the individual or entity required  
14 to conduct the fingerprinting under paragraph  
15 (1)(A).”; and

16                  (4) by striking “Notwithstanding any other pro-  
17 vision of law, the Attorney General may provide all  
18 the results of the search to the Commission, and, in  
19 accordance with regulations prescribed under this  
20 section, the Commission may provide such results to  
21 licensee or applicant submitting such fingerprints.”  
22 and inserting the following:

23                  “(4) PROVISION TO INDIVIDUAL OR ENTITY RE-  
24 QUIRED TO CONDUCT FINGERPRINTING.—Notwith-  
25 standing any other provision of law, the Attorney

1       General may provide all the results of the search to  
2       the Commission, and, in accordance with regulations  
3       prescribed under this section, the Commission may  
4       provide such results to the individual or entity re-  
5       quired to conduct the fingerprinting under para-  
6       graph (1)(A).”.

7           (b) ADMINISTRATION.—Subsection c. of section 149  
8       of the Atomic Energy Act of 1954 (42 U.S.C. 2169(c))  
9       is amended—

10              (1) by striking “, subject to public notice and  
11       comment, regulations—” and inserting “require-  
12       ments—”; and

13              (2) by striking, in paragraph (2)(B),  
14       “unescorted access to the facility of a licensee or ap-  
15       plicant” and inserting “unescorted access to a utili-  
16       zation facility, radioactive material, or other prop-  
17       erty described in subsection a.(1)(B)”.

18           (c) BIOMETRIC METHODS.—Subsection d. of section  
19       149 of the Atomic Energy Act of 1954 (42 U.S.C.  
20       2169(d)) is redesignated as subsection e., and the fol-  
21       lowing is inserted after subsection c.:

22              “d. USE OF OTHER BIOMETRIC METHODS.—The  
23       Commission may satisfy any requirement for a person to  
24       conduct fingerprinting under this section using any other  
25       biometric method for identification approved for use by

1 the Attorney General, after the Commission has approved  
2 the alternative method by rule.”.

3 **SEC. 663. USE OF FIREARMS BY SECURITY PERSONNEL OF**  
4 **LICENSEES AND CERTIFICATE HOLDERS OF**  
5 **THE COMMISSION.**

6 Section 161 of the Atomic Energy Act of 1954 (42  
7 U.S.C. 2201) is amended by adding at the end the fol-  
8 lowing subsection:

9 “(z)(1) notwithstanding section 922(o), (v), and  
10 (w) of title 18, United States Code, or any similar  
11 provision of any State law or any similar rule or reg-  
12 ulation of a State or any political subdivision of a  
13 State prohibiting the transfer or possession of a  
14 handgun, a rifle or shotgun, a short-barreled shot-  
15 gun, a short-barreled rifle, a machinegun, a semi-  
16 automatic assault weapon, ammunition for the fore-  
17 going, or a large capacity ammunition feeding de-  
18 vice, authorize security personnel of licensees and  
19 certificate holders of the Commission (including em-  
20 ployees of contractors of licensees and certificate  
21 holders) to receive, possess, transport, import, and  
22 use 1 or more of those weapons, ammunition, or de-  
23 vices, if the Commission determines that—

1               “(A) such authorization is necessary to the  
2               discharge of the security personnel’s official du-  
3               ties; and

4               “(B) the security personnel—

5               “(i) are not otherwise prohibited from  
6               possessing or receiving a firearm under  
7               Federal or State laws pertaining to posses-  
8               sion of firearms by certain categories of  
9               persons;

10               “(ii) have successfully completed re-  
11               quirements established through guidelines  
12               implementing this subsection for training  
13               in use of firearms and tactical maneuvers;

14               “(iii) are engaged in the protection  
15               of—

16               “(I) facilities owned or operated  
17               by a Commission licensee or certifi-  
18               cate holder that are designated by the  
19               Commission; or

20               “(II) radioactive material or  
21               other property owned or possessed by  
22               a person that is a licensee or certifi-  
23               cate holder of the Commission, or that  
24               is being transported to or from a fa-  
25               cility owned or operated by such a li-

1 censee or certificate holder, and that  
2 has been determined by the Commis-  
3 sion to be of significance to the com-  
4 mon defense and security or public  
5 health and safety; and  
6 “(iv) are discharging their official du-  
7 ties.

8 “(2) Such receipt, possession, transportation,  
9 importation, or use shall be subject to—

10 “(A) chapter 44 of title 18, United States  
11 Code, except for section 922(a)(4), (o), (v), and  
12 (w);

13 “(B) chapter 53 of title 26, United States  
14 Code, except for section 5844; and

15 “(C) a background check by the Attorney  
16 General, based on fingerprints and including a  
17 check of the system established under section  
18 103(b) of the Brady Handgun Violence Preven-  
19 tion Act (18 U.S.C. 922 note) to determine  
20 whether the person applying for the authority is  
21 prohibited from possessing or receiving a fire-  
22 arm under Federal or State law.

23 “(3) This subsection shall become effective  
24 upon the issuance of guidelines by the Commission,

1       with the approval of the Attorney General, to govern  
2       the implementation of this subsection.

3           “(4) In this subsection, the terms ‘handgun’,  
4       ‘rifle’, ‘shotgun’, ‘firearm’, ‘ammunition’, ‘machine-  
5       gun’, ‘semiautomatic assault weapon’, ‘large capacity  
6       ammunition feeding device’, ‘short-barreled shotgun’,  
7       and ‘short-barreled rifle’ shall have the meanings  
8       given those terms in section 921(a) of title 18,  
9       United States Code.”.

10 **SEC. 664. UNAUTHORIZED INTRODUCTION OF DANGEROUS  
11 WEAPONS.**

12       Section 229 a. of the Atomic Energy Act of 1954 (42  
13 U.S.C. 2278a(a)) is amended in the first sentence by in-  
14 serting “or subject to the licensing authority of the Com-  
15 mission or to certification by the Commission under this  
16 Act or any other Act” before the period at the end.

17 **SEC. 665. SABOTAGE OF NUCLEAR FACILITIES OR FUEL.**

18       (a) IN GENERAL.—Section 236 a. of the Atomic En-  
19 ergy Act of 1954 (42 U.S.C. 2284(a)) is amended—

20           (1) in paragraph (2), by striking “storage facil-  
21       ity” and inserting “storage, treatment, or disposal  
22       facility”;

23           (2) in paragraph (3)—

1                   (A) by striking “such a utilization facility”  
2                   and inserting “a utilization facility licensed  
3                   under this Act”; and

4                   (B) by striking “or” at the end;

5                   (3) in paragraph (4)—

6                   (A) by striking “facility licensed” and in-  
7                   serting “, uranium conversion, or nuclear fuel  
8                   fabrication facility licensed or certified”; and

9                   (B) by striking the comma at the end and  
10                  inserting a semicolon; and

11                  (4) by inserting after paragraph (4) the fol-  
12                  lowing:

13                  “(5) any production, utilization, waste storage,  
14                  waste treatment, waste disposal, uranium enrich-  
15                  ment, uranium conversion, or nuclear fuel fabri-  
16                  cation facility subject to licensing or certification  
17                  under this Act during construction of the facility, if  
18                  the destruction or damage caused or attempted to be  
19                  caused could adversely affect public health and safe-  
20                  ty during the operation of the facility;

21                  “(6) any primary facility or backup facility  
22                  from which a radiological emergency preparedness  
23                  alert and warning system is activated; or

24                  “(7) any radioactive material or other property  
25                  subject to regulation by the Nuclear Regulatory

1       Commission that, before the date of the offense, the  
2       Nuclear Regulatory Commission determines, by  
3       order or regulation published in the Federal Reg-  
4       ister, is of significance to the public health and safe-  
5       ty or to common defense and security.”.

6       (b) PENALTIES.—Section 236 of the Atomic Energy  
7       Act of 1954 (42 U.S.C. 2284) is amended by striking  
8       “\$10,000 or imprisoned for not more than 20 years, or  
9       both, and, if death results to any person, shall be impris-  
10      oned for any term of years or for life” both places it ap-  
11      pears and inserting “\$1,000,000 or imprisoned for up to  
12      life without parole”.

13 **SEC. 666. SECURE TRANSFER OF NUCLEAR MATERIALS.**

14       (a) AMENDMENT.—Chapter 14 of the Atomic Energy  
15       Act of 1954 (42 U.S.C. 2201–2210b) is amended by add-  
16       ing at the end the following new section:

17 **“SEC. 170C. SECURE TRANSFER OF NUCLEAR MATERIALS.**

18       “a. The Nuclear Regulatory Commission shall estab-  
19       lish a system to ensure that materials described in sub-  
20       section b., when transferred or received in the United  
21       States by any party pursuant to an import or export li-  
22       cense issued pursuant to this Act, are accompanied by a  
23       manifest describing the type and amount of materials  
24       being transferred or received. Each individual receiving or  
25       accompanying the transfer of such materials shall be sub-

1 ject to a security background check conducted by appro-  
2 priate Federal entities.

3       “b. Except as otherwise provided by the Commission  
4 by regulation, the materials referred to in subsection a.  
5 are byproduct materials, source materials, special nuclear  
6 materials, high-level radioactive waste, spent nuclear fuel,  
7 transuranic waste, and low-level radioactive waste (as de-  
8 fined in section 2(16) of the Nuclear Waste Policy Act  
9 of 1982 (42 U.S.C. 10101(16))).”.

10       (b) REGULATIONS.—Not later than 1 year after the  
11 date of the enactment of this Act, and from time to time  
12 thereafter as it considers necessary, the Nuclear Regu-  
13 latory Commission shall issue regulations identifying ra-  
14 dioactive materials or classes of individuals that, con-  
15 sistent with the protection of public health and safety and  
16 the common defense and security, are appropriate excep-  
17 tions to the requirements of section 170C of the Atomic  
18 Energy Act of 1954, as added by subsection (a) of this  
19 section.

20       (c) EFFECTIVE DATE.—The amendment made by  
21 subsection (a) shall take effect upon the issuance of regu-  
22 lations under subsection (b), except that the background  
23 check requirement shall become effective on a date estab-  
24 lished by the Commission.

1       (d) EFFECT ON OTHER LAW.—Nothing in this sec-  
2 tion or the amendment made by this section shall waive,  
3 modify, or affect the application of chapter 51 of title 49,  
4 United States Code, part A of subtitle V of title 49,  
5 United States Code, part B of subtitle VI of title 49,  
6 United States Code, and title 23, United States Code.

7       (e) TABLE OF SECTIONS AMENDMENT.—The table of  
8 sections for chapter 14 of the Atomic Energy Act of 1954  
9 is amended by adding at the end the following new item:  
“Sec. 170C. Secure transfer of nuclear materials.”.

10 **SEC. 667. DEPARTMENT OF HOMELAND SECURITY CON-**  
11 **SULTATION.**

12       Before issuing a license for a utilization facility, the  
13 Nuclear Regulatory Commission shall consult with the De-  
14 partment of Homeland Security concerning the potential  
15 vulnerabilities of the location of the proposed facility to  
16 terrorist attack.

17 **SEC. 668. AUTHORIZATION OF APPROPRIATIONS.**

18       (a) IN GENERAL.—There are authorized to be appro-  
19 priated such sums as are necessary to carry out this sub-  
20 title and the amendments made by this subtitle.

21       (b) AGGREGATE AMOUNT OF CHARGES.—Section  
22 6101(c)(2)(A) of the Omnibus Budget Reconciliation Act  
23 of 1990 (42 U.S.C. 2214(c)(2)(A)) is amended—

24              (1) in clause (i), by striking “and” at the end;

1                             (2) in clause (ii), by striking the period at the  
2                             end and inserting “; and” and

3                             (3) by adding at the end the following:

4                                 “(iii) amounts appropriated to the  
5                             Commission for homeland security activi-  
6                             ties of the Commission for the fiscal year,  
7                             except for the costs of fingerprinting and  
8                             background checks required by section 149  
9                             of the Atomic Energy Act of 1954 (42  
10                             U.S.C. 2169) and the costs of conducting  
11                             security inspections.”.

12                             **TITLE VII—VEHICLES AND  
13                                     FUELS**

14                             **Subtitle A—Existing Programs**

15                             **SEC. 701. USE OF ALTERNATIVE FUELS BY DUAL-FUELED  
16                             VEHICLES.**

17                             Section 400AA(a)(3)(E) of the Energy Policy and  
18                             Conservation Act (42 U.S.C. 6374(a)(3)(E)) is amended  
19                             to read as follows:

20                                 “(E)(i) Dual fueled vehicles acquired pursuant to this  
21                             section shall be operated on alternative fuels unless the  
22                             Secretary determines that an agency qualifies for a waiver  
23                             of such requirement for vehicles operated by the agency  
24                             in a particular geographic area in which—

1           “(I) the alternative fuel otherwise required to  
2       be used in the vehicle is not reasonably available to  
3       retail purchasers of the fuel, as certified to the Sec-  
4       retary by the head of the agency; or

5           “(II) the cost of the alternative fuel otherwise  
6       required to be used in the vehicle is unreasonably  
7       more expensive compared to gasoline, as certified to  
8       the Secretary by the head of the agency.

9           “(ii) The Secretary shall monitor compliance with  
10      this subparagraph by all such fleets and shall report annu-  
11      ally to Congress on the extent to which the requirements  
12      of this subparagraph are being achieved. The report shall  
13      include information on annual reductions achieved from  
14      the use of petroleum-based fuels and the problems, if any,  
15      encountered in acquiring alternative fuels.”.

16 **SEC. 702. NEIGHBORHOOD ELECTRIC VEHICLES.**

17           (a) AMENDMENTS.—Section 301 of the Energy Pol-  
18      icy Act of 1992 (42 U.S.C. 13211) is amended—

19           (1) in paragraph (3), by striking “or a dual  
20      fueled vehicle” and inserting “, a dual fueled vehicle,  
21      or a neighborhood electric vehicle”;

22           (2) in paragraph (13), by striking “and” at the  
23      end;

24           (3) in paragraph (14), by striking the period at  
25      the end and inserting “; and”; and

1                             (4) by adding at the end the following:

2                             “(15) the term ‘neighborhood electric vehicle’

3                             means a motor vehicle that—

4                                 “(A) meets the definition of a low-speed

5                             vehicle (as defined in part 571 of title 49, Code

6                             of Federal Regulations);

7                                 “(B) meets the definition of a zero-emis-

8                             sion vehicle (as defined in section 86.1702–99

9                             of title 40, Code of Federal Regulations);

10                                 “(C) meets the requirements of Federal

11                             Motor Vehicle Safety Standard No. 500; and

12                                 “(D) has a maximum speed of not greater

13                             than 25 miles per hour.”.

14                             (b) CREDITS.—Notwithstanding section 508 of the

15 Energy Policy Act of 1992 (42 U.S.C. 13258) or any other

16 provision of law, a neighborhood electric vehicle shall not

17 be allocated credit as more than 1 vehicle for purposes

18 of determining compliance with any requirement under

19 title III or title V of such Act.

20 **SEC. 703. CREDITS FOR MEDIUM AND HEAVY DUTY DEDI-**

21 **CATED VEHICLES.**

22                             Section 508 of the Energy Policy Act of 1992 (42

23 U.S.C. 13258) is amended by adding at the end the fol-

24 lowing:

1       “(e) CREDIT FOR PURCHASE OF MEDIUM AND  
2 HEAVY DUTY DEDICATED VEHICLES.—

3           “(1) DEFINITIONS.—In this subsection:

4              “(A) HEAVY DUTY DEDICATED VEHICLE.—The term ‘heavy duty dedicated vehicle’  
5 means a dedicated vehicle that has a gross vehicle weight rating of more than 14,000 pounds.  
6  
7

8              “(B) MEDIUM DUTY DEDICATED VEHICLE.—The term ‘medium duty dedicated vehicle’ means a dedicated vehicle that has a gross vehicle weight rating of more than 8,500 pounds but not more than 14,000 pounds.  
9  
10  
11  
12

13           “(2) CREDITS FOR MEDIUM DUTY VEHICLES.—  
14 The Secretary shall issue 2 full credits to a fleet or  
15 covered person under this title, if the fleet or covered  
16 person acquires a medium duty dedicated vehicle.

17           “(3) CREDITS FOR HEAVY DUTY VEHICLES.—  
18 The Secretary shall issue 3 full credits to a fleet or  
19 covered person under this title, if the fleet or covered  
20 person acquires a heavy duty dedicated vehicle.

21           “(4) USE OF CREDITS.—At the request of a  
22 fleet or covered person allocated a credit under this  
23 subsection, the Secretary shall, for the year in which  
24 the acquisition of the dedicated vehicle is made,  
25 treat that credit as the acquisition of 1 alternative

1        fueled vehicle that the fleet or covered person is re-  
2        quired to acquire under this title.”.

3 **SEC. 704. INCREMENTAL COST ALLOCATION.**

4        Section 303(c) of the Energy Policy Act of 1992 (42  
5 U.S.C. 13212(c)) is amended by striking “may” and in-  
6 serting “shall”.

7 **SEC. 705. ALTERNATIVE COMPLIANCE AND FLEXIBILITY.**

8        (a) ALTERNATIVE COMPLIANCE.—

9                (1) IN GENERAL.—Title V of the Energy Policy  
10          Act of 1992 (42 U.S.C. 13251 et seq.) is amended—  
11                        (A) by redesignating section 514 as section  
12                        515; and

13                        (B) by inserting after section 513 the fol-  
14                        lowing:

15 **“SEC. 514. ALTERNATIVE COMPLIANCE.**

16                “(a) APPLICATION FOR WAIVER.—Any covered per-  
17          son subject to section 501 and any State subject to section  
18          507(o) may petition the Secretary for a waiver of the ap-  
19          plicable requirements of section 501 or 507(o).

20                “(b) GRANT OF WAIVER.—The Secretary may grant  
21          a waiver of the requirements of section 501 or 507(o)  
22          upon a showing that the fleet owned, operated, leased, or  
23          otherwise controlled by the State or covered person—

24                        “(1) will achieve a reduction in its annual con-  
25          sumption of petroleum fuels equal to the reduction

1       in consumption of petroleum that would result from  
2       100 percent compliance with fuel use requirements  
3       in section 501, or, for entities covered under section  
4       507(o), a reduction equal to the covered State enti-  
5       ty's consumption of alternative fuels if all its alter-  
6       native fuel vehicles given credit under section 508  
7       were to use alternative fuel 100 percent of the time;  
8       and

9               “(2) is in compliance with all applicable vehicle  
10      emission standards established by the Administrator  
11      under the Clean Air Act (42 U.S.C. 7401 et seq.).

12               “(c) REVOCATION OF WAIVER.—The Secretary shall  
13      revoke any waiver granted under this section if the State  
14      or covered person fails to comply with subsection (b).”.

15               (2) TABLE OF CONTENTS AMENDMENT.—The  
16      table of contents of the Energy Policy Act of 1992  
17      (42 U.S.C. prec. 13201) is amended by striking the  
18      item relating to section 514 and inserting the fol-  
19      lowing:

“Sec. 514. Alternative compliance.

“Sec. 515. Authorization of appropriations.”.

20               (b) CREDITS.—Section 508 of the Energy Policy Act  
21      of 1992 (42 U.S.C. 13258) (as amended by section 703)  
22      is amended—

23               (1) by redesignating subsections (b) through (e)  
24      as subsections (c) through (f), respectively;

1                             (2) by striking subsection (a) and inserting the  
2                             following:

3                 “(a) IN GENERAL.—The Secretary shall allocate a  
4                             credit to a fleet or covered person that is required to ac-  
5                             quire an alternative fueled vehicle under this title, if that  
6                             fleet or person acquires an alternative fueled vehicle—

7                 “(1) in excess of the number that fleet or per-  
8                             son is required to acquire under this title;

9                 “(2) before the date on which that fleet or per-  
10                             son is required to acquire an alternative fueled vehi-  
11                             cle under this title; or

12                 “(3) that is eligible to receive credit under sub-  
13                             section (b).

14                 “(b) MAXIMUM AVAILABLE POWER.—The Secretary  
15                             shall allocate credit to a fleet under subsection (a)(3) for  
16                             the acquisition by the fleet of a hybrid vehicle as follows:

17                 “(1) For a hybrid vehicle with at least 4 per-  
18                             cent but less than 10 percent maximum available  
19                             power, the Secretary shall allocate 25 percent of 1  
20                             credit.

21                 “(2) For a hybrid vehicle with at least 10 per-  
22                             cent but less than 20 percent maximum available  
23                             power, the Secretary shall allocate 50 percent of 1  
24                             credit.

1           “(3) For a hybrid vehicle with at least 20 per-  
2           cent but less than 30 percent maximum available  
3           power, the Secretary shall allocate 75 percent of 1  
4           credit.

5           “(4) For a hybrid vehicle with 30 percent or  
6           more maximum available power, the Secretary shall  
7           allocate 1 credit.”; and

8                 (3) by adding at the end the following:

9                 “(g) CREDIT FOR INVESTMENT IN ALTERNATIVE  
10          FUEL INFRASTRUCTURE.—

11                 “(1) DEFINITION OF QUALIFYING INFRASTRUC-  
12          TURE.—In this subsection, the term ‘qualifying in-  
13          frastructure’ means—

14                 “(A) equipment required to refuel or re-  
15          charge alternative fueled vehicles;

16                 “(B) facilities or equipment required to  
17          maintain, repair, or operate alternative fueled  
18          vehicles; and

19                 “(C) such other activities as the Secretary  
20          considers to constitute an appropriate expendi-  
21          ture in support of the operation, maintenance,  
22          or further widespread adoption of or utilization  
23          of alternative fueled vehicles.

24                 “(2) ISSUANCE OF CREDITS.—The Secretary  
25          shall issue a credit to a fleet or covered person under

1       this title for investment in qualifying infrastructure  
2       if the qualifying infrastructure is open to the general  
3       public during regular business hours.

4           “(3) AMOUNT.—For the purpose of credits  
5       under this subsection—

6               “(A) 1 credit shall be equal to a minimum  
7       investment of \$25,000 in cash or equivalent ex-  
8       penditure, as determined by the Secretary; and

9               “(B) except in the case of a Federal or  
10       State fleet, no part of the investment may be  
11       provided by Federal or State funds.

12           “(4) USE OF CREDITS.—At the request of a  
13       fleet or covered person allocated a credit under this  
14       subsection, the Secretary shall, for the year in which  
15       the investment is made, treat that credit as the ac-  
16       quisition of 1 alternative fueled vehicle that the fleet  
17       or covered person is required to acquire under this  
18       title.

19           “(h) DEFINITION OF MAXIMUM AVAILABLE  
20 POWER.—In this section, the term ‘maximum available  
21 power’ means the quotient obtained by dividing—

22               “(1) the maximum power available from the en-  
23       ergy storage device of a hybrid vehicle, during a  
24       standard 10-second pulse power or equivalent test;  
25       by

1               “(2) the sum of—  
2                         “(A) the maximum power described in sub-  
3                             paragraph (A); and  
4                         “(B) the net power of the internal combus-  
5                             tion or heat engine, as determined in accord-  
6                             ance with standards established by the Society  
7                             of Automobile Engineers.”.  
8         (c) LEASE CONDENSATE FUELS.—Section 301 of the  
9 Energy Policy Act of 1992 (42 U.S.C. 13211) (as amend-  
10 ed by section 702) is amended—  
11               (1) in paragraph (2), by inserting “mixtures  
12 containing 50 percent or more by volume of lease  
13 condensate or fuels extracted from lease conden-  
14 sate;” after “liquefied petroleum gas;”;  
15               (2) in paragraph (14)—  
16                         (A) by inserting “mixtures containing 50  
17 percent or more by volume of lease condensate  
18 or fuels extracted from lease condensate,” after  
19 “liquefied petroleum gas;” and  
20                         (B) by striking “and” at the end;  
21               (3) in paragraph (15), by striking the period at  
22 the end and inserting “; and”; and  
23               (4) by adding at the end the following:  
24                         “(16) the term ‘lease condensate’ means a mix-  
25 ture, primarily of pentanes and heavier hydro-

1       carbons, that is recovered as a liquid from natural  
2       gas in lease separation facilities.”.

3       (d) LEASE CONDENSATE USE CREDITS.—

4           (1) IN GENERAL.—Title III of the Energy Pol-  
5       icy Act of 1992 (42 U.S.C. 13211 et seq.) is amend-  
6       ed by adding at the end the following:

7       **“SEC. 313. LEASE CONDENSATE USE CREDITS.**

8           “(a) IN GENERAL.—Subject to subsection (d), the  
9       Secretary shall allocate 1 credit under this section to a  
10      fleet or covered person for each qualifying volume of the  
11      lease condensate component of fuel containing at least 50  
12      percent lease condensate, or fuels extracted from lease  
13      condensate, after the date of enactment of this section for  
14      use by the fleet or covered person in vehicles owned or  
15      operated by the fleet or covered person that weigh more  
16      than 8,500 pounds gross vehicle weight rating.

17           “(b) REQUIREMENTS.—A credit allocated under this  
18      section—

19           “(1) shall be subject to the same exceptions,  
20       authority, documentation, and use of credits that are  
21       specified for qualifying volumes of biodiesel in sec-  
22       tion 312; and

23           “(2) shall not be considered a credit under sec-  
24       tion 508.

25           “(c) REGULATION.—

1           “(1) IN GENERAL.—Subject to subsection (d),  
2       not later than January 1, 2004, after the collection  
3       of appropriate information and data that consider  
4       usage options, uses in other industries, products, or  
5       processes, potential volume capacities, costs, air  
6       emissions, and fuel efficiencies, the Secretary shall  
7       issue a regulation establishing requirements and pro-  
8       cedures for the implementation of this section.

9           “(2) QUALIFYING VOLUME.—The regulation  
10      shall include a determination of an appropriate  
11      qualifying volume for lease condensate, except that  
12      in no case shall the Secretary determine that the  
13      qualifying volume for lease condensate is less than  
14      1,125 gallons.

15           “(d) APPLICABILITY.—This section applies unless the  
16      Secretary finds that the use of lease condensate as an al-  
17      ternative fuel would adversely affect public health or safe-  
18      ty or ambient air quality or the environment.”.

19           (2) TABLE OF CONTENTS AMENDMENT.—The  
20      table of contents of the Energy Policy Act of 1992  
21      (42 U.S.C. prec. 13201) is amended by adding at  
22      the end of the items relating to title III the fol-  
23      lowing:

“Sec. 313. Lease condensate use credits.”

24           (e) EMERGENCY EXEMPTION.—Section 301 of the  
25      Energy Policy Act of 1992 (42 U.S.C. 13211) (as amend-

1 ed by section 702 and this section) is amended in para-  
2 graph (9)(E) by inserting before the semicolon at the end  
3 “, including vehicles directly used in the emergency repair  
4 of transmission lines and in the restoration of electricity  
5 service following power outages, as determined by the Sec-  
6 retary”.

7 **SEC. 706. REVIEW OF ENERGY POLICY ACT OF 1992 PRO-**

8 **GRAMS.**

9 (a) IN GENERAL.—Not later than 180 days after the  
10 date of enactment of this section, the Secretary of Energy  
11 shall complete a study to determine the effect that titles  
12 III, IV, and V of the Energy Policy Act of 1992 (42  
13 U.S.C. 13211 et seq.) have had on—

14 (1) the development of alternative fueled vehicle  
15 technology;

16 (2) the availability of that technology in the  
17 market; and

18 (3) the cost of alternative fueled vehicles.

19 (b) TOPICS.—As part of the study under subsection  
20 (a), the Secretary shall specifically identify—

21 (1) the number of alternative fueled vehicles ac-  
22 quired by fleets or covered persons required to ac-  
23 quire alternative fueled vehicles;

- 1                         (2) the quantity, by type, of alternative fuel ac-  
2                         tually used in alternative fueled vehicles acquired by  
3                         fleets or covered persons;
- 4                         (3) the quantity of petroleum displaced by the  
5                         use of alternative fuels in alternative fueled vehicles  
6                         acquired by fleets or covered persons;
- 7                         (4) the direct and indirect costs of compliance  
8                         with requirements under titles III, IV, and V of the  
9                         Energy Policy Act of 1992 (42 U.S.C. 13211 et  
10                         seq.), including—
- 11                         (A) vehicle acquisition requirements im-  
12                         posed on fleets or covered persons;
- 13                         (B) administrative and recordkeeping ex-  
14                         penses;
- 15                         (C) fuel and fuel infrastructure costs;
- 16                         (D) associated training and employee ex-  
17                         penses; and
- 18                         (E) any other factors or expenses the Sec-  
19                         retary determines to be necessary to compile re-  
20                         liable estimates of the overall costs and benefits  
21                         of complying with programs under those titles  
22                         for fleets, covered persons, and the national  
23                         economy;
- 24                         (5) the existence of obstacles preventing compli-  
25                         ance with vehicle acquisition requirements and in-

1        creased use of alternative fuel in alternative fueled  
2        vehicles acquired by fleets or covered persons; and  
3                (6) the projected impact of amendments to the  
4        Energy Policy Act of 1992 made by this title.  
5        (c) REPORT.—Upon completion of the study under  
6        this section, the Secretary shall submit to Congress a re-  
7        port that describes the results of the study and includes  
8        any recommendations of the Secretary for legislative or  
9        administrative changes concerning the alternative fueled  
10      vehicle requirements under titles III, IV and V of the En-  
11      ergy Policy Act of 1992 (42 U.S.C. 13211 et seq.).

12 **SEC. 707. REPORT CONCERNING COMPLIANCE WITH AL-**  
13                **TERNATIVE FUELED VEHICLE PURCHASING**  
14                **REQUIREMENTS.**

15        Section 310(b)(1) of the Energy Policy Act of 1992  
16      (42 U.S.C. 13218(b)(1)) is amended by striking “1 year  
17      after the date of enactment of this subsection” and insert-  
18      ing “February 15, 2004”.

19 **Subtitle B—Hybrid Vehicles, Ad-**  
20                **vanced Vehicles, and Fuel Cell**  
21                **Buses**

22                **PART I—HYBRID VEHICLES**

23 **SEC. 711. HYBRID VEHICLES.**

24        The Secretary of Energy shall accelerate efforts di-  
25        rected toward the improvement of batteries and other re-

1 chargeable energy storage systems, power electronics, hy-  
2 brid systems integration, and other technologies for use  
3 in hybrid vehicles.

4                   **PART II—ADVANCED VEHICLES**

5   **SEC. 721. DEFINITIONS.**

6       In this part:

7                   (1) ALTERNATIVE FUELED VEHICLE.—

8                   (A) IN GENERAL.—The term “alternative  
9                   fueled vehicle” means a vehicle propelled solely  
10                  on an alternative fuel (as defined in section 301  
11                  of the Energy Policy Act of 1992 (42 U.S.C.  
12                  13211)).

13                   (B) EXCLUSION.—The term “alternative  
14                   fueled vehicle” does not include a vehicle that  
15                  the Secretary determines, by regulation, does  
16                  not yield substantial environmental benefits  
17                  over a vehicle operating solely on gasoline or  
18                  diesel derived from fossil fuels.

19                   (2) FUEL CELL VEHICLE.—The term “fuel cell  
20                  vehicle” means a vehicle propelled by an electric  
21                  motor powered by a fuel cell system that converts  
22                  chemical energy into electricity by combining oxygen  
23                  (from air) with hydrogen fuel that is stored on the  
24                  vehicle or is produced onboard by reformation of a  
25                  hydrocarbon fuel. Such fuel cell system may or may

1 not include the use of auxiliary energy storage sys-  
2 tems to enhance vehicle performance.

3 (3) HYBRID VEHICLE.—The term “hybrid vehi-  
4 cle” means a medium or heavy duty vehicle propelled  
5 by an internal combustion engine or heat engine  
6 using any combustible fuel and an onboard recharge-  
7 able energy storage device.

8 (4) NEIGHBORHOOD ELECTRIC VEHICLE.—The  
9 term “neighborhood electric vehicle” means a motor  
10 vehicle that—

11 (A) meets the definition of a low-speed ve-  
12 hicle (as defined in part 571 of title 49, Code  
13 of Federal Regulations);

14 (B) meets the definition of a zero-emission  
15 vehicle (as defined in section 86.1702–99 of  
16 title 40, Code of Federal Regulations);

17 (C) meets the requirements of Federal  
18 Motor Vehicle Safety Standard No. 500; and

19 (D) has a maximum speed of not greater  
20 than 25 miles per hour.

21 (5) PILOT PROGRAM.—The term “pilot pro-  
22 gram” means the competitive grant program estab-  
23 lished under section 722.

24 (6) SECRETARY.—The term “Secretary” means  
25 the Secretary of Energy.

## 1                   (7) ULTRA-LOW SULFUR DIESEL VEHICLE.—

2                 The term “ultra-low sulfur diesel vehicle” means a  
3                 vehicle manufactured in any of model years 2003  
4                 through 2006 powered by a heavy-duty diesel engine  
5                 that—

6                         (A) is fueled by diesel fuel that contains  
7                 sulfur at not more than 15 parts per million;  
8                 and

9                         (B) emits not more than the lesser of—

10                             (i) for vehicles manufactured in—

11                                     (I) model year 2003, 3.0 grams  
12                 per brake horsepower-hour of oxides  
13                 of nitrogen and .01 grams per brake  
14                 horsepower-hour of particulate matter;  
15                 and

16                                     (II) model years 2004 through  
17                 2006, 2.5 grams per brake horse-  
18                 power-hour of nonmethane hydro-  
19                 carbons and oxides of nitrogen and  
20                 .01 grams per brake horsepower-hour  
21                 of particulate matter; or

22                             (ii) the quantity of emissions of non-  
23                 methane hydrocarbons, oxides of nitrogen,  
24                 and particulate matter of the best-per-  
25                 forming technology of ultra-low sulfur die-

1               sel vehicles of the same class and applica-  
2               tion that are commercially available.

3 **SEC. 722. PILOT PROGRAM.**

4               (a) ESTABLISHMENT.—The Secretary, in consulta-  
5       tion with the Secretary of Transportation, shall establish  
6       a competitive grant pilot program, to be administered  
7       through the Clean Cities Program of the Department of  
8       Energy, to provide not more than 15 geographically dis-  
9       persed project grants to State governments, local govern-  
10      ments, or metropolitan transportation authorities to carry  
11      out a project or projects for the purposes described in sub-  
12      section (b).

13               (b) GRANT PURPOSES.—A grant under this section  
14      may be used for the following purposes:

15               (1) The acquisition of alternative fueled vehicles  
16      or fuel cell vehicles, including—  
17               (A) passenger vehicles (including neighbor-  
18      hood electric vehicles); and  
19               (B) motorized 2-wheel bicycles, scooters, or  
20      other vehicles for use by law enforcement per-  
21      sonnel or other State or local government or  
22      metropolitan transportation authority employ-  
23      ees.

24               (2) The acquisition of alternative fueled vehi-  
25      cles, hybrid vehicles, or fuel cell vehicles, including—

1                   (A) buses used for public transportation or  
2                   transportation to and from schools;

3                   (B) delivery vehicles for goods or services;  
4                   and

5                   (C) ground support vehicles at public air-  
6                   ports (including vehicles to carry baggage or  
7                   push or pull airplanes toward or away from ter-  
8                   minal gates).

9                   (3) The acquisition of ultra-low sulfur diesel ve-  
10                  hicles.

11                  (4) Installation or acquisition of infrastructure  
12                  necessary to directly support an alternative fueled  
13                  vehicle, fuel cell vehicle, or hybrid vehicle project  
14                  funded by the grant, including fueling and other  
15                  support equipment.

16                  (5) Operation and maintenance of vehicles, in-  
17                  frastructure, and equipment acquired as part of a  
18                  project funded by the grant.

19                  (c) APPLICATIONS.—

20                  (1) REQUIREMENTS.—

21                  (A) IN GENERAL.—The Secretary shall  
22                  issue requirements for applying for grants  
23                  under the pilot program.

(B) MINIMUM REQUIREMENTS.—At a minimum, the Secretary shall require that an application for a grant—

(i) be submitted by the head of a State or local government or a metropolitan transportation authority, or any combination thereof, and a registered participant in the Clean Cities Program of the Department of Energy; and

(ii) include—

(I) a description of the project proposed in the application, including how the project meets the requirements of this part;

(II) an estimate of the ridership or degree of use of the project;

(III) an estimate of the air pollution emissions reduced and fossil fuel displaced as a result of the project, and a plan to collect and disseminate environmental data, related to the project to be funded under the grant, over the life of the project;

(IV) a description of how the project will be sustainable without

1                   Federal assistance after the comple-  
2                   tion of the term of the grant;

3                   (V) a complete description of the  
4                   costs of the project, including acquisi-  
5                   tion, construction, operation, and  
6                   maintenance costs over the expected  
7                   life of the project;

8                   (VI) a description of which costs  
9                   of the project will be supported by  
10                  Federal assistance under this part;  
11                  and

12                  (VII) documentation to the satis-  
13                  faction of the Secretary that diesel  
14                  fuel containing sulfur at not more  
15                  than 15 parts per million is available  
16                  for carrying out the project, and a  
17                  commitment by the applicant to use  
18                  such fuel in carrying out the project.

19                  (2) PARTNERS.—An applicant under paragraph  
20                  (1) may carry out a project under the pilot program  
21                  in partnership with public and private entities.

22                  (d) SELECTION CRITERIA.—In evaluating applica-  
23                  tions under the pilot program, the Secretary shall—

24                  (1) consider each applicant's previous experi-  
25                  ence with similar projects; and

1 (2) give priority consideration to applications

2           that—

(A) are most likely to maximize protection of the environment;

(C) exceed the minimum requirements of subsection (c)(1)(B)(ii).

13 (e) PILOT PROJECT REQUIREMENTS.—

(3) MAXIMUM PERIOD OF GRANTS.—The Secretary shall not fund any applicant under the pilot program for more than 5 years.

(4) DEPLOYMENT AND DISTRIBUTION.—The Secretary shall seek to the maximum extent prac-

1       ticable to ensure a broad geographic distribution of  
2       project sites.

3                     (5) TRANSFER OF INFORMATION AND KNOWL-  
4       EDGE.—The Secretary shall establish mechanisms to  
5       ensure that the information and knowledge gained  
6       by participants in the pilot program are transferred  
7       among the pilot program participants and to other  
8       interested parties, including other applicants that  
9       submitted applications.

10          (f) SCHEDULE.—

11                     (1) PUBLICATION.—Not later than 90 days  
12       after the date of enactment of this Act, the Sec-  
13       etary shall publish in the Federal Register, Com-  
14       merce Business Daily, and elsewhere as appropriate,  
15       a request for applications to undertake projects  
16       under the pilot program. Applications shall be due  
17       not later than 180 days after the date of publication  
18       of the notice.

19                     (2) SELECTION.—Not later than 180 days after  
20       the date by which applications for grants are due,  
21       the Secretary shall select by competitive, peer re-  
22       viewed proposal, all applications for projects to be  
23       awarded a grant under the pilot program.

24          (g) LIMIT ON FUNDING.—The Secretary shall pro-  
25       vide not less than 20 nor more than 25 percent of the

1 grant funding made available under this section for the  
2 acquisition of ultra-low sulfur diesel vehicles.

3 **SEC. 723. REPORTS TO CONGRESS.**

4       (a) INITIAL REPORT.—Not later than 60 days after  
5 the date on which grants are awarded under this part,  
6 the Secretary shall submit to Congress a report con-  
7 taining—

8               (1) an identification of the grant recipients and  
9 a description of the projects to be funded;

10             (2) an identification of other applicants that  
11 submitted applications for the pilot program; and

12             (3) a description of the mechanisms used by the  
13 Secretary to ensure that the information and knowl-  
14 edge gained by participants in the pilot program are  
15 transferred among the pilot program participants  
16 and to other interested parties, including other ap-  
17 plicants that submitted applications.

18       (b) EVALUATION.—Not later than 3 years after the  
19 date of enactment of this Act, and annually thereafter  
20 until the pilot program ends, the Secretary shall submit  
21 to Congress a report containing an evaluation of the effec-  
22 tiveness of the pilot program, including—

23             (1) an assessment of the benefits to the envi-  
24 ronment derived from the projects included in the  
25 pilot program; and

## **5 SEC. 724. AUTHORIZATION OF APPROPRIATIONS.**

6 There are authorized to be appropriated to the Sec-  
7 retary to carry out this part \$200,000,000, to remain  
8 available until expended.

## 9 PART III—FUEL CELL BUSES

## 10 SEC. 731. FUEL CELL TRANSIT BUS DEMONSTRATION.

11       (a) IN GENERAL.—The Secretary of Energy, in con-  
12 sultation with the Secretary of Transportation, shall es-  
13 tablish a transit bus demonstration program to make com-  
14 petitive, merit-based awards for 5-year projects to dem-  
15 onstrate not more than 25 fuel cell transit buses (and nec-  
16 essary infrastructure) in 5 geographically dispersed local-  
17 ities.

18 (b) PREFERENCE.—In selecting projects under this  
19 section, the Secretary of Energy shall give preference to  
20 projects that are most likely to mitigate congestion and  
21 improve air quality.

22 (c) AUTHORIZATION OF APPROPRIATIONS.—There  
23 are authorized to be appropriated to the Secretary of En-  
24 ergy to carry out this section \$10,000,000 for each of fis-  
25 cal years 2004 through 2008.

## 1      **Subtitle C—Clean School Buses**

### 2    **SEC. 741. DEFINITIONS.**

3        In this subtitle:

4            (1) **ADMINISTRATOR.**—The term “Administrator” means the Administrator of the Environmental Protection Agency.

7            (2) **ALTERNATIVE FUEL.**—The term “alternative fuel” means liquefied natural gas, compressed natural gas, liquefied petroleum gas, hydrogen, propane, or methanol or ethanol at no less than 85 percent by volume.

12          (3) **ALTERNATIVE FUEL SCHOOL BUS.**—The term “alternative fuel school bus” means a school bus that meets all of the requirements of this subtitle and is operated solely on an alternative fuel.

16          (4) **EMISSIONS CONTROL RETROFIT TECHNOLOGY.**—The term “emissions control retrofit technology” means a particulate filter or other emissions control equipment that is verified or certified by the Administrator or the California Air Resources Board as an effective emission reduction technology when installed on an existing school bus.

23          (5) **IDLING.**—The term “idling” means operating an engine while remaining stationary for more than approximately 15 minutes, except that the term

1 does not apply to routine stoppages associated with  
2 traffic movement or congestion.

14 SEC. 742. PROGRAM FOR REPLACEMENT OF CERTAIN  
15 SCHOOL BUSES WITH CLEAN SCHOOL BUSES.

16       (a) ESTABLISHMENT.—The Administrator, in con-  
17 sultation with the Secretary and other appropriate Federal  
18 departments and agencies, shall establish a program for  
19 awarding grants on a competitive basis to eligible entities  
20 for the replacement of existing school buses manufactured  
21 before model year 1991 with alternative fuel school buses  
22 and ultra-low sulfur diesel fuel school buses.

**23 (b) REQUIREMENTS.—**

1 shall establish and publish in the Federal Register  
2 grant requirements on eligibility for assistance, and  
3 on implementation of the program established under  
4 subsection (a), including instructions for the submis-  
5 sion of grant applications and certification require-  
6 ments to ensure compliance with this subtitle.

7                     (2) APPLICATION DEADLINES.—The require-  
8                     ments established under paragraph (1) shall require  
9                     submission of grant applications not later than—

10                         (A) in the case of the first year of program  
11                     implementation, the date that is 180 days after  
12                     the publication of the requirements in the Fed-  
13                     eral Register; and

14                         (B) in the case of each subsequent year,  
15                     June 1 of the year.

16                     (c) ELIGIBLE RECIPIENTS.—A grant shall be award-  
17                     ed under this section only—

18                         (1) to 1 or more local or State governmental  
19                     entities responsible for providing school bus service  
20                     to 1 or more public school systems or responsible for  
21                     the purchase of school buses;

22                         (2) to 1 or more contracting entities that pro-  
23                     vide school bus service to 1 or more public school  
24                     systems, if the grant application is submitted jointly  
25                     with the 1 or more school systems to be served by

1       the buses, except that the application may provide  
2       that buses purchased using funds awarded shall be  
3       owned, operated, and maintained exclusively by the  
4       1 or more contracting entities; or

5               (3) to a nonprofit school transportation associa-  
6       tion representing private contracting entities, if the  
7       association has notified and received approval from  
8       the 1 or more school systems to be served by the  
9       buses.

10      (d) AWARD DEADLINES.—

11               (1) IN GENERAL.—Subject to paragraph (2),  
12       the Administrator shall award a grant made to a  
13       qualified applicant for a fiscal year—

14                       (A) in the case of the first fiscal year of  
15       program implementation, not later than the  
16       date that is 90 days after the application dead-  
17       line established under subsection (b)(2); and

18                       (B) in the case of each subsequent fiscal  
19       year, not later than August 1 of the fiscal year.

20      (2) INSUFFICIENT NUMBER OF QUALIFIED  
21       GRANT APPLICATIONS.—If the Administrator does  
22       not receive a sufficient number of qualified grant ap-  
23       plications to meet the requirements of subsection  
24       (i)(1) for a fiscal year, the Administrator shall  
25       award a grant made to a qualified applicant under

1 subsection (i)(2) not later than September 30 of the  
2 fiscal year.

3 (e) TYPES OF GRANTS.—

4 (1) IN GENERAL.—A grant under this section  
5 shall be used for the replacement of school buses  
6 manufactured before model year 1991 with alter-  
7 native fuel school buses and ultra-low sulfur diesel  
8 fuel school buses.

9 (2) NO ECONOMIC BENEFIT.—Other than the  
10 receipt of the grant, a recipient of a grant under this  
11 section may not receive any economic benefit in con-  
12 nection with the receipt of the grant.

13 (3) PRIORITY OF GRANT APPLICATIONS.—The  
14 Administrator shall give priority to applicants that  
15 propose to replace school buses manufactured before  
16 model year 1977.

17 (f) CONDITIONS OF GRANT.—A grant provided under  
18 this section shall include the following conditions:

19 (1) SCHOOL BUS FLEET.—All buses acquired  
20 with funds provided under the grant shall be oper-  
21 ated as part of the school bus fleet for which the  
22 grant was made for a minimum of 5 years.

23 (2) USE OF FUNDS.—Funds provided under the  
24 grant may only be used—

1                             (A) to pay the cost, except as provided in  
2                             paragraph (3), of new alternative fuel school  
3                             buses or ultra-low sulfur diesel fuel school  
4                             buses, including State taxes and contract fees  
5                             associated with the acquisition of such buses;  
6                             and

7                             (B) to provide—

8                                 (i) up to 20 percent of the price of the  
9                             alternative fuel school buses acquired, for  
10                             necessary alternative fuel infrastructure if  
11                             the infrastructure will only be available to  
12                             the grant recipient; and

13                                 (ii) up to 25 percent of the price of  
14                             the alternative fuel school buses acquired,  
15                             for necessary alternative fuel infrastructure  
16                             if the infrastructure will be available to the  
17                             grant recipient and to other bus fleets.

18                             (3) GRANT RECIPIENT FUNDS.—The grant re-  
19                             cipient shall be required to provide at least—

20                                 (A) in the case of a grant recipient de-  
21                             scribed in paragraph (1) or (3) of subsection  
22                             (c), the lesser of—

23                                 (i) an amount equal to 15 percent of  
24                             the total cost of each bus received; or  
25                                 (ii) \$15,000 per bus; and

(4) ULTRA-LOW SULFUR DIESEL FUEL.—In the case of a grant recipient receiving a grant for ultra-low sulfur diesel fuel school buses, the grant recipient shall be required to provide documentation to the satisfaction of the Administrator that diesel fuel containing sulfur at not more than 15 parts per million is available for carrying out the purposes of the grant, and a commitment by the applicant to use such fuel in carrying out the purposes of the grant.

15                         (5) TIMING.—All alternative fuel school buses,  
16                         ultra-low sulfur diesel fuel school buses, or alter-  
17                         native fuel infrastructure acquired under a grant  
18                         awarded under this section shall be purchased and  
19                         placed in service as soon as practicable.

20 (g) BUSES.—

(A) with a gross vehicle weight of greater than 14,000 pounds;

(B) that are powered by a heavy duty engine;

(C) in the case of alternative fuel school buses manufactured in model years 2004 through 2006, that emit not more than 1.8 grams per brake horsepower-hour of non-methane hydrocarbons and oxides of nitrogen and .01 grams per brake horsepower-hour of particulate matter; and

(D) in the case of ultra-low sulfur diesel fuel school buses manufactured in model years 2004 through 2006, that emit not more than 2.5 grams per brake horsepower-hour of non-methane hydrocarbons and oxides of nitrogen and .01 grams per brake horsepower-hour of particulate matter.

1       (h) DEPLOYMENT AND DISTRIBUTION.—The Admin-  
2 istrator shall—

3               (1) seek, to the maximum extent practicable, to  
4  achieve nationwide deployment of alternative fuel  
5  school buses and ultra-low sulfur diesel fuel school  
6  buses through the program under this section; and

7               (2) ensure a broad geographic distribution of  
8  grant awards, with a goal of no State receiving more  
9  than 10 percent of the grant funding made available  
10 under this section for a fiscal year.

11       (i) ALLOCATION OF FUNDS.—

12               (1) IN GENERAL.—Subject to paragraph (2), of  
13  the amount of grant funding made available to carry  
14  out this section for any fiscal year, the Adminis-  
15  trator shall use—

16               (A) 70 percent for the acquisition of alter-  
17  native fuel school buses or supporting infra-  
18  structure; and

19               (B) 30 percent for the acquisition of ultra-  
20  low sulfur diesel fuel school buses.

21               (2) INSUFFICIENT NUMBER OF QUALIFIED  
22  GRANT APPLICATIONS.—After the first fiscal year in  
23  which this program is in effect, if the Administrator  
24  does not receive a sufficient number of qualified  
25  grant applications to meet the requirements of sub-

1       paragraph (A) or (B) of paragraph (1) for a fiscal  
2       year, effective beginning on August 1 of the fiscal  
3       year, the Administrator shall make the remaining  
4       funds available to other qualified grant applicants  
5       under this section.

6       (j) REDUCTION OF SCHOOL BUS IDLING.—Each  
7       local educational agency (as defined in section 9101 of the  
8       Elementary and Secondary Education Act of 1965 (20  
9       U.S.C. 7801)) that receives Federal funds under the Ele-  
10      mentary and Secondary Education Act of 1965 (20 U.S.C.  
11      6301 et seq.) is encouraged to develop a policy, consistent  
12      with the health, safety, and welfare of students and the  
13      proper operation and maintenance of school buses, to re-  
14      duce the incidence of unnecessary school bus idling at  
15      schools when picking up and unloading students.

16       (k) ANNUAL REPORT.—

17           (1) IN GENERAL.—Not later than January 31  
18       of each year, the Administrator shall transmit to  
19       Congress a report evaluating implementation of the  
20       programs under this section and section 743.

21           (2) COMPONENTS.—The reports shall include a  
22       description of—

23                  (A) the total number of grant applications  
24       received;

- 1                         (B) the number and types of alternative  
2                         fuel school buses, ultra-low sulfur diesel fuel  
3                         school buses, and retrofitted buses requested in  
4                         grant applications;
- 5                         (C) grants awarded and the criteria used  
6                         to select the grant recipients;
- 7                         (D) certified engine emission levels of all  
8                         buses purchased or retrofitted under the pro-  
9                         grams under this section and section 743;
- 10                        (E) an evaluation of the in-use emission  
11                         level of buses purchased or retrofitted under the  
12                         programs under this section and section 743;  
13                         and
- 14                        (F) any other information the Adminis-  
15                         trator considers appropriate.

16                        (l) AUTHORIZATION OF APPROPRIATIONS.—There  
17                         are authorized to be appropriated to the Administrator to  
18                         carry out this section, to remain available until ex-  
19                         pended—

20                         (1) \$45,000,000 for fiscal year 2005;

21                         (2) \$65,000,000 for fiscal year 2006;

22                         (3) \$90,000,000 for fiscal year 2007; and

23                         (4) such sums as are necessary for each of fis-  
24                         cal years 2008 and 2009.

1   **SEC. 743. DIESEL RETROFIT PROGRAM.**

2       (a) ESTABLISHMENT.—The Administrator, in con-  
3 sultation with the Secretary, shall establish a program for  
4 awarding grants on a competitive basis to entities for the  
5 installation of retrofit technologies for diesel school buses.

6       (b) ELIGIBLE RECIPIENTS.—A grant shall be award-  
7 ed under this section only—

8              (1) to a local or State governmental entity re-  
9 sponsible for providing school bus service to 1 or  
10 more public school systems;

11              (2) to 1 or more contracting entities that pro-  
12 vide school bus service to 1 or more public school  
13 systems, if the grant application is submitted jointly  
14 with the 1 or more school systems that the buses  
15 will serve, except that the application may provide  
16 that buses purchased using funds awarded shall be  
17 owned, operated, and maintained exclusively by the  
18 1 or more contracting entities; or

19              (3) to a nonprofit school transportation associa-  
20 tion representing private contracting entities, if the  
21 association has notified and received approval from  
22 the 1 or more school systems to be served by the  
23 buses.

24       (c) AWARDS.—

25              (1) IN GENERAL.—The Administrator shall  
26 seek, to the maximum extent practicable, to ensure

1       a broad geographic distribution of grants under this  
2       section.

3           (2) PREFERENCES.—In making awards of  
4       grants under this section, the Administrator shall  
5       give preference to proposals that—

6              (A) will achieve the greatest reductions in  
7       emissions of nonmethane hydrocarbons, oxides  
8       of nitrogen, or particulate matter per proposal  
9       or per bus; or

10             (B) involve the use of emissions control  
11       retrofit technology on diesel school buses that  
12       operate solely on ultra-low sulfur diesel fuel.

13           (d) CONDITIONS OF GRANT.—A grant shall be pro-  
14       vided under this section on the conditions that—

15              (1) buses on which retrofit emissions-control  
16       technology are to be demonstrated—

17                  (A) will operate on ultra-low sulfur diesel  
18       fuel where such fuel is reasonably available or  
19       required for sale by State or local law or regula-  
20       tion;

21                  (B) were manufactured in model year 1991  
22       or later; and

23                  (C) will be used for the transportation of  
24       school children to and from school for a min-  
25       imum of 5 years;

1                   (2) grant funds will be used for the purchase of  
2                   emission control retrofit technology, including State  
3                   taxes and contract fees; and

4                   (3) grant recipients will provide at least 15 per-  
5                   cent of the total cost of the retrofit, including the  
6                   purchase of emission control retrofit technology and  
7                   all necessary labor for installation of the retrofit.

8                 (e) VERIFICATION.—Not later than 90 days after the  
9                   date of enactment of this Act, the Administrator shall  
10                  publish in the Federal Register procedures to verify—

11                 (1) the retrofit emissions-control technology to  
12                  be demonstrated;

13                 (2) that buses powered by ultra-low sulfur die-  
14                  sel fuel on which retrofit emissions-control tech-  
15                  nology are to be demonstrated will operate on diesel  
16                  fuel containing not more than 15 parts per million  
17                  of sulfur; and

18                 (3) that grants are administered in accordance  
19                  with this section.

20                 (f) AUTHORIZATION OF APPROPRIATIONS.—There  
21                  are authorized to be appropriated to the Administrator to  
22                  carry out this section, to remain available until ex-  
23                  pended—

24                 (1) \$20,000,000 for fiscal year 2005;

25                 (2) \$35,000,000 for fiscal year 2006;

#### **4 SEC. 744. FUEL CELL SCHOOL BUSES.**

5       (a) ESTABLISHMENT.—The Secretary shall establish  
6 a program for entering into cooperative agreements—

15       (b) COST SHARING.—The non-Federal contribution  
16 for activities funded under this section shall be not less  
17 than—

20                   (2) 50 percent for demonstration activities and  
21                   for development activities not described in paragraph  
22                   (1).

23 (c) REPORTS TO CONGRESS.—Not later than 3 years  
24 after the date of enactment of this Act, the Secretary shall  
25 transmit to Congress a report that—

1               (1) evaluates the process of converting natural  
2       gas infrastructure to accommodate fuel cell-powered  
3       school buses; and

4               (2) assesses the results of the development and  
5       demonstration program under this section.

6       (d) AUTHORIZATION OF APPROPRIATIONS.—There  
7       are authorized to be appropriated to the Secretary to carry  
8       out this section \$25,000,000 for the period of fiscal years  
9       2004 through 2006.

## 10              **Subtitle D—Miscellaneous**

### 11    **SEC. 751. RAILROAD EFFICIENCY.**

12       (a) ESTABLISHMENT.—The Secretary of Energy  
13       shall, in cooperation with the Secretary of Transportation  
14       and the Administrator of the Environmental Protection  
15       Agency, establish a cost-shared, public-private research  
16       partnership involving the Federal Government, railroad  
17       carriers, locomotive manufacturers and equipment sup-  
18       pliers, and the Association of American Railroads, to de-  
19       velop and demonstrate railroad locomotive technologies  
20       that increase fuel economy, reduce emissions, and lower  
21       costs of operation.

22       (b) AUTHORIZATION OF APPROPRIATIONS.—There  
23       are authorized to be appropriated to the Secretary of En-  
24       ergy to carry out this section—

25               (1) \$25,000,000 for fiscal year 2005;

- 1                   (2) \$35,000,000 for fiscal year 2006; and  
2                   (3) \$50,000,000 for fiscal year 2007.

3 **SEC. 752. MOBILE EMISSION REDUCTIONS TRADING AND**  
4                   **CREDITING.**

5                 (a) IN GENERAL.—Not later than 180 days after the  
6 date of enactment of this Act, the Administrator of the  
7 Environmental Protection Agency shall submit to Con-  
8 gress a report on the experience of the Administrator with  
9 the trading of mobile source emission reduction credits for  
10 use by owners and operators of stationary source emission  
11 sources to meet emission offset requirements within a non-  
12 attainment area.

13                 (b) CONTENTS.—The report shall describe—

14                   (1) projects approved by the Administrator that  
15 include the trading of mobile source emission reduc-  
16 tion credits for use by stationary sources in com-  
17 plying with offset requirements, including a descrip-  
18 tion of—

19                   (A) project and stationary sources location;  
20                   (B) volumes of emissions offset and trad-  
21 ed;

22                   (C) the sources of mobile emission reduc-  
23 tion credits; and

24                   (D) if available, the cost of the credits;

- 1                         (2) the significant issues identified by the Ad-  
2 ministrator in consideration and approval of trading  
3 in the projects;
- 4                         (3) the requirements for monitoring and assess-  
5 ing the air quality benefits of any approved project;
- 6                         (4) the statutory authority on which the Admin-  
7 istrator has based approval of the projects;
- 8                         (5) an evaluation of how the resolution of issues  
9 in approved projects could be used in other projects;  
10 and
- 11                         (6) any other issues that the Administrator con-  
12 siders relevant to the trading and generation of mo-  
13 bile source emission reduction credits for use by sta-  
14 tionary sources or for other purposes.

15 **SEC. 753. AVIATION FUEL CONSERVATION AND EMISSIONS.**

16                         (a) IN GENERAL.—Not later than 60 days after the

17 date of enactment of this Act, the Administrator of the

18 Federal Aviation Administration and the Administrator of

19 the Environmental Protection Agency shall jointly initiate

20 a study to identify—

21                         (1) the impact of aircraft emissions on air qual-  
22 ity in nonattainment areas; and

23                         (2) ways to promote fuel conservation measures  
24 for aviation to—

25                         (A) enhance fuel efficiency; and

1 (B) reduce emissions.

2 (b) FOCUS.—The study under subsection (a) shall  
3 focus on how air traffic management inefficiencies, such  
4 as aircraft idling at airports, result in unnecessary fuel  
5 burn and air emissions.

6       (c) REPORT.—Not later than 1 year after the date  
7 of the initiation of the study under subsection (a), the Ad-  
8 ministrator of the Federal Aviation Administration and  
9 the Administrator of the Environmental Protection Agen-  
10 cy shall jointly submit to the Committee on Energy and  
11 Commerce and the Committee on Transportation and In-  
12 frastructure of the House of Representatives and the Com-  
13 mittee on Environment and Public Works and the Com-  
14 mittee on Commerce, Science, and Transportation of the  
15 Senate a report that—

16 (1) describes the results of the study; and

17                   (2) includes any recommendations on ways in  
18                   which unnecessary fuel use and emissions affecting  
19                   air quality may be reduced—

(A) without adversely affecting safety and security and increasing individual aircraft noise; and

1   **SEC. 754. DIESEL FUELED VEHICLES.**

2       (a) DEFINITION OF TIER 2 EMISSION STANDARDS.—

3   In this section, the term “tier 2 emission standards”  
4   means the motor vehicle emission standards that apply to  
5   passenger cars, light trucks, and larger passenger vehicles  
6   manufactured after the 2003 model year, as issued on  
7   February 10, 2000, by the Administrator of the Environ-  
8   mental Protection Agency under sections 202 and 211 of  
9   the Clean Air Act (42 U.S.C. 7521, 7545).

10     (b) DIESEL COMBUSTION AND AFTER-TREATMENT

11   TECHNOLOGIES.—The Secretary of Energy shall accel-  
12   erate efforts to improve diesel combustion and after-treat-  
13   ment technologies for use in diesel fueled motor vehicles.

14     (c) GOALS.—The Secretary shall carry out subsection  
15   (b) with a view toward achieving the following goals:

16           (1) Developing and demonstrating diesel tech-  
17           nologies that, not later than 2010, meet the fol-  
18           lowing standards:

19                  (A) Tier 2 emission standards.

20                  (B) The heavy-duty emissions standards of  
21                   2007 that are applicable to heavy-duty vehicles  
22                   under regulations issued by the Administrator  
23                   of the Environmental Protection Agency as of  
24                   the date of enactment of this Act.

25           (2) Developing the next generation of low-emis-  
26           sion, high efficiency diesel engine technologies, in-

1       cluding homogeneous charge compression ignition  
2       technology.

3 **SEC. 755. CONSERVE BY BICYCLING PROGRAM.**

4       (a) DEFINITIONS.—In this section:

5               (1) PROGRAM.—The term “program” means  
6       the Conserve by Bicycling Program established by  
7       subsection (b).

8               (2) SECRETARY.—The term “Secretary” means  
9       the Secretary of Transportation.

10       (b) ESTABLISHMENT.—There is established within  
11       the Department of Transportation a program to be known  
12       as the “Conserve by Bicycling Program”.

13       (c) PROJECTS.—

14               (1) IN GENERAL.—In carrying out the program,  
15       the Secretary shall establish not more than 10 pilot  
16       projects that are—

17                       (A) dispersed geographically throughout  
18       the United States; and

19                       (B) designed to conserve energy resources  
20       by encouraging the use of bicycles in place of  
21       motor vehicles.

22       (2) REQUIREMENTS.—A pilot project described  
23       in paragraph (1) shall—

24                       (A) use education and marketing to con-  
25       vert motor vehicle trips to bicycle trips;

(B) document project results and energy savings (in estimated units of energy consumed);

(C) facilitate partnerships among interested parties in at least 2 of the fields of—

6 (i) transportation;

7 (ii) law enforcement;

8 (iii) education;

9 (iv) public health;

(v) environment; and

(vi) energy;

(D) maximize bicycle facility investments;

(E) demonstrate methods that may be used in other regions of the United States; and

15 (F) facilitate the continuation of ongoing  
16 programs that are sustained by local resources.

(3) COST SHARING.—At least 20 percent of the cost of each pilot project described in paragraph (1) shall be provided from State or local sources.

20 (d) ENERGY AND BICYCLING RESEARCH STUDY.—

1 port on, a study on the feasibility of converting  
2 motor vehicle trips to bicycle trips.

3 (2) COMPONENTS.—The study shall—

4 (A) document the results or progress of  
5 the pilot projects under subsection (c);

6 (B) determine the type and duration of  
7 motor vehicle trips that people in the United  
8 States may feasibly make by bicycle, taking into  
9 consideration factors such as—

10 (i) weather;

11 (ii) land use and traffic patterns;

12 (iii) the carrying capacity of bicycles;

13 and

14 (iv) bicycle infrastructure;

15 (C) determine any energy savings that  
16 would result from the conversion of motor vehi-  
17 cle trips to bicycle trips;

18 (D) include a cost-benefit analysis of bicy-  
19 cle infrastructure investments; and

20 (E) include a description of any factors  
21 that would encourage more motor vehicle trips  
22 to be replaced with bicycle trips.

23 (e) AUTHORIZATION OF APPROPRIATIONS.—There  
24 are authorized to be appropriated to the Secretary to carry

1 out this section \$6,200,000, to remain available until ex-  
2 pended, of which—

3                 (1) \$5,150,000 shall be used to carry out pilot  
4 projects described in subsection (c);

5                 (2) \$300,000 shall be used by the Secretary to  
6 coordinate, publicize, and disseminate the results of  
7 the program; and

8                 (3) \$750,000 shall be used to carry out sub-  
9 section (d).

10 **SEC. 756. REDUCTION OF ENGINE IDLING OF HEAVY-DUTY**  
11                 **VEHICLES.**

12 (a) **DEFINITIONS.**—In this section:

13                 (1) **ADMINISTRATOR.**—The term “Administrator” means the Administrator of the Environmental Protection Agency.

16                 (2) **ADVANCED TRUCK STOP ELECTRIFICATION SYSTEM.**—The term “advanced truck stop electrification system” means a stationary system that delivers heat, air conditioning, electricity, and communications, and is capable of providing verifiable and auditable evidence of use of those services, to a heavy-duty vehicle and any occupants of the heavy-duty vehicle without relying on components mounted onboard the heavy-duty vehicle for delivery of those services.

1                             (3) AUXILIARY POWER UNIT.—The term “auxil-  
2         iary power unit” means an integrated system that—

3                             (A) provides heat, air conditioning, engine  
4         warming, and electricity to the factory-installed  
5         components on a heavy-duty vehicle as if the  
6         main drive engine of the heavy-duty vehicle  
7         were running; and

8                             (B) is certified by the Administrator under  
9         part 89 of title 40, Code of Federal Regulations  
10      (or any successor regulation), as meeting appli-  
11      cable emission standards.

12                             (4) HEAVY-DUTY VEHICLE.—The term “heavy-  
13      duty vehicle” means a vehicle that—

14                             (A) has a gross vehicle weight rating great-  
15      er than 12,500 pounds; and

16                             (B) is powered by a diesel engine.

17                             (5) IDLE REDUCTION TECHNOLOGY.—The term  
18      “idle reduction technology” means an advanced  
19      truck stop electrification system, auxiliary power  
20      unit, or other device or system of devices that—

21                             (A) is used to reduce long-duration idling  
22      of a heavy-duty vehicle; and

23                             (B) allows for the main drive engine or  
24      auxiliary refrigeration engine of a heavy-duty  
25      vehicle to be shut down.

## 1                   (6) LONG-DURATION IDLING.—

2                   (A) IN GENERAL.—The term “long-dura-  
3                   tion idling” means the operation of a main  
4                   drive engine or auxiliary refrigeration engine of  
5                   a heavy-duty vehicle, for a period greater than  
6                   15 consecutive minutes, at a time at which the  
7                   main drive engine is not engaged in gear.

8                   (B) EXCLUSIONS.—The term “long-dura-  
9                   tion idling” does not include the operation of a  
10                  main drive engine or auxiliary refrigeration en-  
11                  gine of a heavy-duty vehicle during a routine  
12                  stoppage associated with traffic movement or  
13                  congestion.

14                  (b) IDLE REDUCTION TECHNOLOGY BENEFITS, PRO-  
15                  GRAMS, AND STUDIES.—

16                  (1) IN GENERAL.—Not later than 90 days after  
17                  the date of enactment of this Act, the Administrator  
18                  shall—

19                  (A)(i) commence a review of the mobile  
20                  source air emission models of the Environ-  
21                  mental Protection Agency used under the Clean  
22                  Air Act (42 U.S.C. 7401 et seq.) to determine  
23                  whether the models accurately reflect the emis-  
24                  sions resulting from long-duration idling of

1           heavy-duty vehicles and other vehicles and en-  
2           gines; and

3               (ii) update those models as the Adminis-  
4           trator determines to be appropriate; and

5               (B)(i) commence a review of the emission  
6           reductions achieved by the use of idle reduction  
7           technology; and

8               (ii) complete such revisions of the regula-  
9           tions and guidance of the Environmental Pro-  
10          tection Agency as the Administrator determines  
11          to be appropriate.

12           (2) DEADLINE FOR COMPLETION.—Not later  
13          than 180 days after the date of enactment of this  
14          Act, the Administrator shall—

15               (A) complete the reviews under subpara-  
16          graphs (A)(i) and (B)(i) of paragraph (1); and

17               (B) prepare and make publicly available 1  
18          or more reports on the results of the reviews.

19           (3) DISCRETIONARY INCLUSIONS.—The reviews  
20          under subparagraphs (A)(i) and (B)(i) of paragraph  
21          (1) and the reports under paragraph (2)(B) may ad-  
22          dress the potential fuel savings resulting from use of  
23          idle reduction technology.

24           (4) IDLE REDUCTION DEPLOYMENT PRO-  
25          GRAM.—

## 1                   (A) ESTABLISHMENT.—

2                   (i) IN GENERAL.—Not later than 90  
3                   days after the date of enactment of this  
4                   Act, the Administrator, in consultation  
5                   with the Secretary of Transportation, shall  
6                   establish a program to support deployment  
7                   of idle reduction technology.

8                   (ii) PRIORITY.—The Administrator  
9                   shall give priority to the deployment of idle  
10                  reduction technology based on beneficial ef-  
11                  fects on air quality and ability to lessen  
12                  the emission of criteria air pollutants.

## 13                  (B) FUNDING.—

14                  (i) AUTHORIZATION OF APPROPRIA-  
15                  TIONS.—There are authorized to be appro-  
16                  priated to the Administrator to carry out  
17                  subparagraph (A) \$19,500,000 for fiscal  
18                  year 2004, \$30,000,000 for fiscal year  
19                  2005, and \$45,000,000 for fiscal year  
20                  2006.

21                  (ii) COST SHARING.—Subject to clause  
22                  (iii), the Administrator shall require at  
23                  least 50 percent of the costs directly and  
24                  specifically related to any project under

1                   this section to be provided from non-Fed-  
2                   eral sources.

## (5) IDLING LOCATION STUDY.—

17 (i) truck stops;

18 (ii) rest areas;

### 19 (iii) border crossings;

20 (iv) ports;

(v) transfer facilities; and

22 (vi) private terminals.

(B) DEADLINE FOR COMPLETION.—Not later than 180 days after the date of enactment of this Act, the Administrator shall—

6 (c) VEHICLE WEIGHT EXEMPTION.—Section 127(a)

7 of title 23, United States Code, is amended—

11 (2) by adding at the end the following:

12                   “(12) HEAVY DUTY VEHICLES.—

13                         “(A) IN GENERAL.—Subject to subparagraphs  
14                         (B) and (C), in order to promote reduc-  
15                         tion of fuel use and emissions because of engine  
16                         idling, the maximum gross vehicle weight limit  
17                         and the axle weight limit for any heavy-duty ve-  
18                         hicle equipped with an idle reduction technology  
19                         shall be increased by a quantity necessary to  
20                         compensate for the additional weight of the idle  
21                         reduction system.

“(B) MAXIMUM WEIGHT INCREASE.—The weight increase under subparagraph (A) shall be not greater than 250 pounds.

1                 “(C) PROOF.—On request by a regulatory  
2                 agency or law enforcement agency, the vehicle  
3                 operator shall provide proof (through dem-  
4                 onstration or certification) that—  
5                         “(i) the idle reduction technology is  
6                 fully functional at all times; and  
7                         “(ii) the 250-pound gross weight in-  
8                 crease is not used for any purpose other  
9                 than the use of idle reduction technology  
10                 described in subparagraph (A).”.

11 **SEC. 757. BIODIESEL ENGINE TESTING PROGRAM.**

12                 (a) IN GENERAL.—Not later than 180 days after the  
13 date of enactment of this Act, the Secretary shall initiate  
14 a partnership with diesel engine, diesel fuel injection sys-  
15 tem, and diesel vehicle manufacturers and diesel and bio-  
16 diesel fuel providers, to include biodiesel testing in ad-  
17 vanced diesel engine and fuel system technology.

18                 (b) SCOPE.—The program shall provide for testing  
19 to determine the impact of biodiesel from different sources  
20 on current and future emission control technologies, with  
21 emphasis on—

22                         (1) the impact of biodiesel on emissions war-  
23 ranty, in-use liability, and antitampering provisions;  
24                         (2) the impact of long-term use of biodiesel on  
25 engine operations;

(4) the impact of using biodiesel in these fueling systems and engines when used as a blend with 2006 Environmental Protection Agency-mandated diesel fuel containing a maximum of 15-parts-per-million sulfur content.

9       (c) REPORT.—Not later than 2 years after the date  
10 of enactment of this Act, the Secretary shall provide an  
11 interim report to Congress on the findings of the program,  
12 including a comprehensive analysis of impacts from bio-  
13 diesel on engine operation for both existing and expected  
14 future diesel technologies, and recommendations for en-  
15 suring optimal emissions reductions and engine perform-  
16 ance with biodiesel.

17       (d) AUTHORIZATION OF APPROPRIATIONS.—There  
18 are authorized to be appropriated \$5,000,000 for each of  
19 fiscal years 2004 through 2008 to carry out this section.

20       (e) DEFINITION.—For purposes of this section, the  
21 term “biodiesel” means a diesel fuel substitute produced  
22 from nonpetroleum renewable resources that meets the  
23 registration requirements for fuels and fuel additives es-  
24 tablished by the Environmental Protection Agency under  
25 section 211 of the Clean Air Act (42 U.S.C. 7545) and

1 that meets the American Society for Testing and Materials  
2 D6751–02a Standard Specification for Biodiesel Fuel  
3 (B100) Blend Stock for Distillate Fuels.

4 **SEC. 758. HIGH OCCUPANCY VEHICLE EXCEPTION.**

5 Notwithstanding section 102(a) of title 23, United  
6 States Code, a State may permit a vehicle with fewer than  
7 2 occupants to operate in high occupancy vehicle lanes if  
8 the vehicle—

9 (1) is a dedicated vehicle (as defined in section  
10 301 of the Energy Policy Act of 1992 (42 U.S.  
11 13211)); or

12 (2) is a hybrid vehicle (as defined by the State  
13 for the purpose of this section).

14 **Subtitle E—Automobile Efficiency**

15 **SEC. 771. AUTHORIZATION OF APPROPRIATIONS FOR IM-**  
16 **PLEMENTATION AND ENFORCEMENT OF**  
17 **FUEL ECONOMY STANDARDS.**

18 In addition to any other funds authorized by law,  
19 there are authorized to be appropriated to the National  
20 Highway Traffic Safety Administration to carry out its ob-  
21 ligations with respect to average fuel economy standards  
22 \$2,000,000 for each of fiscal years 2004 through 2008.

1   **SEC. 772. REVISED CONSIDERATIONS FOR DECISIONS ON**  
2                   **MAXIMUM FEASIBLE AVERAGE FUEL ECON-**  
3                   **OMY.**

4       Section 32902(f) of title 49, United States Code, is  
5   amended to read as follows:

6       “(f) CONSIDERATIONS FOR DECISIONS ON MAXIMUM  
7   FEASIBLE AVERAGE FUEL ECONOMY.—When deciding  
8   maximum feasible average fuel economy under this sec-  
9   tion, the Secretary of Transportation shall consider the  
10   following matters:

11       “(1) Technological feasibility.

12       “(2) Economic practicability.

13       “(3) The effect of other motor vehicle standards  
14   of the Government on fuel economy.

15       “(4) The need of the United States to conserve  
16   energy.

17       “(5) The effects of fuel economy standards on  
18   passenger automobiles, nonpassenger automobiles,  
19   and occupant safety.

20       “(6) The effects of compliance with average fuel  
21   economy standards on levels of automobile industry  
22   employment in the United States.”.

1   **SEC. 773. EXTENSION OF MAXIMUM FUEL ECONOMY IN-**  
2                   **CREASE FOR ALTERNATIVE FUELED VEHIC-**  
3                   **CLES.**

4       (a) MANUFACTURING INCENTIVES.—Section 32905  
5 of title 49, United States Code, is amended—

6                  (1) in each of subsections (b) and (d), by strik-  
7 ing “1993–2004” and inserting “1993–2008”;

8                  (2) in subsection (f), by striking “2001” and  
9 inserting “2005”; and

10                 (3) in subsection (f)(1), by striking “2004” and  
11 inserting “2008”.

12       (b) MAXIMUM FUEL ECONOMY INCREASE.—Sub-  
13 section (a)(1) of section 32906 of title 49, United States  
14 Code, is amended—

15                 (1) in subparagraph (A), by striking “the model  
16 years 1993–2004” and inserting “model years  
17 1993–2008”; and

18                 (2) in subparagraph (B), by striking “the model  
19 years 2005–2008” and inserting “model years  
20 2009–2012”.

21   **SEC. 774. STUDY OF FEASIBILITY AND EFFECTS OF REDUC-**  
22                   **ING USE OF FUEL FOR AUTOMOBILES.**

23       (a) IN GENERAL.—Not later than 30 days after the  
24 date of the enactment of this Act, the Administrator of  
25 the National Highway Traffic Safety Administration shall  
26 initiate a study of the feasibility and effects of reducing

1 by model year 2012, by a significant percentage, the  
2 amount of fuel consumed by automobiles.

3 (b) SUBJECTS OF STUDY.—The study under this sec-  
4 tion shall include—

5 (1) examination of, and recommendation of al-  
6 ternatives to, the policy under current Federal law  
7 of establishing average fuel economy standards for  
8 automobiles and requiring each automobile manufac-  
9 turer to comply with average fuel economy standards  
10 that apply to the automobiles it manufactures;

11 (2) examination of how automobile manufactur-  
12 ers could contribute toward achieving the reduction  
13 referred to in subsection (a);

14 (3) examination of the potential of fuel cell  
15 technology in motor vehicles in order to determine  
16 the extent to which such technology may contribute  
17 to achieving the reduction referred to in subsection  
18 (a); and

19 (4) examination of the effects of the reduction  
20 referred to in subsection (a) on—

21 (A) gasoline supplies;

22 (B) the automobile industry, including  
23 sales of automobiles manufactured in the  
24 United States;

25 (C) motor vehicle safety; and

(D) air quality.

2 (c) REPORT.—The Administrator shall submit to  
3 Congress a report on the findings, conclusion, and rec-  
4 ommendations of the study under this section by not later  
5 than 1 year after the date of the enactment of this Act.

## **TITLE VIII—HYDROGEN**

## **7 SEC. 801. DEFINITIONS.**

## 8 In this title:

15                             (3) FUEL CELL.—The term “fuel cell” means a  
16                             device that directly converts the chemical energy of  
17                             a fuel and an oxidant into electricity by an electro-  
18                             chemical process taking place at separate electrodes  
19                             in the device.

1       Department of Transportation as a Class I or II A  
2       vehicle.

3                     (6) SECRETARY.—The term “Secretary” means  
4       the Secretary of Energy.

5 **SEC. 802. PLAN.**

6       Not later than 6 months after the date of enactment  
7   of this Act, the Secretary shall transmit to Congress a  
8   coordinated plan for the programs described in this title  
9   and any other programs of the Department that are di-  
10   rectly related to fuel cells or hydrogen. The plan shall de-  
11   scribe, at a minimum—

12                  (1) the agenda for the next 5 years for the pro-  
13       grams authorized under this title, including the  
14       agenda for each activity enumerated in section  
15       803(a);

16                  (2) the types of entities that will carry out the  
17       activities under this title and what role each entity  
18       is expected to play;

19                  (3) the milestones that will be used to evaluate  
20       the programs for the next 5 years;

21                  (4) the most significant technical and nontech-  
22       nical hurdles that stand in the way of achieving the  
23       goals described in section 803(b), and how the pro-  
24       grams will address those hurdles; and

(5) the policy assumptions that are implicit in the plan, including any assumptions that would affect the sources of hydrogen or the marketability of hydrogen-related products.

## 5 SEC. 803. PROGRAMS.

6           (a) ACTIVITIES.—The Secretary, in partnership with  
7 the private sector, shall conduct programs to address—  
8               (1) production of hydrogen from diverse energy  
9 sources, including—

(A) fossil fuels, which may include carbon capture and sequestration;

(B) hydrogen-carrier fuels (including ethanol and methanol);

14 (C) renewable energy resources, including  
15 biomass; and

16 (D) nuclear energy:

17                   (2) use of hydrogen for commercial, industrial,  
18                   and residential electric power generation;

(A) transmission by pipeline and other distribution methods; and

(B) convenient and economic refueling of vehicles either at central refueling stations or through distributed on-site generation;

- 1                         (4) advanced vehicle technologies, including—  
2                             (A) engine and emission control systems;  
3                             (B) energy storage, electric propulsion, and  
4                             hybrid systems;  
5                             (C) automotive materials; and  
6                             (D) other advanced vehicle technologies;  
7                         (5) storage of hydrogen or hydrogen-carrier  
8                             fuels, including development of materials for safe  
9                             and economic storage in gaseous, liquid, or solid  
10                           form at refueling facilities and onboard vehicles;  
11                         (6) development of safe, durable, affordable,  
12                             and efficient fuel cells, including fuel-flexible fuel cell  
13                             power systems, improved manufacturing processes,  
14                             high-temperature membranes, cost-effective fuel  
15                             processing for natural gas, fuel cell stack and system  
16                             reliability, low temperature operation, and cold start  
17                             capability;  
18                         (7) development, after consultation with the pri-  
19                             vate sector, of necessary codes and standards (in-  
20                             cluding international codes and standards and vol-  
21                             untary consensus standards adopted in accordance  
22                             with OMB Circular A-119) and safety practices for  
23                             the production, distribution, storage, and use of hy-  
24                             drogen, hydrogen-carrier fuels, and related products;  
25                             and

(8) a public education program to develop improved knowledge and acceptability of hydrogen-based systems.

#### 4 (b) PROGRAM GOALS.—

(1) VEHICLES.—For vehicles, the goals of the program are—

(B) to enable production, delivery, and acceptance by consumers of model year 2020 hydrogen fuel cell and other hydrogen-powered vehicles that will have—

(iii) safety and performance comparable to vehicle technologies in the market; and

(iv) when compared to light duty vehicles in model year 2003—

(I) fuel economy that is substantially higher;

11 (A) safe and convenient refueling;  
12 (B) improved overall efficiency;  
13 (C) widespread availability of hydrogen  
14 from domestic energy sources through—

(iii) storage, including storage in surface transportation vehicles;

22 (D) hydrogen for fuel cells, internal com-  
23 bustion engines, and other energy conversion  
24 devices for portable, stationary, and transpor-  
25 tation applications; and

(E) other technologies consistent with the Department's plan.

3                             (3) FUEL CELLS.—The goals for fuel cells and  
4                             their portable, stationary, and transportation appli-  
5                             cations are to enable—

(A) safe, economical, and environmentally sound hydrogen fuel cells;

(B) fuel cells for light duty and other vehicles; and

(C) other technologies consistent with the  
Department's plan.

12 (c) DEMONSTRATION.—In carrying out the programs  
13 under this section, the Secretary shall fund a limited num-  
14 ber of demonstration projects, consistent with a deter-  
15 mination of the maturity, cost-effectiveness, and environ-  
16 mental impacts of technologies supporting each project. In  
17 selecting projects under this subsection, the Secretary  
18 shall, to the extent practicable and in the public interest,  
19 select projects that—

20                             (1) involve using hydrogen and related products  
21                             at existing facilities or installations, such as existing  
22                             office buildings, military bases, vehicle fleet centers,  
23                             transit bus authorities, or units of the National Park  
24                             System;

1                         (2) depend on reliable power from hydrogen to  
2                         carry out essential activities;

3                         (3) lead to the replication of hydrogen tech-  
4                         nologies and draw such technologies into the market-  
5                         place;

6                         (4) include vehicle, portable, and stationary  
7                         demonstrations of fuel cell and hydrogen-based en-  
8                         ergy technologies;

9                         (5) address the interdependency of demand for  
10                         hydrogen fuel cell applications and hydrogen fuel in-  
11                         frastructure;

12                         (6) raise awareness of hydrogen technology  
13                         among the public;

14                         (7) facilitate identification of an optimum tech-  
15                         nology among competing alternatives;

16                         (8) address distributed generation using renew-  
17                         able sources; and

18                         (9) address applications specific to rural or re-  
19                         mote locations, including isolated villages and is-  
20                         lands, the National Park System, and tribal entities.

21     The Secretary shall give preference to projects which ad-  
22     dress multiple elements contained in paragraphs (1)  
23     through (9).

24                         (d) DEPLOYMENT.—In carrying out the programs  
25     under this section, the Secretary shall, in partnership with

1 the private sector, conduct activities to facilitate the de-  
2 ployment of hydrogen energy and energy infrastructure,  
3 fuel cells, and advanced vehicle technologies.

4 (e) FUNDING.—

5 (1) IN GENERAL.—The Secretary shall carry  
6 out the programs under this section using a competi-  
7 tive, merit-based review process and consistent with  
8 the generally applicable Federal laws and regulations  
9 governing awards of financial assistance, contracts,  
10 or other agreements.

11 (2) RESEARCH CENTERS.—Activities under this  
12 section may be carried out by funding nationally rec-  
13 ognized university-based or Federal laboratory re-  
14 search centers.

15 (f) COST SHARING.—

16 (1) RESEARCH AND DEVELOPMENT.—Except as  
17 otherwise provided in this title, for research and de-  
18 velopment programs carried out under this title the  
19 Secretary shall require a commitment from non-Fed-  
20 eral sources of at least 20 percent of the cost of the  
21 project. The Secretary may reduce or eliminate the  
22 non-Federal requirement under this paragraph if the  
23 Secretary determines that the research and develop-  
24 ment is of a basic or fundamental nature or involves  
25 technical analyses or educational activities.

(2) DEMONSTRATION AND COMMERCIAL APPLICATION.—Except as otherwise provided in this title, the Secretary shall require at least 50 percent of the costs directly and specifically related to any demonstration or commercial application project under this title to be provided from non-Federal sources. The Secretary may reduce the non-Federal requirement under this paragraph if the Secretary determines that the reduction is necessary and appropriate considering the technological risks involved in the project and is necessary to meet the objectives of this title.

20       (g) DISCLOSURE.—Section 623 of the Energy Policy  
21 Act of 1992 (42 U.S.C. 13293) relating to the protection  
22 of information shall apply to projects carried out through  
23 grants, cooperative agreements, or contracts under this  
24 title.

1   **SEC. 804. INTERAGENCY TASK FORCE.**

2           (a) ESTABLISHMENT.—Not later than 120 days after  
3   the date of enactment of this Act, the President shall es-  
4   tablish an interagency task force chaired by the Secretary  
5   with representatives from each of the following:

6               (1) The Office of Science and Technology Pol-  
7   icy within the Executive Office of the President.

8               (2) The Department of Transportation.

9               (3) The Department of Defense.

10              (4) The Department of Commerce (including  
11   the National Institute of Standards and Tech-  
12   nology).

13              (5) The Department of State.

14              (6) The Environmental Protection Agency.

15              (7) The National Aeronautics and Space Ad-  
16   ministration.

17              (8) Other Federal agencies as the Secretary de-  
18   termines appropriate.

19           (b) DUTIES.—

20               (1) PLANNING.—The interagency task force  
21   shall work toward—

22                   (A) a safe, economical, and environ-  
23   mentally sound fuel infrastructure for hydrogen  
24   and hydrogen-carrier fuels, including an infra-  
25   structure that supports buses and other fleet  
26   transportation;

(B) fuel cells in government and other applications, including portable, stationary, and transportation applications;

(C) distributed power generation, including the generation of combined heat, power, and clean fuels including hydrogen;

(D) uniform hydrogen codes, standards, and safety protocols; and

(E) vehicle hydrogen fuel system integrity safety performance.

(2) ACTIVITIES.—The interagency task force may organize workshops and conferences, may issue publications, and may create databases to carry out its duties. The interagency task force shall—

(A) foster the exchange of generic, non-proprietary information and technology among industry, academia, and government;

(B) develop and maintain an inventory and assessment of hydrogen, fuel cells, and other advanced technologies, including the commercial capability of each technology for the economic and environmentally safe production, distribution, delivery, storage, and use of hydrogen;

(C) integrate technical and other information made available as a result of the programs and activities under this title;

(D) promote the marketplace introduction of infrastructure for hydrogen fuel vehicles; and

(E) conduct an education program to provide hydrogen and fuel cell information to potential end-users.

9       (c) AGENCY COOPERATION.—The heads of all agen-  
10 cies, including those whose agencies are not represented  
11 on the interagency task force, shall cooperate with and  
12 furnish information to the interagency task force, the Ad-  
13 visory Committee, and the Department.

## **14 SEC. 805. ADVISORY COMMITTEE.**

15 (a) ESTABLISHMENT.—The Hydrogen Technical and  
16 Fuel Cell Advisory Committee is established to advise the  
17 Secretary on the programs and activities under this title.

## 18 (b) MEMBERSHIP —

19                         (1) MEMBERS.—The Advisory Committee shall  
20                         be comprised of not fewer than 12 nor more than 25  
21                         members. The members shall be appointed by the  
22                         Secretary to represent domestic industry, academia,  
23                         professional societies, government agencies, Federal  
24                         laboratories, previous advisory panels, and financial,  
25                         environmental, and other appropriate organizations

1 based on the Department's assessment of the tech-  
2 nical and other qualifications of committee members  
3 and the needs of the Advisory Committee.

4 (2) TERMS.—The term of a member of the Ad-  
5 visory Committee shall not be more than 3 years.  
6 The Secretary may appoint members of the Advisory  
7 Committee in a manner that allows the terms of the  
8 members serving at any time to expire at spaced in-  
9 tervals so as to ensure continuity in the functioning  
10 of the Advisory Committee. A member of the Advi-  
11 sory Committee whose term is expiring may be re-  
12 appointed.

13 (3) CHAIRPERSON.—The Advisory Committee  
14 shall have a chairperson, who is elected by the mem-  
15 bers from among their number.

16 (c) REVIEW.—The Advisory Committee shall review  
17 and make recommendations to the Secretary on—

18 (1) the implementation of programs and activi-  
19 ties under this title;

20 (2) the safety, economical, and environmental  
21 consequences of technologies for the production, dis-  
22 tribution, delivery, storage, or use of hydrogen en-  
23 ergy and fuel cells; and

24 (3) the plan under section 802.

25 (d) RESPONSE.—

1                   (1) CONSIDERATION OF RECOMMENDATIONS.—

2         The Secretary shall consider, but need not adopt,  
3         any recommendations of the Advisory Committee  
4         under subsection (c).

5                   (2) BIENNIAL REPORT.—The Secretary shall  
6         transmit a biennial report to Congress describing  
7         any recommendations made by the Advisory Com-  
8         mittee since the previous report. The report shall in-  
9         clude a description of how the Secretary has imple-  
10        mented or plans to implement the recommendations,  
11        or an explanation of the reasons that a recomme-  
12        dation will not be implemented. The report shall be  
13        transmitted along with the President’s budget pro-  
14        posal.

15                  (e) SUPPORT.—The Secretary shall provide resources  
16        necessary in the judgment of the Secretary for the Advi-  
17        sory Committee to carry out its responsibilities under this  
18        title.

19        **SEC. 806. EXTERNAL REVIEW.**

20                  (a) PLAN.—The Secretary shall enter into an ar-  
21        rangement with the National Academy of Sciences to re-  
22        view the plan prepared under section 802, which shall be  
23        completed not later than 6 months after the Academy re-  
24        ceives the plan. Not later than 45 days after receiving the  
25        review, the Secretary shall transmit the review to Congress

1 along with a plan to implement the review's recommenda-  
2 tions or an explanation of the reasons that a recommenda-  
3 tion will not be implemented.

4 (b) ADDITIONAL REVIEW.—The Secretary shall enter  
5 into an arrangement with the National Academy of  
6 Sciences under which the Academy will review the pro-  
7 grams under section 803 during the fourth year following  
8 the date of enactment of this Act. The Academy's review  
9 shall include the research priorities and technical mile-  
10 stones, and evaluate the progress toward achieving them.  
11 The review shall be completed not later than 5 years after  
12 the date of enactment of this Act. Not later than 45 days  
13 after receiving the review, the Secretary shall transmit the  
14 review to Congress along with a plan to implement the  
15 review's recommendations or an explanation for the rea-  
16 sons that a recommendation will not be implemented.

17 **SEC. 807. MISCELLANEOUS PROVISIONS.**

18 (a) REPRESENTATION.—The Secretary may rep-  
19 resent the United States interests with respect to activities  
20 and programs under this title, in coordination with the  
21 Department of Transportation, the National Institute of  
22 Standards and Technology, and other relevant Federal  
23 agencies, before governments and nongovernmental orga-  
24 nizations including—

1                         (1) other Federal, State, regional, and local  
2                         governments and their representatives;

3                         (2) industry and its representatives, including  
4                         members of the energy and transportation indus-  
5                         tries; and

6                         (3) in consultation with the Department of  
7                         State, foreign governments and their representatives  
8                         including international organizations.

9                         (b) REGULATORY AUTHORITY.—Nothing in this title  
10                        shall be construed to alter the regulatory authority of the  
11                        Department.

12                       **SEC. 808. SAVINGS CLAUSE.**

13                        Nothing in this title shall be construed to affect the  
14                        authority of the Secretary of Transportation that may  
15                        exist prior to the date of enactment of this Act with re-  
16                        spect to—

17                         (1) research into, and regulation of, hydrogen-  
18                         powered vehicles fuel systems integrity, standards,  
19                         and safety under subtitle VI of title 49, United  
20                         States Code;

21                         (2) regulation of hazardous materials transpor-  
22                         tation under chapter 51 of title 49, United States  
23                         Code;

24                         (3) regulation of pipeline safety under chapter  
25                         601 of title 49, United States Code;

- 1                             (4) encouragement and promotion of research,  
2                             development, and deployment activities relating to  
3                             advanced vehicle technologies under section 5506 of  
4                             title 49, United States Code;  
5                             (5) regulation of motor vehicle safety under  
6                             chapter 301 of title 49, United States Code;  
7                             (6) automobile fuel economy under chapter 329  
8                             of title 49, United States Code; or  
9                             (7) representation of the interests of the United  
10                            States with respect to the activities and programs  
11                            under the authority of title 49, United States Code.

12 **SEC. 809. AUTHORIZATION OF APPROPRIATIONS.**

13                         There are authorized to be appropriated to the Sec-  
14                         retary to carry out this title, in addition to any amounts  
15                         made available for these purposes under other Acts—

- 16                         (1) \$273,500,000 for fiscal year 2004;  
17                         (2) \$375,000,000 for fiscal year 2005;  
18                         (3) \$450,000,000 for fiscal year 2006;  
19                         (4) \$500,000,000 for fiscal year 2007; and  
20                         (5) \$550,000,000 for fiscal year 2008.

21 **TITLE IX—RESEARCH AND  
22 DEVELOPMENT**

23 **SEC. 901. GOALS.**

24                         (a) IN GENERAL.—The Secretary shall conduct a bal-  
25                         anced set of programs of energy research, development,

1 demonstration, and commercial application to support  
2 Federal energy policy and programs by the Department.  
3 Such programs shall be focused on—

4 (1) increasing the efficiency of all energy intensive  
5 sectors through conservation and improved technologies;

6 (2) promoting diversity of energy supply;

7 (3) decreasing the Nation's dependence on foreign  
8 energy supplies;

9 (4) improving United States energy security;  
10 and

11 (5) decreasing the environmental impact of energy-related activities.

12 (b) GOALS.—The Secretary shall publish measurable  
13 5-year cost and performance-based goals with each annual  
14 budget submission in at least the following areas:

15 (1) Energy efficiency for buildings, energy-consuming  
16 industries, and vehicles.

17 (2) Electric energy generation (including distributed  
18 generation), transmission, and storage.

19 (3) Renewable energy technologies including  
20 wind power, photovoltaics, solar thermal systems,  
21 geothermal energy, hydrogen-fueled systems, bio-  
22 mass-based systems, biofuels, and hydropower.

1                             (4) Fossil energy including power generation,  
2                             onshore and offshore oil and gas resource recovery,  
3                             and transportation.

4                             (5) Nuclear energy including programs for ex-  
5                             isting and advanced reactors and education of future  
6                             specialists.

7                             (c) PUBLIC COMMENT.—The Secretary shall provide  
8                             mechanisms for input on the annually published goals  
9                             from industry, university, and other public sources.

10                           (d) EFFECT OF GOALS.—

11                           (1) NO NEW AUTHORITY OR REQUIREMENT.—  
12                             Nothing in subsection (a) or the annually published  
13                             goals shall—

14                                 (A) create any new—

15                                     (i) authority for any Federal agency;

16                                     or

17                                     (ii) requirement for any other person;

18                                 (B) be used by a Federal agency to sup-  
19                                     port the establishment of regulatory standards  
20                                     or regulatory requirements; or

21                                 (C) alter the authority of the Secretary to  
22                                     make grants or other awards.

23                                 (2) NO LIMITATION.—Nothing in this sub-  
24                                     section shall be construed to limit the authority of  
25                                     the Secretary to impose conditions on grants or

1 other awards based on the goals in subsection (a) or  
2 any subsequent modification thereto.

3 **SEC. 902. DEFINITIONS.**

4 For purposes of this title:

5 (1) DEPARTMENT.—The term “Department”  
6 means the Department of Energy.

7 (2) DEPARTMENTAL MISSION.—The term “de-  
8 partmental mission” means any of the functions  
9 vested in the Secretary of Energy by the Depart-  
10 ment of Energy Organization Act (42 U.S.C. 7101  
11 et seq.) or other law.

12 (3) INSTITUTION OF HIGHER EDUCATION.—The  
13 term “institution of higher education” has the  
14 meaning given that term in section 101(a) of the  
15 Higher Education Act of 1965 (20 U.S.C. 1001(a)).

16 (4) NATIONAL LABORATORY.—The term “Na-  
17 tional Laboratory” means any of the following lab-  
18 oratories owned by the Department:

19 (A) Ames Laboratory.

20 (B) Argonne National Laboratory.

21 (C) Brookhaven National Laboratory.

22 (D) Fermi National Accelerator Labora-  
23 tory.

24 (E) Idaho National Engineering and Envi-  
25 ronmental Laboratory.

(F) Lawrence Berkeley National Laboratory.

3 (G) Lawrence Livermore National Labora-  
4 tory.

5 (H) Los Alamos National Laboratory.

(I) National Energy Technology Laboratory.

(J) National Renewable Energy Laboratory.

10 (K) Oak Ridge National Laboratory.

(L) Pacific Northwest National Laboratory.

13 (M) Princeton Plasma Physics Laboratory.

14 (N) Sandia National Laboratories.

15 (O) Stanford Linear Accelerator Center.

16 (P) Thomas Jefferson National Accelerator  
17 Facility.

18 (5) NONMILITARY ENERGY LABORATORY.—The

19 term “nonmilitary energy laboratory” means the lab-  
20 oratories listed in paragraph (4), except for those  
21 listed in subparagraphs (G), (H), and (N).

(6) SECRETARY.—The term “Secretary” means the Secretary of Energy.

(7) SINGLE-PURPOSE RESEARCH FACILITY.—  
The term “single-purpose research facility” means

1       any of the primarily single-purpose entities owned by  
2       the Department or any other organization of the De-  
3       partment designated by the Secretary.

## 4       **Subtitle A—Energy Efficiency**

### 5       **SEC. 904. ENERGY EFFICIENCY.**

6       (a) IN GENERAL.—The following sums are author-  
7       ized to be appropriated to the Secretary for energy effi-  
8       ciency and conservation research, development, dem-  
9       onstration, and commercial application activities, includ-  
10      ing activities authorized under this subtitle:

- 11           (1) For fiscal year 2004, \$616,000,000.
- 12           (2) For fiscal year 2005, \$695,000,000.
- 13           (3) For fiscal year 2006, \$772,000,000.
- 14           (4) For fiscal year 2007, \$865,000,000.
- 15           (5) For fiscal year 2008, \$920,000,000.

16       (b) ALLOCATIONS.—From amounts authorized under  
17      subsection (a), the following sums are authorized:

- 18           (1) For activities under section 905—
  - 19               (A) for fiscal year 2004, \$20,000,000;
  - 20               (B) for fiscal year 2005, \$30,000,000;
  - 21               (C) for fiscal year 2006, \$50,000,000;
  - 22               (D) for fiscal year 2007, \$50,000,000; and
  - 23               (E) for fiscal year 2008, \$50,000,000.
- 24           (2) For activities under section 907—
  - 25               (A) for fiscal year 2004, \$4,000,000; and

(B) for each of fiscal years 2005 through 2008, \$7,000,000.

4 (A) for fiscal year 2004, \$20,000,000;

5 (B) for fiscal year 2005, \$25,000,000;

6 (C) for fiscal year 2006, \$30,000,000;

7 (D) for fiscal year 2007, \$35,000,000; and

8 (E) for fiscal year 2008, \$40,000,000.

(4) For activities under section 909,

10        \$2,000,000 for each of fiscal years 2005 through  
11        2008.

12       (c) EXTENDED AUTHORIZATION.—There are author-  
13 ized to be appropriated to the Secretary for activities  
14 under section 905, \$50,000,000 for each of fiscal years  
15 2009 through 2013.

16 (d) LIMITATION ON USE OF FUNDS.—None of the  
17 funds authorized to be appropriated under this section  
18 may be used for—

1                         (3) the State Energy Program under part D of  
2                         title III of the Energy Policy and Conservation Act  
3                         (42 U.S.C. 6321 et seq.); or

4                         (4) the Federal Energy Management Program  
5                         under part 3 of title V of the National Energy Con-  
6                         servation Policy Act (42 U.S.C. 8251 et seq.).

7 **SEC. 905. NEXT GENERATION LIGHTING INITIATIVE.**

8                         (a) IN GENERAL.—The Secretary shall carry out a  
9                         Next Generation Lighting Initiative in accordance with  
10                         this section to support research, development, demonstra-  
11                         tion, and commercial application activities related to ad-  
12                         vanced solid-state lighting technologies based on white  
13                         light emitting diodes.

14                         (b) OBJECTIVES.—The objectives of the initiative  
15                         shall be to develop advanced solid-state organic and inor-  
16                         ganic lighting technologies based on white light emitting  
17                         diodes that, compared to incandescent and fluorescent  
18                         lighting technologies, are longer lasting; more energy-effi-  
19                         cient; and cost-competitive, and have less environmental  
20                         impact.

21                         (c) INDUSTRY ALLIANCE.—The Secretary shall, not  
22                         later than 3 months after the date of enactment of this  
23                         section, competitively select an Industry Alliance to rep-  
24                         resent participants that are private, for-profit firms which,  
25                         as a group, are broadly representative of United States

1 solid state lighting research, development, infrastructure,  
2 and manufacturing expertise as a whole.

3 (d) RESEARCH.—

4 (1) IN GENERAL.—The Secretary shall carry  
5 out the research activities of the Next Generation  
6 Lighting Initiative through competitively awarded  
7 grants to researchers, including Industry Alliance  
8 participants, National Laboratories, and institutions  
9 of higher education.

10 (2) ASSISTANCE FROM THE INDUSTRY ALLI-  
11 ANCE.—The Secretary shall annually solicit from the  
12 Industry Alliance—

13 (A) comments to identify solid-state light-  
14 ing technology needs;

15 (B) assessment of the progress of the Ini-  
16 tiative's research activities; and

17 (C) assistance in annually updating solid-  
18 state lighting technology roadmaps.

19 (3) AVAILABILITY OF INFORMATION AND ROAD-  
20 MAPS.—The information and roadmaps under para-  
21 graph (2) shall be available to the public and public  
22 response shall be solicited by the Secretary.

23 (e) DEVELOPMENT, DEMONSTRATION, AND COMMER-  
24 CIAL APPLICATION.—The Secretary shall carry out a de-  
25 velopment, demonstration, and commercial application

1 program for the Next Generation Lighting Initiative  
2 through competitively selected awards. The Secretary may  
3 give preference to participants of the Industry Alliance se-  
4 lected pursuant to subsection (c).

5 (f) INTELLECTUAL PROPERTY.—The Secretary may  
6 require, in accordance with the authorities provided in sec-  
7 tion 202(a)(ii) of title 35, United States Code, section 152  
8 of the Atomic Energy Act of 1954 (42 U.S.C. 2182), and  
9 section 9 of the Federal Nonnuclear Energy Research and  
10 Development Act of 1974 (42 U.S.C. 5908), that—

11 (1) for any new invention resulting from activi-  
12 ties under subsection (d)—

13 (A) the Industry Alliance members that  
14 are active participants in research, development,  
15 and demonstration activities related to the ad-  
16 vanced solid-state lighting technologies that are  
17 the subject of this section shall be granted first  
18 option to negotiate with the invention owner  
19 nonexclusive licenses and royalties for uses of  
20 the invention related to solid-state lighting on  
21 terms that are reasonable under the cir-  
22 cumstances; and

23 (B)(i) for 1 year after a United States pat-  
24 ent is issued for the invention, the patent hold-  
25 er shall not negotiate any license or royalty

1           with any entity that is not a participant in the  
2           Industry Alliance described in subparagraph  
3           (A); and

4               (ii) during the year described in clause (i),  
5               the invention owner shall negotiate nonexclusive  
6               licenses and royalties in good faith with any in-  
7               terested participant in the Industry Alliance de-  
8               scribed in subparagraph (A); and

9               (2) such other terms as the Secretary deter-  
10          mines are required to promote accelerated commer-  
11          cialization of inventions made under the Initiative.

12          (g) NATIONAL ACADEMY REVIEW.—The Secretary  
13          shall enter into an arrangement with the National Acad-  
14          emy of Sciences to conduct periodic reviews of the Next  
15          Generation Lighting Initiative. The Academy shall review  
16          the research priorities, technical milestones, and plans for  
17          technology transfer and progress towards achieving them.  
18          The Secretary shall consider the results of such reviews  
19          in evaluating the information obtained under subsection  
20          (d)(2).

21          (h) DEFINITIONS.—As used in this section:

22               (1) ADVANCED SOLID-STATE LIGHTING.—The  
23               term “advanced solid-state lighting” means a  
24               semiconducting device package and delivery system

1       that produces white light using externally applied  
2       voltage.

3                 (2) RESEARCH.—The term “research” includes  
4       research on the technologies, materials, and manu-  
5       facturing processes required for white light emitting  
6       diodes.

7                 (3) INDUSTRY ALLIANCE.—The term “Industry  
8       Alliance” means an entity selected by the Secretary  
9       under subsection (c).

10                (4) WHITE LIGHT EMITTING DIODE.—The term  
11       “white light emitting diode” means a  
12       semiconducting package, utilizing either organic or  
13       inorganic materials, that produces white light using  
14       externally applied voltage.

15 **SEC. 906. NATIONAL BUILDING PERFORMANCE INITIATIVE.**

16               (a) INTERAGENCY GROUP.—Not later than 90 days  
17       after the date of enactment of this Act, the Director of  
18       the Office of Science and Technology Policy shall establish  
19       an interagency group to develop, in coordination with the  
20       advisory committee established under subsection (e), a  
21       National Building Performance Initiative (in this section  
22       referred to as the “Initiative”). The interagency group  
23       shall be co-chaired by appropriate officials of the Depart-  
24       ment and the Department of Commerce, who shall jointly

1 arrange for the provision of necessary administrative sup-  
2 port to the group.

3 (b) INTEGRATION OF EFFORTS.—The Initiative,  
4 working with the National Institute of Building Sciences,  
5 shall integrate Federal, State, and voluntary private sector  
6 efforts to reduce the costs of construction, operation,  
7 maintenance, and renovation of commercial, industrial, in-  
8 stitutional, and residential buildings.

9 (c) PLAN.—Not later than 1 year after the date of  
10 enactment of this Act, the interagency group shall submit  
11 to Congress a plan for carrying out the appropriate Fed-  
12 eral role in the Initiative. The plan shall include—

13 (1) research, development, demonstration, and  
14 commercial application of systems and materials for  
15 new construction and retrofit relating to the building  
16 envelope and building system components; and

17 (2) the collection, analysis, and dissemination of  
18 research results and other pertinent information on  
19 enhancing building performance to industry, govern-  
20 ment entities, and the public.

21 (d) DEPARTMENT OF ENERGY ROLE.—Within the  
22 Federal portion of the Initiative, the Department shall be  
23 the lead agency for all aspects of building performance re-  
24 lated to use and conservation of energy.

25 (e) ADVISORY COMMITTEE.—

1                         (1) ESTABLISHMENT.—The Secretary, in con-  
2                         sultation with the Secretary of Commerce and the  
3                         Director of the Office of Science and Technology  
4                         Policy, shall establish an advisory committee to—

- 5                             (A) analyze and provide recommendations  
6                         on potential private sector roles and participa-  
7                         tion in the Initiative; and  
8                             (B) review and provide recommendations  
9                         on the plan described in subsection (c).

10                         (2) MEMBERSHIP.—Membership of the advisory  
11                         committee shall include representatives with a broad  
12                         range of appropriate expertise, including expertise  
13                         in—

- 14                             (A) building research and technology;  
15                             (B) architecture, engineering, and building  
16                         materials and systems; and  
17                             (C) the residential, commercial, and indus-  
18                         trial sectors of the construction industry.

19                         (f) CONSTRUCTION.—Nothing in this section provides  
20                         any Federal agency with new authority to regulate build-  
21                         ing performance.

22                         **SEC. 907. SECONDARY ELECTRIC VEHICLE BATTERY USE  
23                         PROGRAM.**

24                         (a) DEFINITIONS.—For purposes of this section:

1                     (1) ASSOCIATED EQUIPMENT.—The term “asso-  
2         ciated equipment” means equipment located where  
3         the batteries will be used that is necessary to enable  
4         the use of the energy stored in the batteries.

5                     (2) BATTERY.—The term “battery” means an  
6         energy storage device that previously has been used  
7         to provide motive power in a vehicle powered in  
8         whole or in part by electricity.

9                     (b) PROGRAM.—The Secretary shall establish and  
10      conduct a research, development, demonstration, and com-  
11      mercial application program for the secondary use of bat-  
12      teries if the Secretary finds that there are sufficient num-  
13      bers of such batteries to support the program. The pro-  
14      gram shall be—

15                     (1) designed to demonstrate the use of batteries  
16         in secondary applications, including utility and com-  
17         mercial power storage and power quality;

18                     (2) structured to evaluate the performance, in-  
19         cluding useful service life and costs, of such bat-  
20         teries in field operations, and the necessary sup-  
21         porting infrastructure, including reuse and disposal  
22         of batteries; and

23                     (3) coordinated with ongoing secondary battery  
24         use programs at the National Laboratories and in  
25         industry.

1       (c) SOLICITATION.—Not later than 180 days after  
2 the date of enactment of this Act, if the Secretary finds  
3 under subsection (b) that there are sufficient numbers of  
4 batteries to support the program, the Secretary shall so-  
5 licit proposals to demonstrate the secondary use of bat-  
6 teries and associated equipment and supporting infra-  
7 structure in geographic locations throughout the United  
8 States. The Secretary may make additional solicitations  
9 for proposals if the Secretary determines that such solici-  
10 tations are necessary to carry out this section.

11       (d) SELECTION OF PROPOSALS.—

12           (1) IN GENERAL.—The Secretary shall, not  
13 later than 90 days after the closing date established  
14 by the Secretary for receipt of proposals under sub-  
15 section (c), select up to 5 proposals which may re-  
16 ceive financial assistance under this section, subject  
17 to the availability of appropriations.

18           (2) DIVERSITY; ENVIRONMENTAL EFFECT.—In  
19 selecting proposals, the Secretary shall consider di-  
20 versity of battery type, geographic and climatic di-  
21 versity, and life-cycle environmental effects of the  
22 approaches.

23           (3) LIMITATION.—No 1 project selected under  
24 this section shall receive more than 25 percent of the  
25 funds authorized for the program under this section.

## 1                   (4) OPTIMIZATION OF FEDERAL RESOURCES.—

2         The Secretary shall consider the extent of involvement  
3         of State or local government and other persons  
4         in each demonstration project to optimize use of  
5         Federal resources.

6                   (5) OTHER CRITERIA.—The Secretary may consider  
7         such other criteria as the Secretary considers appropriate.

9                   (e) CONDITIONS.—The Secretary shall require that—

10                  (1) relevant information be provided to the Department, the users of the batteries, the proposers, and the battery manufacturers;

13                  (2) the proposer provide at least 50 percent of the costs associated with the proposal; and

15                  (3) the proposer provide to the Secretary such information regarding the disposal of the batteries as the Secretary may require to ensure that the proposer disposes of the batteries in accordance with applicable law.

20 **SEC. 908. ENERGY EFFICIENCY SCIENCE INITIATIVE.**

21                  (a) ESTABLISHMENT.—The Secretary shall establish an Energy Efficiency Science Initiative to be managed by the Assistant Secretary in the Department with responsibility for energy conservation under section 203(a)(9) of the Department of Energy Organization Act (42 U.S.C.

1 7133(a)(9)), in consultation with the Director of the Of-  
2 fice of Science, for grants to be competitively awarded and  
3 subject to peer review for research relating to energy effi-  
4 ciency.

5 (b) REPORT.—The Secretary shall submit to Con-  
6 gress, along with the President's annual budget request  
7 under section 1105(a) of title 31, United States Code, a  
8 report on the activities of the Energy Efficiency Science  
9 Initiative, including a description of the process used to  
10 award the funds and an explanation of how the research  
11 relates to energy efficiency.

12 **SEC. 909. ELECTRIC MOTOR CONTROL TECHNOLOGY.**

13 The Secretary shall conduct a research, development,  
14 demonstration, and commercial application program on  
15 advanced control devices to improve the energy efficiency  
16 of electric motors used in heating, ventilation, air condi-  
17 tioning, and comparable systems.

18 **SEC. 910. ADVANCED ENERGY TECHNOLOGY TRANSFER  
19 CENTERS.**

20 (a) GRANTS.—Not later than 18 months after the  
21 date of enactment of this Act, the Secretary shall make  
22 grants to nonprofit institutions, State and local govern-  
23 ments, or universities (or consortia thereof), to establish  
24 a geographically dispersed network of Advanced Energy  
25 Technology Transfer Centers, to be located in areas the

1 Secretary determines have the greatest need of the serv-  
2 ices of such Centers.

3 (b) ACTIVITIES.—

4 (1) IN GENERAL.—Each Center shall operate a  
5 program to encourage demonstration and commer-  
6 cial application of advanced energy methods and  
7 technologies through education and outreach to  
8 building and industrial professionals, and to other  
9 individuals and organizations with an interest in ef-  
10 ficient energy use.

11 (2) ADVISORY PANEL.—Each Center shall es-  
12 tablish an advisory panel to advise the Center on  
13 how best to accomplish the activities under para-  
14 graph (1).

15 (c) APPLICATION.—A person seeking a grant under  
16 this section shall submit to the Secretary an application  
17 in such form and containing such information as the Sec-  
18 retary may require. The Secretary may award a grant  
19 under this section to an entity already in existence if the  
20 entity is otherwise eligible under this section.

21 (d) SELECTION CRITERIA.—The Secretary shall  
22 award grants under this section on the basis of the fol-  
23 lowing criteria, at a minimum:

24 (1) The ability of the applicant to carry out the  
25 activities in subsection (b).

1                         (2) The extent to which the applicant will co-  
2                         ordinate the activities of the Center with other enti-  
3                         ties, such as State and local governments, utilities,  
4                         and educational and research institutions.

5                         (e) MATCHING FUNDS.—The Secretary shall require  
6                         a non-Federal matching requirement of at least 50 percent  
7                         of the costs of establishing and operating each Center.

8                         (f) ADVISORY COMMITTEE.—The Secretary shall es-  
9                         tablish an advisory committee to advise the Secretary on  
10                         the establishment of Centers under this section. The advi-  
11                         sory committee shall be composed of individuals with ex-  
12                         pertise in the area of advanced energy methods and tech-  
13                         nologies, including at least 1 representative from—

14                         (1) State or local energy offices;  
15                         (2) energy professionals;  
16                         (3) trade or professional associations;  
17                         (4) architects, engineers, or construction profes-  
18                         sionals;

19                         (5) manufacturers;  
20                         (6) the research community; and  
21                         (7) nonprofit energy or environmental organiza-  
22                         tions.

23                         (g) DEFINITIONS.—For purposes of this section:

24                         (1) ADVANCED ENERGY METHODS AND TECH-  
25                         NOLOGIES.—The term “advanced energy methods

and technologies” means all methods and technologies that promote energy efficiency and conservation, including distributed generation technologies, and life-cycle analysis of energy use.

## **12 Subtitle B—Distributed Energy and 13 Electric Energy Systems**

## 14 SEC. 911. DISTRIBUTED ENERGY AND ELECTRIC ENERGY 15 SYSTEMS.

16       (a) IN GENERAL.—The following sums are author-  
17 ized to be appropriated to the Secretary for distributed  
18 energy and electric energy systems activities, including ac-  
19 tivities authorized under this subtitle:

- 20                   (1) For fiscal year 2004, \$190,000,000.
  - 21                   (2) For fiscal year 2005, \$200,000,000.
  - 22                   (3) For fiscal year 2006, \$220,000,000.
  - 23                   (4) For fiscal year 2007, \$240,000,000.
  - 24                   (5) For fiscal year 2008, \$260,000,000.

1       (b) MICRO-COGENERATION ENERGY TECH-  
2 NOLOGY.—From amounts authorized under subsection  
3 (a), \$20,000,000 for each of fiscal years 2004 and 2005  
4 is authorized for activities under section 914.

5 **SEC. 912. HYBRID DISTRIBUTED POWER SYSTEMS.**

6       (a) REQUIREMENT.—Not later than 1 year after the  
7 date of enactment of this Act, the Secretary shall develop  
8 and transmit to Congress a strategy for a comprehensive  
9 research, development, demonstration, and commercial ap-  
10 plication program to develop hybrid distributed power sys-  
11 tems that combine—

12              (1) 1 or more renewable electric power genera-  
13 tion technologies of 10 megawatts or less located  
14 near the site of electric energy use; and

15              (2) nonintermittent electric power generation  
16 technologies suitable for use in a distributed power  
17 system.

18       (b) CONTENTS.—The strategy shall—

19              (1) identify the needs best met with such hybrid  
20 distributed power systems and the technological bar-  
21 riers to the use of such systems;

22              (2) provide for the development of methods to  
23 design, test, integrate into systems, and operate  
24 such hybrid distributed power systems;

14                                 (5) describe how activities under the strategy  
15                                 will be integrated with other research, development,  
16                                 demonstration, and commercial application activities  
17                                 supported by the Department related to electric  
18                                 power technologies.

#### **19 SEC. 913. HIGH POWER DENSITY INDUSTRY PROGRAM.**

20 The Secretary shall establish a comprehensive re-  
21 search, development, demonstration, and commercial ap-  
22 plication program to improve energy efficiency of high  
23 power density facilities, including data centers, server  
24 farms, and telecommunications facilities. Such program  
25 shall consider technologies that provide significant im-

1 provement in thermal controls, metering, load manage-  
2 ment, peak load reduction, or the efficient cooling of elec-  
3 tronics.

4 **SEC. 914. MICRO-COGENERATION ENERGY TECHNOLOGY.**

5 The Secretary shall make competitive, merit-based  
6 grants to consortia for the development of micro-cogenera-  
7 tion energy technology. The consortia shall explore—

8 (1) the use of small-scale combined heat and  
9 power in residential heating appliances; and

10 (2) the use of excess power to operate other ap-  
11 pliances within the residence and supply excess gen-  
12 erated power to the power grid.

13 **SEC. 915. DISTRIBUTED ENERGY TECHNOLOGY DEM-  
14 ONSTRATION PROGRAM.**

15 The Secretary, within the sums authorized under sec-  
16 tion 911(a), may provide financial assistance to coordi-  
17 nating consortia of interdisciplinary participants for dem-  
18 onstrations designed to accelerate the utilization of dis-  
19 tributed energy technologies, such as fuel cells, microtur-  
20 bines, reciprocating engines, thermally activated tech-  
21 nologies, and combined heat and power systems, in highly  
22 energy intensive commercial applications.

23 **SEC. 916. RECIPROCATING POWER.**

24 The Secretary shall conduct a research, development,  
25 and demonstration program regarding fuel system optimi-

1 zation and emissions reduction after-treatment tech-  
2 nologies for industrial reciprocating engines. Such after-  
3 treatment technologies shall use processes that reduce  
4 emissions by recirculating exhaust gases and shall be de-  
5 signed to be retrofitted to any new or existing diesel or  
6 natural gas engine used for power generation, peaking  
7 power generation, combined heat and power, or compres-  
8 sion.

## 9       **Subtitle C—Renewable Energy**

### 10      **SEC. 918. RENEWABLE ENERGY.**

11       (a) IN GENERAL.—The following sums are author-  
12 ized to be appropriated to the Secretary for renewable en-  
13 ergy research, development, demonstration, and commer-  
14 cial application activities, including activities authorized  
15 under this subtitle:

- 16           (1) For fiscal year 2004, \$480,000,000.
- 17           (2) For fiscal year 2005, \$550,000,000.
- 18           (3) For fiscal year 2006, \$610,000,000.
- 19           (4) For fiscal year 2007, \$659,000,000.
- 20           (5) For fiscal year 2008, \$710,000,000.

21       (b) BIOENERGY.—From the amounts authorized  
22 under subsection (a), the following sums are authorized  
23 to be appropriated to carry out section 919:

- 24           (1) For fiscal year 2004, \$135,425,000.
- 25           (2) For fiscal year 2005, \$155,600,000.

1                         (3) For fiscal year 2006, \$167,650,000.

2                         (4) For fiscal year 2007, \$180,000,000.

3                         (5) For fiscal year 2008, \$192,000,000.

4                         (c) CONCENTRATING SOLAR POWER.—From  
5 amounts authorized under subsection (a), the following  
6 sums are authorized to be appropriated to carry out sec-  
7 tion 920:

8                         (1) For fiscal year 2004, \$20,000,000.

9                         (2) For fiscal year 2005, \$40,000,000.

10                         (3) For each of fiscal years 2006, 2007 and  
11 2008, \$50,000,000.

12                         (d) PUBLIC BUILDINGS.—From the amounts author-  
13 ized under subsection (a), \$30,000,000 for each of the fis-  
14 cal years 2004 through 2008 are authorized to be appro-  
15 priated to carry out section 922.

16                         (e) LIMITS ON USE OF FUNDS.—

17                         (1) NO FUNDS FOR RENEWABLE SUPPORT AND  
18 IMPLEMENTATION.—None of the funds authorized to  
19 be appropriated under this section may be used for  
20 Renewable Support and Implementation.

21                         (2) GRANTS.—Of the funds authorized under  
22 subsection (b), not less than \$5,000,000 for each fis-  
23 cal year shall be made available for grants to His-  
24 torically Black Colleges and Universities, Tribal Col-  
25 leges, and Hispanic-Serving Institutions.

11       (f) CONSULTATION.—In carrying out this subtitle,  
12 the Secretary, in consultation with the Secretary of Agri-  
13 culture, shall demonstrate the use of advanced wind power  
14 technology, including combined use with coal gasification;  
15 biomass; geothermal energy systems; and other renewable  
16 energy technologies to assist in delivering electricity to  
17 rural and remote locations.

## 18 SEC. 919. BIOENERGY PROGRAMS.

19           (a) DEFINITIONS.—For the purposes of this section:

20               (1) The term “agricultural byproducts” in-

21               cludes waste products, including poultry fat and

22               poultry waste.

1        thinnings, rice bran, rice hulls, rice straw, soybean  
2        matter, and sugarcane bagasse, or any crop grown  
3        specifically for the purpose of producing cellulosic  
4        feedstocks.

5            (b) PROGRAM.—The Secretary shall conduct a pro-  
6        gram of research, development, demonstration, and com-  
7        mercial application for bioenergy, including—

- 8              (1) biopower energy systems;
- 9              (2) biofuels;
- 10             (3) bio-based products;
- 11             (4) integrated biorefineries that may produce  
12        biopower, biofuels, and bio-based products;
- 13             (5) cross-cutting research and development in  
14        feedstocks and enzymes; and
- 15             (6) economic analysis.

16            (c) BIOFUELS AND BIO-BASED PRODUCTS.—The  
17        goals of the biofuels and bio-based products programs  
18        shall be to develop, in partnership with industry—

- 19              (1) advanced biochemical and thermochemical  
20        conversion technologies capable of making biofuels  
21        that are price-competitive with gasoline or diesel in  
22        either internal combustion engines or fuel cell-pow-  
23        ered vehicles, and bio-based products from a variety  
24        of feedstocks, including grains, cellulosic biomass,  
25        and other agricultural byproducts; and

(2) advanced biotechnology processes capable of making biofuels and bio-based products with emphasis on development of biorefinery technologies using enzyme-based processing systems.

**5 SEC. 920. CONCENTRATING SOLAR POWER RESEARCH AND  
6 DEVELOPMENT PROGRAM.**

7       (a) IN GENERAL.—The Secretary shall conduct a  
8 program of research and development to evaluate the po-  
9 tential of concentrating solar power for hydrogen produc-  
10 tion, including cogeneration approaches for both hydrogen  
11 and electricity. Such program shall take advantage of ex-  
12 isting facilities to the extent possible and shall include—  
13                     (1) development of optimized technologies that  
14                     are common to both electricity and hydrogen produc-  
15                     tion;

16 (2) evaluation of thermochemical cycles for hy-  
17 drogen production at the temperatures attainable  
18 with concentrating solar power;

(3) evaluation of materials issues for the thermochemical cycles described in paragraph (2);

(4) system architectures and economics studies;  
and

(5) coordination with activities in the Advanced Reactor Hydrogen Cogeneration Project on high

1       temperature materials, thermochemical cycles, and  
2       economic issues.

3           (b) ASSESSMENT.—In carrying out the program  
4 under this section, the Secretary shall—

5               (1) assess conflicting guidance on the economic  
6       potential of concentrating solar power for electricity  
7       production received from the National Research  
8       Council report entitled “Renewable Power Pathways:  
9       A Review of the U.S. Department of Energy’s Re-  
10      newable Energy Programs” in 2000 and subsequent  
11      Department-funded reviews of that report; and

12               (2) provide an assessment of the potential im-  
13       pact of the technology before, or concurrent with,  
14       submission of the fiscal year 2006 budget.

15           (c) REPORT.—Not later than 5 years after the date  
16       of enactment of this Act, the Secretary shall provide a re-  
17       port to Congress on the economic and technical potential  
18       for electricity or hydrogen production, with or without co-  
19       generation, with concentrating solar power, including the  
20       economic and technical feasibility of potential construction  
21       of a pilot demonstration facility suitable for commercial  
22       production of electricity or hydrogen from concentrating  
23       solar power.

1   **SEC. 921. MISCELLANEOUS PROJECTS.**

2       The Secretary may conduct research, development,  
3 demonstration, and commercial application programs  
4 for—

5           (1) ocean energy, including wave energy; and  
6           (2) the combined use of renewable energy tech-  
7 nologies with one another and with other energy  
8 technologies, including the combined use of wind  
9 power and coal gasification technologies.

10   **SEC. 922. RENEWABLE ENERGY IN PUBLIC BUILDINGS.**

11      (a) DEMONSTRATION AND TECHNOLOGY TRANSFER  
12 PROGRAM.—The Secretary shall establish a program for  
13 the demonstration of innovative technologies for solar and  
14 other renewable energy sources in buildings owned or op-  
15 erated by a State or local government, and for the dissemi-  
16 nation of information resulting from such demonstration  
17 to interested parties.

18      (b) LIMIT ON FEDERAL FUNDING.—The Secretary  
19 shall provide under this section no more than 40 percent  
20 of the incremental costs of the solar or other renewable  
21 energy source project funded.

22      (c) REQUIREMENT.—As part of the application for  
23 awards under this section, the Secretary shall require all  
24 applicants—

- 1                   (1) to demonstrate a continuing commitment to
- 2                   the use of solar and other renewable energy sources
- 3                   in buildings they own or operate; and
- 4                   (2) to state how they expect any award to fur-
- 5                   ther their transition to the significant use of renew-
- 6                   able energy.

7   **SEC. 923. STUDY OF MARINE RENEWABLE ENERGY OP-**  
8                   **TIONS.**

9                   (a) IN GENERAL.—The Secretary shall enter into an  
10 arrangement with the National Academy of Sciences to  
11 conduct a study on—

12                   (1) the feasibility of various methods of renew-  
13 able generation of energy from the ocean, including  
14 energy from waves, tides, currents, and thermal gra-  
15 dients; and

16                   (2) the research, development, demonstration,  
17 and commercial application activities required to  
18 make marine renewable energy generation competi-  
19 tive with other forms of electricity generation.

20                   (b) TRANSMITTAL.—Not later than 1 year after the  
21 date of enactment of this Act, the Secretary shall transmit  
22 the study to Congress along with the Secretary's rec-  
23 ommendations for implementing the results of the study.

## 1           **Subtitle D—Nuclear Energy**

### 2   **SEC. 924. NUCLEAR ENERGY.**

3           (a) CORE PROGRAMS.—The following sums are au-  
4 thorized to be appropriated to the Secretary for nuclear  
5 energy research, development, demonstration, and com-  
6 mercial application activities, including activities author-  
7 ized under this subtitle, other than those described in sub-  
8 section (b):

- 9                 (1) For fiscal year 2004, \$273,000,000.
- 10                (2) For fiscal year 2005, \$355,000,000.
- 11                (3) For fiscal year 2006, \$430,000,000.
- 12                (4) For fiscal year 2007, \$455,000,000.
- 13                (5) For fiscal year 2008, \$545,000,000.

14           (b) NUCLEAR INFRASTRUCTURE SUPPORT.—The fol-  
15 lowing sums are authorized to be appropriated to the Sec-  
16 retary for activities under section 925(e):

- 17                (1) For fiscal year 2004, \$125,000,000.
- 18                (2) For fiscal year 2005, \$130,000,000.
- 19                (3) For fiscal year 2006, \$135,000,000.
- 20                (4) For fiscal year 2007, \$140,000,000.
- 21                (5) For fiscal year 2008, \$145,000,000.

22           (c) ALLOCATIONS.—From amounts authorized under  
23 subsection (a), the following sums are authorized:

- 24                (1) For activities under section 926—
  - 25                   (A) for fiscal year 2004, \$140,000,000;

- 1                         (B) for fiscal year 2005, \$145,000,000;  
2                         (C) for fiscal year 2006, \$150,000,000;  
3                         (D) for fiscal year 2007, \$155,000,000;

4                         and

- 5                         (E) for fiscal year 2008, \$275,000,000.

6                         (2) For activities under section 927—

- 7                         (A) for fiscal year 2004, \$35,200,000;  
8                         (B) for fiscal year 2005, \$44,350,000;  
9                         (C) for fiscal year 2006, \$49,200,000;  
10                        (D) for fiscal year 2007, \$54,950,000; and  
11                        (E) for fiscal year 2008, \$60,000,000.

12                       (3) For activities under section 929, for each of  
13                        fiscal years 2004 through 2008, \$6,000,000.

14                       (d) LIMITATION ON USE OF FUNDS.—None of the  
15                        funds authorized under this section may be used for de-  
16                        commissioning the Fast Flux Test Facility.

17                       **SEC. 925. NUCLEAR ENERGY RESEARCH AND DEVELOP-  
18                        MENT PROGRAMS.**

19                       (a) NUCLEAR ENERGY RESEARCH INITIATIVE.—The  
20                        Secretary shall carry out a Nuclear Energy Research Ini-  
21                        tiative for research and development related to nuclear en-  
22                        ergy.

23                       (b) NUCLEAR ENERGY PLANT OPTIMIZATION PRO-  
24                        GRAM.—The Secretary shall carry out a Nuclear Energy  
25                        Plant Optimization Program to support research and de-

1 development activities addressing reliability, availability, pro-  
2 ductivity, component aging, safety, and security of existing  
3 nuclear power plants.

4 (c) NUCLEAR POWER 2010 PROGRAM.—The Sec-  
5 retary shall carry out a Nuclear Power 2010 Program,  
6 consistent with recommendations in the October 2001 re-  
7 port entitled “A Roadmap to Deploy New Nuclear Power  
8 Plants in the United States by 2010” issued by the Nu-  
9 clear Energy Research Advisory Committee of the Depart-  
10 ment. Whatever type of reactor is chosen for the hydrogen  
11 cogeneration project under subtitle C of title VI, that type  
12 shall not be addressed in the Program under this section.

13 The Program shall include—

14 (1) support for first-of-a-kind engineering de-  
15 sign and certification expenses of advanced nuclear  
16 power plant designs, which offer improved safety  
17 and economics over current conventional plants and  
18 the promise of near-term to medium-term commer-  
19 cial deployment;

20 (2) action by the Secretary to encourage domes-  
21 tic power companies to install new nuclear plant ca-  
22 pacity as soon as possible;

23 (3) utilization of the expertise and capabilities  
24 of industry, universities, and National Laboratories

1       in evaluation of advanced nuclear fuel cycles and  
2       fuels testing;

3               (4) consideration of proliferation-resistant pas-  
4       sively-safe, small reactors suitable for long-term elec-  
5       tricity production without refueling and suitable for  
6       use in remote installations;

7               (5) participation of international collaborators  
8       in research, development, design, and deployment ef-  
9       forts as appropriate and consistent with United  
10      States interests in nonproliferation of nuclear weap-  
11      ons;

12               (6) encouragement for university and industry  
13      participation; and

14               (7) selection of projects such as to strengthen  
15       the competitive position of the domestic nuclear  
16       power industrial infrastructure.

17       (d) GENERATION IV NUCLEAR ENERGY SYSTEMS  
18 INITIATIVE.—The Secretary shall carry out a Generation  
19 IV Nuclear Energy Systems Initiative to develop an over-  
20 all technology plan and to support research and develop-  
21 ment necessary to make an informed technical decision  
22 about the most promising candidates for eventual commer-  
23 cial application. The Initiative shall examine advanced  
24 proliferation-resistant and passively safe reactor designs,  
25 including designs that—

1                         (1) are economically competitive with other elec-  
2                         tric power generation plants;  
3                         (2) have higher efficiency, lower cost, and im-  
4                         proved safety compared to reactors in operation on  
5                         the date of enactment of this Act;  
6                         (3) use fuels that are proliferation-resistant and  
7                         have substantially reduced production of high-level  
8                         waste per unit of output; and  
9                         (4) use improved instrumentation.

10                 (e) NUCLEAR INFRASTRUCTURE SUPPORT.—The  
11                 Secretary shall develop and implement a strategy for the  
12                 facilities of the Office of Nuclear Energy, Science, and  
13                 Technology and shall transmit a report containing the  
14                 strategy along with the President's budget request to Con-  
15                 gress for fiscal year 2006.

16 **SEC. 926. ADVANCED FUEL CYCLE INITIATIVE.**

17                 (a) IN GENERAL.—The Secretary, through the Direc-  
18                 tor of the Office of Nuclear Energy, Science, and Tech-  
19                 nology, shall conduct an advanced fuel recycling tech-  
20                 nology research and development program to evaluate pro-  
21                 liferation-resistant fuel recycling and transmutation tech-  
22                 nologies that minimize environmental or public health and  
23                 safety impacts as an alternative to aqueous reprocessing  
24                 technologies deployed as of the date of enactment of this  
25                 Act in support of evaluation of alternative national strate-

1 gies for spent nuclear fuel and the Generation IV ad-  
2 vanced reactor concepts, subject to annual review by the  
3 Secretary's Nuclear Energy Research Advisory Committee  
4 or other independent entity, as appropriate. Opportunities  
5 to enhance progress of the program through international  
6 cooperation should be sought.

7 (b) REPORTS.—The Secretary shall report on the ac-  
8 tivities of the advanced fuel recycling technology research  
9 and development program as part of the Department's an-  
10 nual budget submission.

11 **SEC. 927. UNIVERSITY NUCLEAR SCIENCE AND ENGINEER-  
12 ING SUPPORT.**

13 (a) ESTABLISHMENT.—The Secretary shall support  
14 a program to invest in human resources and infrastructure  
15 in the nuclear sciences and engineering and related fields  
16 (including health physics and nuclear and radiochemistry),  
17 consistent with departmental missions related to civilian  
18 nuclear research and development.

19 (b) DUTIES.—In carrying out the program under this  
20 section, the Secretary shall establish fellowship and faculty  
21 assistance programs, as well as provide support for funda-  
22 mental research and encourage collaborative research  
23 among industry, National Laboratories, and universities  
24 through the Nuclear Energy Research Initiative. The Sec-  
25 retary is encouraged to support activities addressing the

1 entire fuel cycle through involvement of both the Office  
2 of Nuclear Energy, Science, and Technology and the Of-  
3 fice of Civilian Radioactive Waste Management. The Sec-  
4 retary shall support communication and outreach related  
5 to nuclear science, engineering, and nuclear waste man-  
6 agement, consistent with interests of the United States in  
7 nonproliferation of nuclear weapons capabilities.

8           (c) STRENGTHENING UNIVERSITY RESEARCH AND  
9 TRAINING REACTORS AND ASSOCIATED INFRASTRUC-  
10 TURE.—Activities under this section may include—

11           (1) converting research and training reactors  
12 currently using high-enrichment fuels to low-enrich-  
13 ment fuels, upgrading operational instrumentation,  
14 and sharing of reactors among institutions of higher  
15 education;

16           (2) providing technical assistance, in collabora-  
17 tion with the United States nuclear industry, in reli-  
18 censing and upgrading research and training reac-  
19 tors as part of a student training program; and

20           (3) providing funding, through the Innovations  
21 in Nuclear Infrastructure and Education Program,  
22 for reactor improvements as part of a focused effort  
23 that emphasizes research, training, and education.

24           (d) UNIVERSITY NATIONAL LABORATORY INTER-  
25 ACTIONS.—The Secretary shall develop sabbatical fellow-

1 ship and visiting scientist programs to encourage sharing  
2 of personnel between National Laboratories and univer-  
3 sities.

4 (e) OPERATING AND MAINTENANCE COSTS.—Fund-  
5 ing for a research project provided under this section may  
6 be used to offset a portion of the operating and mainte-  
7 nance costs of a research and training reactor at an insti-  
8 tution of higher education used in the research project.

9 **SEC. 928. SECURITY OF REACTOR DESIGNS.**

10 The Secretary, through the Director of the Office of  
11 Nuclear Energy, Science, and Technology, shall conduct  
12 a research and development program on cost-effective  
13 technologies for increasing the safety of reactor designs  
14 from natural phenomena and the security of reactor de-  
15 signs from deliberate attacks.

16 **SEC. 929. ALTERNATIVES TO INDUSTRIAL RADIOACTIVE  
17 SOURCES.**

18 (a) STUDY.—The Secretary shall conduct a study and  
19 provide a report to Congress not later than August 1,  
20 2004. The study shall—

21 (1) survey industrial applications of large radio-  
22 active sources, including well-logging sources;  
23 (2) review current domestic and international  
24 Department, Department of Defense, Department of

1       State, and commercial programs to manage and dis-  
2       pose of radioactive sources;

3               (3) discuss disposal options and practices for  
4       currently deployed or future sources and, if defi-  
5       ciencies are noted in existing disposal options or  
6       practices for either deployed or future sources, rec-  
7       ommend options to remedy deficiencies; and

8               (4) develop a program plan for research and de-  
9       velopment to develop alternatives to large industrial  
10      sources that reduce safety, environmental, or pro-  
11      liferation risks to either workers using the sources or  
12      the public.

13       (b) PROGRAM.—The Secretary shall establish a re-  
14      search and development program to implement the pro-  
15      gram plan developed under subsection (a)(4). The pro-  
16      gram shall include miniaturized particle accelerators for  
17      well-logging or other industrial applications and portable  
18      accelerators for production of short-lived radioactive mate-  
19      rials at an industrial site.

20 **SEC. 930. GEOLOGICAL ISOLATION OF SPENT FUEL.**

21       The Secretary shall conduct a study to determine the  
22      feasibility of deep borehole disposal of spent nuclear fuel  
23      and high-level radioactive waste. The study shall empha-  
24      size geological, chemical, and hydrological characterization  
25      of, and design of engineered structures for, deep borehole

1 environments. Not later than 1 year after the date of en-  
2 actment of this Act, the Secretary shall transmit the study  
3 to Congress.

4                   **Subtitle E—Fossil Energy**

5                   **PART I—RESEARCH PROGRAMS**

6                   **SEC. 931. FOSSIL ENERGY.**

7                   (a) IN GENERAL.—The following sums are author-  
8 ized to be appropriated to the Secretary for fossil energy  
9 research, development, demonstration, and commercial ap-  
10 plication activities, including activities authorized under  
11 this part:

12                   (1) For fiscal year 2004, \$530,000,000.

13                   (2) For fiscal year 2005, \$556,000,000.

14                   (3) For fiscal year 2006, \$583,000,000.

15                   (4) For fiscal year 2007, \$611,000,000.

16                   (5) For fiscal year 2008, \$626,000,000.

17                   (b) ALLOCATIONS.—From amounts authorized under  
18 subsection (a), the following sums are authorized:

19                   (1) For activities under section 932(b)(2),  
20                   \$28,000,000 for each of the fiscal years 2004  
21                   through 2008.

22                   (2) For activities under section 934—

23                   (A) for fiscal year 2004, \$12,000,000;

24                   (B) for fiscal year 2005, \$15,000,000; and

(C) for each of fiscal years 2006 through 2008, \$20,000,000.

3 (3) For activities under section 935—

4 (A) for fiscal year 2004, \$259,000,000;

5 (B) for fiscal year 2005, \$272,000,000;

6 (C) for fiscal year 2006, \$285,000,000;

7 (D) for fiscal year 2007, \$298,000,000;

8 and

9 (E) for fiscal year 2008, \$308,000,000.

18           (c) EXTENDED AUTHORIZATION.—There are author-  
19 ized to be appropriated to the Secretary for the Office of  
20 Arctic Energy under section 3197 of the Floyd D. Spence  
21 National Defense Authorization Act for Fiscal Year 2001  
22 (42 U.S.C. 7144d), \$25,000,000 for each of fiscal years  
23 2009 through 2012.

**24 (d) LIMITS ON USE OF FUNDS.—**

1                             (1) NO FUNDS FOR CERTAIN PROGRAMS.—None  
2                             of the funds authorized under this section may be  
3                             used for Fossil Energy Environmental Restoration  
4                             or Import/Export Authorization.

5                             (2) INSTITUTIONS OF HIGHER EDUCATION.—Of  
6                             the funds authorized under subsection (b)(2), not  
7                             less than 20 percent of the funds appropriated for  
8                             each fiscal year shall be dedicated to research and  
9                             development carried out at institutions of higher  
10                            education.

11 **SEC. 932. OIL AND GAS RESEARCH PROGRAMS.**

12                         (a) OIL AND GAS RESEARCH.—The Secretary shall  
13                         conduct a program of research, development, demonstra-  
14                         tion, and commercial application on oil and gas, includ-  
15                         ing—

16                             (1) exploration and production;  
17                             (2) gas hydrates;  
18                             (3) reservoir life and extension;  
19                             (4) transportation and distribution infrastruc-  
20                             ture;  
21                             (5) ultraclean fuels;  
22                             (6) heavy oil and oil shale;  
23                             (7) related environmental research; and  
24                             (8) compressed natural gas marine transport.

25                         (b) FUEL CELLS.—

1                 (1) IN GENERAL.—The Secretary shall conduct  
2                 a program of research, development, demonstration,  
3                 and commercial application on fuel cells for low-cost,  
4                 high-efficiency, fuel-flexible, modular power systems.

5                 (2) IMPROVED MANUFACTURING PRODUCTION  
6                 AND PROCESSES.—The demonstrations under para-  
7                 graph (1) shall include fuel cell technology for com-  
8                 mercial, residential, and transportation applications,  
9                 and distributed generation systems, utilizing im-  
10                 proved manufacturing production and processes.

11                 (c) NATURAL GAS AND OIL DEPOSITS REPORT.—  
12 Not later than 2 years after the date of enactment of this  
13 Act, and every 2 years thereafter, the Secretary of the In-  
14 terior, in consultation with other appropriate Federal  
15 agencies, shall transmit a report to Congress of the latest  
16 estimates of natural gas and oil reserves, reserves growth,  
17 and undiscovered resources in Federal and State waters  
18 off the coast of Louisiana and Texas.

19                 (d) INTEGRATED CLEAN POWER AND ENERGY RE-  
20 SEARCH.—

21                 (1) NATIONAL CENTER OR CONSORTIUM OF EX-  
22                 CELLENCE.—The Secretary shall establish a na-  
23                 tional center or consortium of excellence in clean en-  
24                 ergy and power generation, utilizing the resources of  
25                 the existing Clean Power and Energy Research Con-

1 sortium, to address the Nation's critical dependence  
2 on energy and the need to reduce emissions.

3 (2) PROGRAM.—The center or consortium shall  
4 conduct a program of research, development, demon-  
5 stration, and commercial application on integrat-  
6 ing the following focus areas:

7 (A) Efficiency and reliability of gas tur-  
8 bines for power generation.

9 (B) Reduction in emissions from power  
10 generation.

11 (C) Promotion of energy conservation  
12 issues.

13 (D) Effectively utilizing alternative fuels  
14 and renewable energy.

15 (E) Development of advanced materials  
16 technology for oil and gas exploration and utili-  
17 zation in harsh environments.

18 (F) Education on energy and power gen-  
19 eration issues.

20 **SEC. 933. TECHNOLOGY TRANSFER.**

21 The Secretary shall establish a competitive program  
22 to award a contract to a nonprofit entity for the purpose  
23 of transferring technologies developed with public funds.

24 The entity selected under this section shall have experi-  
25 ence in offshore oil and gas technology research manage-

1 ment, in the transfer of technologies developed with public  
2 funds to the offshore and maritime industry, and in man-  
3 agement of an offshore and maritime industry consortium.  
4 The program consortium selected under section 942 shall  
5 not be eligible for selection under this section. When ap-  
6 propriate, the Secretary shall consider utilizing the entity  
7 selected under this section when implementing the activi-  
8 ties authorized by section 975.

9 **SEC. 934. RESEARCH AND DEVELOPMENT FOR COAL MIN-**

10 **ING TECHNOLOGIES.**

11 (a) ESTABLISHMENT.—The Secretary shall carry out  
12 a program of research and development on coal mining  
13 technologies. The Secretary shall cooperate with appro-  
14 priate Federal agencies, coal producers, trade associations,  
15 equipment manufacturers, institutions of higher education  
16 with mining engineering departments, and other relevant  
17 entities.

18 (b) PROGRAM.—The research and development activi-  
19 ties carried out under this section shall—

20 (1) be guided by the mining research and devel-  
21 opment priorities identified by the Mining Industry  
22 of the Future Program and in the recommendations  
23 from relevant reports of the National Academy of  
24 Sciences on mining technologies;

- 1                 (2) include activities exploring minimization of  
2                 contaminants in mined coal that contribute to envi-  
3                 ronmental concerns including development and dem-  
4                 onstration of electromagnetic wave imaging ahead of  
5                 mining operations;
- 6                 (3) develop and demonstrate electromagnetic  
7                 wave imaging and radar techniques for horizontal  
8                 drilling in coal beds in order to increase methane re-  
9                 covery efficiency, prevent spoilage of domestic coal  
10                 reserves, and minimize water disposal associated  
11                 with methane extraction; and
- 12                 (4) expand mining research capabilities at insti-  
13                 tutions of higher education.

14 **SEC. 935. COAL AND RELATED TECHNOLOGIES PROGRAM.**

- 15                 (a) IN GENERAL.—In addition to the programs au-  
16                 thorized under title IV, the Secretary shall conduct a pro-  
17                 gram of technology research, development, demonstration,  
18                 and commercial application for coal and power systems,  
19                 including programs to facilitate production and generation  
20                 of coal-based power through—
- 21                     (1) innovations for existing plants;
- 22                     (2) integrated gasification combined cycle;
- 23                     (3) advanced combustion systems;
- 24                     (4) turbines for synthesis gas derived from coal;

1                         (5) carbon capture and sequestration research  
2                         and development;  
3                         (6) coal-derived transportation fuels and chemi-  
4                         cals;  
5                         (7) solid fuels and feedstocks;  
6                         (8) advanced coal-related research;  
7                         (9) advanced separation technologies; and  
8                         (10) a joint project for permeability enhance-  
9                         ment in coals for natural gas production and carbon  
10                         dioxide sequestration.

11                         (b) COST AND PERFORMANCE GOALS.—In carrying  
12                         out programs authorized by this section, the Secretary  
13                         shall identify cost and performance goals for coal-based  
14                         technologies that would permit the continued cost-com-  
15                         petitive use of coal for electricity generation, as chemical  
16                         feedstocks, and as transportation fuel in 2007, 2015, and  
17                         the years after 2020. In establishing such cost and per-  
18                         formance goals, the Secretary shall—

19                         (1) consider activities and studies undertaken  
20                         to date by industry in cooperation with the Depart-  
21                         ment in support of such assessment;  
22                         (2) consult with interested entities, including  
23                         coal producers, industries using coal, organizations  
24                         to promote coal and advanced coal technologies, en-

1        vironmental organizations, and organizations rep-  
2        resenting workers;

3                (3) not later than 120 days after the date of  
4        enactment of this Act, publish in the Federal Reg-  
5        ister proposed draft cost and performance goals for  
6        public comments; and

7                (4) not later than 180 days after the date of  
8        enactment of this Act and every 4 years thereafter,  
9        submit to Congress a report describing final cost  
10      and performance goals for such technologies that in-  
11      cludes a list of technical milestones as well as an ex-  
12      planation of how programs authorized in this section  
13      will not duplicate the activities authorized under the  
14      Clean Coal Power Initiative authorized under sub-  
15      title A of title IV.

16 **SEC. 936. COMPLEX WELL TECHNOLOGY TESTING FACIL-  
17      ITY.**

18        The Secretary, in coordination with industry leaders  
19      in extended research drilling technology, shall establish a  
20      Complex Well Technology Testing Facility at the Rocky  
21      Mountain Oilfield Testing Center to increase the range of  
22      extended drilling technologies.

## 1 SEC. 937. FISCHER-TROPSCH DIESEL FUEL LOAN GUAR-

## 2 ANTEE PROGRAM.

3 (a) DEFINITION OF FISCHER-TROPSCH DIESEL  
4 FUEL.—In this section, the term “Fischer-Tropsch diesel  
5 fuel” means diesel fuel that—

6 (1) contains less than 10 parts per million sul-  
7 fur; and

8 (2) is produced through the Fischer-Tropsch  
9 liquification process from coal or waste from coal  
10 that was mined in the United States.

11 (b) LOAN GUARANTEES.—

12 (1) ESTABLISHMENT OF PROGRAM.—The Sec-  
13 retary of Energy shall establish a program to pro-  
14 vide guarantees of loans by private lending institu-  
15 tions for the construction of facilities for the produc-  
16 tion of Fischer-Tropsch diesel fuel and commercial  
17 byproducts of that production.

18 (2) REQUIREMENTS.—The Secretary may pro-  
19 vide a loan guarantee under paragraph (1) if—

20 (A) without a loan guarantee, credit is not  
21 available to the applicant under reasonable  
22 terms or conditions sufficient to finance the  
23 construction of a facility described in paragraph  
24 (1);

25 (B) the prospective earning power of the  
26 applicant and the character and value of the se-

1           urity pledged provide a reasonable assurance  
2           of repayment of the loan to be guaranteed in  
3           accordance with the terms of the loan; and

4                 (C) the loan bears interest at a rate deter-  
5                 mined by the Secretary to be reasonable, taking  
6                 into account the current average yield on out-  
7                 standing obligations of the United States with  
8                 remaining periods of maturity comparable to  
9                 the maturity of the loan.

10                 (3) CRITERIA.—In selecting recipients of loan  
11                 guarantees from among applicants, the Secretary  
12                 shall give preference to proposals that—

13                         (A) meet all Federal and State permitting  
14                         requirements;

15                         (B) are most likely to be successful; and

16                         (C) are located in local markets that have  
17                         the greatest need for the facility because of—

18                                 (i) the availability of domestic coal or  
19                         coal waste for conversion; or

20                                 (ii) a projected high level of demand  
21                         for Fischer-Tropsch diesel fuel or other  
22                         commercial byproducts of the facility.

23                 (4) MATURITY.—A loan guaranteed under  
24                 paragraph (1) shall have a maturity of not more  
25                 than 25 years.

1                             (5) TERMS AND CONDITIONS.—The loan agree-  
2         ment for a loan guaranteed under paragraph (1)  
3         shall provide that no provision of the loan may be  
4         amended or waived without the consent of the Sec-  
5         retary.

6                             (6) GUARANTEE FEE.—A recipient of a loan  
7         guarantee under paragraph (1) shall pay the Sec-  
8         retary an amount to be determined by the Secretary  
9         to be sufficient to cover the administrative costs of  
10       the Secretary relating to the loan guarantee.

11                           (7) FULL FAITH AND CREDIT.—

12                           (A) IN GENERAL.—The full faith and cred-  
13         it of the United States is pledged to payment  
14         of loan guarantees made under this section.

15                           (B) CONCLUSIVE EVIDENCE.—Any loan  
16         guarantee made by the Secretary under this  
17         section shall be conclusive evidence of the eligi-  
18         bility of the loan for the guarantee with respect  
19         to principal and interest.

20                           (C) VALIDITY.—The validity of a loan  
21         guarantee shall be incontestable in the hands of  
22         a holder of the guaranteed loan.

23                           (8) REPORTS.—Until each guaranteed loan  
24         under this section is repaid in full, the Secretary

1 shall annually submit to Congress a report on the  
2 activities of the Secretary under this section.

3 (9) AUTHORIZATION OF APPROPRIATIONS.—  
4 There are authorized to be appropriated such sums  
5 as are necessary to carry out this section.

6 (10) TERMINATION OF AUTHORITY.—The au-  
7 thority of the Secretary to issue a new loan guar-  
8 antee under paragraph (1) terminates on the date  
9 that is 5 years after the date of enactment of this  
10 Act.

11 **PART II—ULTRA-DEEPWATER AND UNCONVEN-**  
12 **TIONAL NATURAL GAS AND OTHER PETRO-**  
13 **LEUM RESOURCES**

14 **SEC. 941. PROGRAM AUTHORITY.**

15 (a) IN GENERAL.—The Secretary shall carry out a  
16 program under this part of research, development, dem-  
17 onstration, and commercial application of technologies for  
18 ultra-deepwater and unconventional natural gas and other  
19 petroleum resource exploration and production, including  
20 addressing the technology challenges for small producers,  
21 safe operations, and environmental mitigation (including  
22 reduction of greenhouse gas emissions and sequestration  
23 of carbon).

24 (b) PROGRAM ELEMENTS.—The program under this  
25 part shall address the following areas, including improving

1 safety and minimizing environmental impacts of activities  
2 within each area:

3                 (1) Ultra-deepwater technology, including drill-  
4                 ing to formations in the Outer Continental Shelf to  
5                 depths greater than 15,000 feet.

6                 (2) Ultra-deepwater architecture.

7                 (3) Unconventional natural gas and other petro-  
8                 leum resource exploration and production tech-  
9                 nology, including the technology challenges of small  
10                 producers.

11                 (c) LIMITATION ON LOCATION OF FIELD ACTIVI-  
12                 TIES.—Field activities under the program under this part  
13                 shall be carried out only—

14                 (1) in—

15                         (A) areas in the territorial waters of the  
16                 United States not under any Outer Continental  
17                 Shelf moratorium as of September 30, 2002;

18                         (B) areas onshore in the United States on  
19                 public land administered by the Secretary of the  
20                 Interior available for oil and gas leasing, where  
21                 consistent with applicable law and land use  
22                 plans; and

23                         (C) areas onshore in the United States on  
24                 State or private land, subject to applicable law;  
25                 and

1                         (2) with the approval of the appropriate Fed-  
2                         eral or State land management agency or private  
3                         land owner.

4                         (d) RESEARCH AT NATIONAL ENERGY TECHNOLOGY  
5 LABORATORY.—The Secretary, through the National En-  
6 ergy Technology Laboratory, shall carry out research com-  
7 plementary to research under subsection (b).

8                         (e) CONSULTATION WITH SECRETARY OF THE INTE-  
9 RIOR.—In carrying out this part, the Secretary shall con-  
10 sult regularly with the Secretary of the Interior.

**11 SEC. 942. ULTRA-DEEPWATER PROGRAM.**

12                         (a) IN GENERAL.—The Secretary shall carry out the  
13 activities under section 941(a), to maximize the use of the  
14 ultra-deepwater natural gas and other petroleum resources  
15 of the United States by increasing the supply of such re-  
16 sources, through reducing the cost and increasing the effi-  
17 ciency of exploration for and production of such resources,  
18 while improving safety and minimizing environmental im-  
19 pacts.

20                         (b) ROLE OF THE SECRETARY.—The Secretary shall  
21 have ultimate responsibility for, and oversight of, all as-  
22 pects of the program under this section.

23                         (c) ROLE OF THE PROGRAM CONSORTIUM.—

24                         (1) IN GENERAL.—The Secretary may contract  
25 with a consortium to—

- 1                             (A) manage awards pursuant to subsection  
2                             (f)(4);  
3                             (B) make recommendations to the Sec-  
4                             retary for project solicitations;  
5                             (C) disburse funds awarded under sub-  
6                             section (f) as directed by the Secretary in ac-  
7                             cordance with the annual plan under subsection  
8                             (e); and  
9                             (D) carry out other activities assigned to  
10                           the program consortium by this section.

11                         (2) LIMITATION.—The Secretary may not as-  
12                         sign any activities to the program consortium except  
13                         as specifically authorized under this section.

14                         (3) CONFLICT OF INTEREST.—

15                         (A) PROCEDURES.—The Secretary shall  
16                         establish procedures—

17                             (i) to ensure that each board member,  
18                             officer, or employee of the program consor-  
19                             tium who is in a decision-making capacity  
20                             under subsection (f)(3) or (4) shall disclose  
21                             to the Secretary any financial interests in,  
22                             or financial relationships with, applicants  
23                             for or recipients of awards under this sec-  
24                             tion, including those of his or her spouse  
25                             or minor child, unless such relationships or

1           interests would be considered to be remote  
2           or inconsequential; and

3                 (ii) to require any board member, offi-  
4                 cer, or employee with a financial relation-  
5                 ship or interest disclosed under clause (i)  
6                 to recuse himself or herself from any re-  
7                 view under subsection (f)(3) or oversight  
8                 under subsection (f)(4) with respect to  
9                 such applicant or recipient.

10                 (B) FAILURE TO COMPLY.—The Secretary  
11                 may disqualify an application or revoke an  
12                 award under this section if a board member, of-  
13                 ficer, or employee has failed to comply with pro-  
14                 cedures required under subparagraph (A)(ii).

15                 (d) SELECTION OF THE PROGRAM CONSORTIUM.—  
16                         (1) IN GENERAL.—The Secretary shall select  
17                 the program consortium through an open, competi-  
18                 tive process.

19                         (2) MEMBERS.—The program consortium may  
20                 include corporations, trade associations, institutions  
21                 of higher education, National Laboratories, or other  
22                 research institutions. After submitting a proposal  
23                 under paragraph (4), the program consortium may  
24                 not add members without the consent of the Sec-  
25                 retary.

1                             (3) TAX STATUS.—The program consortium  
2 shall be an entity that is exempt from tax under sec-  
3 tion 501(c)(3) of the Internal Revenue Code of  
4 1986.

5                             (4) SCHEDULE.—Not later than 180 days after  
6 the date of enactment of this Act, the Secretary  
7 shall solicit proposals from eligible consortia to per-  
8 form the duties in subsection (c)(1), which shall be  
9 submitted not later than 360 days after the date of  
10 enactment of this Act. The Secretary shall select the  
11 program consortium not later than 18 months after  
12 such date of enactment.

13                             (5) APPLICATION.—Applicants shall submit a  
14 proposal including such information as the Secretary  
15 may require. At a minimum, each proposal shall—

16                                 (A) list all members of the consortium;

17                                 (B) fully describe the structure of the con-  
18 sortium, including any provisions relating to in-  
19 tellectual property; and

20                                 (C) describe how the applicant would carry  
21 out the activities of the program consortium  
22 under this section.

23                             (6) ELIGIBILITY.—To be eligible to be selected  
24 as the program consortium, an applicant must be an  
25 entity whose members collectively have demonstrated

1       capabilities in planning and managing research, de-  
2       velopment, demonstration, and commercial applica-  
3       tion programs in natural gas or other petroleum ex-  
4       ploration or production.

5                 (7) CRITERION.—The Secretary shall consider  
6       the amount of the fee an applicant proposes to re-  
7       ceive under subsection (g) in selecting a consortium  
8       under this section.

9                 (e) ANNUAL PLAN.—

10                 (1) IN GENERAL.—The program under this sec-  
11       tion shall be carried out pursuant to an annual plan  
12       prepared by the Secretary in accordance with para-  
13       graph (2).

14                 (2) DEVELOPMENT.—

15                 (A) SOLICITATION OF RECOMMENDA-  
16       TIONS.—Before drafting an annual plan under  
17       this subsection, the Secretary shall solicit spe-  
18       cific written recommendations from the pro-  
19       gram consortium for each element to be ad-  
20       dressed in the plan, including those described in  
21       paragraph (4). The Secretary may request that  
22       the program consortium submit its rec-  
23       ommendations in the form of a draft annual  
24       plan.

(B) SUBMISSION OF RECOMMENDATIONS; OTHER COMMENT.—The Secretary shall submit the recommendations of the program consortium under subparagraph (A) to the Ultra-Deepwater Advisory Committee established under section 945(a) for review, and such Advisory Committee shall provide to the Secretary written comments by a date determined by the Secretary. The Secretary may also solicit comments from any other experts.

(C) CONSULTATION.—The Secretary shall consult regularly with the program consortium throughout the preparation of the annual plan.

(3) PUBLICATION.—The Secretary shall transmit to Congress and publish in the Federal Register the annual plan, along with any written comments received under paragraph (2)(A) and (B).

(4) CONTENTS.—The annual plan shall describe the ongoing and prospective activities of the program under this section and shall include—

(A) a list of any solicitations for awards that the Secretary plans to issue to carry out research, development, demonstration, or commercial application activities, including the topics for such work, who would be eligible to

1           apply, selection criteria, and the duration of  
2           awards; and

3                 (B) a description of the activities expected  
4                 of the program consortium to carry out sub-  
5                 section (f)(4).

6                 (5) ESTIMATES OF INCREASED ROYALTY RE-  
7                 CEIPTS.—The Secretary, in consultation with the  
8                 Secretary of the Interior, shall provide an annual re-  
9                 port to Congress with the President’s budget on the  
10               estimated cumulative increase in Federal royalty re-  
11               ceipts (if any) resulting from the implementation of  
12               this part. The initial report under this paragraph  
13               shall be submitted in the first President’s budget fol-  
14               lowing the completion of the first annual plan re-  
15               quired under this subsection.

16                 (f) AWARDS.—

17                 (1) IN GENERAL.—The Secretary shall make  
18                 awards to carry out research, development, dem-  
19                 onstration, and commercial application activities  
20                 under the program under this section. The program  
21                 consortium shall not be eligible to receive such  
22                 awards, but members of the program consortium  
23                 may receive such awards.

24                 (2) PROPOSALS.—The Secretary shall solicit  
25                 proposals for awards under this subsection in such

1 manner and at such time as the Secretary may pre-  
2 scribe, in consultation with the program consortium.

3 (3) REVIEW.—The Secretary shall make awards  
4 under this subsection through a competitive process,  
5 which shall include a review by individuals selected  
6 by the Secretary. Such individuals shall include, for  
7 each application, Federal officials, the program con-  
8 sortium, and non-Federal experts who are not board  
9 members, officers, or employees of the program con-  
10 sortium or of a member of the program consortium.

11 (4) OVERSIGHT.—

12 (A) IN GENERAL.—The program consor-  
13 tium shall oversee the implementation of  
14 awards under this subsection, consistent with  
15 the annual plan under subsection (e), including  
16 disbursing funds and monitoring activities car-  
17 ried out under such awards for compliance with  
18 the terms and conditions of the awards.

19 (B) EFFECT.—Nothing in subparagraph  
20 (A) shall limit the authority or responsibility of  
21 the Secretary to oversee awards, or limit the  
22 authority of the Secretary to review or revoke  
23 awards.

24 (C) PROVISION OF INFORMATION.—The  
25 Secretary shall provide to the program consor-

**4 (g) ADMINISTRATIVE COSTS.—**

5                         (1) IN GENERAL.—To compensate the program  
6 consortium for carrying out its activities under this  
7 section, the Secretary shall provide to the program  
8 consortium funds sufficient to administer the pro-  
9 gram. This compensation may include a manage-  
10 ment fee consistent with Department of Energy con-  
11 tracting practices and procedures.

16       (h) AUDIT.—The Secretary shall retain an inde-  
17 pendent, commercial auditor to determine the extent to  
18 which funds provided to the program consortium, and  
19 funds provided under awards made under subsection (f),  
20 have been expended in a manner consistent with the pur-  
21 poses and requirements of this part. The auditor shall  
22 transmit a report annually to the Secretary, who shall  
23 transmit the report to Congress, along with a plan to rem-  
24 edy any deficiencies cited in the report.

1 **SEC. 943. UNCONVENTIONAL NATURAL GAS AND OTHER PE-**2 **TROLEUM RESOURCES PROGRAM.**

3       (a) IN GENERAL.—The Secretary shall carry out ac-  
4 tivities under subsection 941(b)(3), to maximize the use  
5 of the onshore unconventional natural gas and other petro-  
6 leum resources of the United States, by increasing the  
7 supply of such resources, through reducing the cost and  
8 increasing the efficiency of exploration for and production  
9 of such resources, while improving safety and minimizing  
10 environmental impacts.

11       (b) AWARDS.—

12           (1) IN GENERAL.—The Secretary shall carry  
13 out this section through awards to research con-  
14 sortia made through an open, competitive process.  
15 As a condition of award of funds, qualified research  
16 consortia shall—

17               (A) demonstrate capability and experience  
18 in unconventional onshore natural gas or other  
19 petroleum research and development;

20               (B) provide a research plan that dem-  
21 onstrates how additional natural gas or oil pro-  
22 duction will be achieved; and

23               (C) at the request of the Secretary, provide  
24 technical advice to the Secretary for the pur-  
25 poses of developing the annual plan required  
26 under subsection (e).

1                         (2) PRODUCTION POTENTIAL.—The Secretary  
2 shall seek to ensure that the number and types of  
3 awards made under this subsection have reasonable  
4 potential to lead to additional oil and natural gas  
5 production on Federal lands.

6                         (3) SCHEDULE.—To carry out this subsection,  
7 not later than 180 days after the date of enactment  
8 of this Act, the Secretary shall solicit proposals from  
9 research consortia, which shall be submitted not  
10 later than 360 days after the date of enactment of  
11 this Act. The Secretary shall select the first group  
12 of research consortia to receive awards under this  
13 subsection not later than 18 months after such date  
14 of enactment.

15                         (c) AUDIT.—The Secretary shall retain an inde-  
16 pendent, commercial auditor to determine the extent to  
17 which funds provided under awards made under this sec-  
18 tion have been expended in a manner consistent with the  
19 purposes and requirements of this part. The auditor shall  
20 transmit a report annually to the Secretary, who shall  
21 transmit the report to Congress, along with a plan to rem-  
22 edy any deficiencies cited in the report.

23                         (d) FOCUS AREAS FOR AWARDS.—

24                         (1) UNCONVENTIONAL RESOURCES.—Awards  
25 from allocations under section 949(d)(2) shall focus

1       on areas including advanced coalbed methane, deep  
2       drilling, natural gas production from tight sands,  
3       natural gas production from gas shales, stranded  
4       gas, innovative exploration and production tech-  
5       niques, enhanced recovery techniques, and environ-  
6       mental mitigation of unconventional natural gas and  
7       other petroleum resources exploration and produc-  
8       tion.

9                 (2) SMALL PRODUCERS.—Awards from alloca-  
10       tions under section 949(d)(3) shall be made to con-  
11       sortia consisting of small producers or organized pri-  
12       marily for the benefit of small producers, and shall  
13       focus on areas including complex geology involving  
14       rapid changes in the type and quality of the oil and  
15       gas reservoirs across the reservoir; low reservoir  
16       pressure; unconventional natural gas reservoirs in  
17       coalbeds, deep reservoirs, tight sands, or shales; and  
18       unconventional oil reservoirs in tar sands and oil  
19       shales.

20                 (e) ANNUAL PLAN.—

21                 (1) IN GENERAL.—The program under this sec-  
22       tion shall be carried out pursuant to an annual plan  
23       prepared by the Secretary in accordance with para-  
24       graph (2).

25                 (2) DEVELOPMENT.—

(A) WRITTEN RECOMMENDATIONS.—Before drafting an annual plan under this subsection, the Secretary shall solicit specific written recommendations from the research consortia receiving awards under subsection (b) and the Unconventional Resources Technology Advisory Committee for each element to be addressed in the plan, including those described in subparagraph (D).

(B) CONSULTATION.—The Secretary shall consult regularly with the research consortia throughout the preparation of the annual plan.

(C) PUBLICATION.—The Secretary shall transmit to Congress and publish in the Federal Register the annual plan, along with any written comments received under subparagraph (A).

(D) CONTENTS.—The annual plan shall describe the ongoing and prospective activities under this section and shall include a list of any solicitations for awards that the Secretary plans to issue to carry out research, development, demonstration, or commercial application activities, including the topics for such work, who

1           would be eligible to apply, selection criteria, and  
2           the duration of awards.

3           (3) ESTIMATES OF INCREASED ROYALTY RE-  
4       CEIPTS.—The Secretary, in consultation with the  
5       Secretary of the Interior, shall provide an annual re-  
6       port to Congress with the President's budget on the  
7       estimated cumulative increase in Federal royalty re-  
8       ceipts (if any) resulting from the implementation of  
9       this part. The initial report under this paragraph  
10      shall be submitted in the first President's budget fol-  
11      lowing the completion of the first annual plan re-  
12      quired under this subsection.

13           (f) ACTIVITIES BY THE UNITED STATES GEOLOGI-  
14       CAL SURVEY.—The Secretary of the Interior, through the  
15       United States Geological Survey, shall, where appropriate,  
16       carry out programs of long-term research to complement  
17       the programs under this section.

18       **SEC. 944. ADDITIONAL REQUIREMENTS FOR AWARDS.**

19           (a) DEMONSTRATION PROJECTS.—An application for  
20       an award under this part for a demonstration project shall  
21       describe with specificity the intended commercial use of  
22       the technology to be demonstrated.

23           (b) FLEXIBILITY IN LOCATING DEMONSTRATION  
24       PROJECTS.—Subject to the limitation in section 941(c),  
25       a demonstration project under this part relating to an

1 ultra-deepwater technology or an ultra-deepwater architec-  
2 ture may be conducted in deepwater depths.

3 (c) INTELLECTUAL PROPERTY AGREEMENTS.—If an  
4 award under this part is made to a consortium (other than  
5 the program consortium), the consortium shall provide to  
6 the Secretary a signed contract agreed to by all members  
7 of the consortium describing the rights of each member  
8 to intellectual property used or developed under the award.

9 (d) TECHNOLOGY TRANSFER.—2.5 percent of the  
10 amount of each award made under this part shall be des-  
11 ignated for technology transfer and outreach activities  
12 under this title.

13 (e) COST SHARING REDUCTION FOR INDEPENDENT  
14 PRODUCERS.—In applying the cost sharing requirements  
15 under section 972 to an award under this part the Sec-  
16 retary may reduce or eliminate the non-Federal require-  
17 ment if the Secretary determines that the reduction is nec-  
18 essary and appropriate considering the technological risks  
19 involved in the project.

20 **SEC. 945. ADVISORY COMMITTEES.**

21 (a) ULTRA-DEEPWATER ADVISORY COMMITTEE.—

22 (1) ESTABLISHMENT.—Not later than 270 days  
23 after the date of enactment of this Act, the Sec-  
24 retary shall establish an advisory committee to be  
25 known as the Ultra-Deepwater Advisory Committee.

1                         (2) MEMBERSHIP.—The advisory committee  
2 under this subsection shall be composed of members  
3 appointed by the Secretary including—

4                             (A) individuals with extensive research ex-  
5 perience or operational knowledge of offshore  
6 natural gas and other petroleum exploration  
7 and production;

8                             (B) individuals broadly representative of  
9 the affected interests in ultra-deepwater natural  
10 gas and other petroleum production, including  
11 interests in environmental protection and safe  
12 operations;

13                             (C) no individuals who are Federal employ-  
14 ees; and

15                             (D) no individuals who are board members,  
16 officers, or employees of the program consor-  
17 tium.

18                         (3) DUTIES.—The advisory committee under  
19 this subsection shall—

20                             (A) advise the Secretary on the develop-  
21 ment and implementation of programs under  
22 this part related to ultra-deepwater natural gas  
23 and other petroleum resources; and

24                             (B) carry out section 942(e)(2)(B).

1                             (4) COMPENSATION.—A member of the advisory committee under this subsection shall serve without compensation but shall receive travel expenses in accordance with applicable provisions under subchapter I of chapter 57 of title 5, United States Code.

7                             (b) UNCONVENTIONAL RESOURCES TECHNOLOGY  
8 ADVISORY COMMITTEE.—

9                             (1) ESTABLISHMENT.—Not later than 270 days after the date of enactment of this Act, the Secretary shall establish an advisory committee to be known as the Unconventional Resources Technology Advisory Committee.

14                             (2) MEMBERSHIP.—The advisory committee under this subsection shall be composed of members appointed by the Secretary including—

17                                 (A) a majority of members who are employees or representatives of independent producers of natural gas and other petroleum, including small producers;

21                                 (B) individuals with extensive research experience or operational knowledge of unconventional natural gas and other petroleum resource exploration and production;

(C) individuals broadly representative of the affected interests in unconventional natural gas and other petroleum resource exploration and production, including interests in environmental protection and safe operations; and

(D) no individuals who are Federal employees.

8                         (3) DUTIES.—The advisory committee under  
9                         this subsection shall advise the Secretary on the de-  
10                         velopment and implementation of activities under  
11                         this part related to unconventional natural gas and  
12                         other petroleum resources.

19       (c) PROHIBITION.—No advisory committee estab-  
20 lished under this section shall make recommendations on  
21 funding awards to particular consortia or other entities,  
22 or for specific projects.

## 23 SEC. 946. LIMITS ON PARTICIPATION.

24 An entity shall be eligible to receive an award under  
25 this part only if the Secretary finds—

1                   (1) that the entity's participation in the pro-  
2                   gram under this part would be in the economic in-  
3                   terest of the United States; and

4                   (2) that either—

5                       (A) the entity is a United States-owned en-  
6                       tity organized under the laws of the United  
7                       States; or

8                       (B) the entity is organized under the laws  
9                       of the United States and has a parent entity or-  
10                       ganized under the laws of a country that af-  
11                       fords—

12                         (i) to United States-owned entities op-  
13                         portunities, comparable to those afforded  
14                         to any other entity, to participate in any  
15                         cooperative research venture similar to  
16                         those authorized under this part;

17                         (ii) to United States-owned entities  
18                         local investment opportunities comparable  
19                         to those afforded to any other entity; and

20                         (iii) adequate and effective protection  
21                         for the intellectual property rights of  
22                         United States-owned entities.

23 **SEC. 947. SUNSET.**

24                   The authority provided by this part shall terminate  
25                   on September 30, 2011.

1 SEC. 948. DEFINITIONS.

2 In this part:

3 (1) DEEPWATER.—The term “deepwater”  
4 means a water depth that is greater than 200 but  
5 less than 1,500 meters.

6 (2) INDEPENDENT PRODUCER OF OIL OR  
7 GAS.—

8 (A) IN GENERAL.—The term “independent  
9 producer of oil or gas” means any person that  
10 produces oil or gas other than a person to  
11 whom subsection (c) of section 613A of the In-  
12 ternal Revenue Code of 1986 does not apply by  
13 reason of paragraph (2) (relating to certain re-  
14 tailers) or paragraph (4) (relating to certain re-  
15 finers) of section 613A(d) of such Code.

16 (B) RULES FOR APPLYING PARAGRAPHS (2)  
17 AND (4) OF SECTION 613A(d).—For purposes of  
18 subparagraph (A), paragraphs (2) and (4) of  
19 section 613A(d) of the Internal Revenue Code  
20 of 1986 shall be applied by substituting “cal-  
21 endar year” for “taxable year” each place it ap-  
22 pears in such paragraphs.

23 (3) PROGRAM CONSORTIUM.—The term “pro-  
24 gram consortium” means the consortium selected  
25 under section 942(d).

1                     (4) REMOTE OR INCONSEQUENTIAL.—The term  
2        “remote or inconsequential” has the meaning given  
3        that term in regulations issued by the Office of Gov-  
4        ernment Ethics under section 208(b)(2) of title 18,  
5        United States Code.

6                     (5) SMALL PRODUCER.—The term “small pro-  
7        ducer” means an entity organized under the laws of  
8        the United States with production levels of less than  
9        1,000 barrels per day of oil equivalent.

10                  (6) ULTRA-DEEPWATER.—The term “ultra-  
11        deepwater” means a water depth that is equal to or  
12        greater than 1,500 meters.

13                  (7) ULTRA-DEEPWATER ARCHITECTURE.—The  
14        term “ultra-deepwater architecture” means the inte-  
15        gration of technologies for the exploration for, or  
16        production of, natural gas or other petroleum re-  
17        sources located at ultra-deepwater depths.

18                  (8) ULTRA-DEEPWATER TECHNOLOGY.—The  
19        term “ultra-deepwater technology” means a discrete  
20        technology that is specially suited to address 1 or  
21        more challenges associated with the exploration for,  
22        or production of, natural gas or other petroleum re-  
23        sources located at ultra-deepwater depths.

24                  (9) UNCONVENTIONAL NATURAL GAS AND  
25        OTHER PETROLEUM RESOURCE.—The term “uncon-

1       ventional natural gas and other petroleum resource”  
2       means natural gas and other petroleum resource lo-  
3       cated onshore in an economically inaccessible geo-  
4       logical formation, including resources of small pro-  
5       ducers.

6 **SEC. 949. FUNDING.**

7       (a) IN GENERAL.—

8               (1) OIL AND GAS LEASE INCOME.—For each of  
9       fiscal years 2004 through 2013, from any Federal  
10      royalties, rents, and bonuses derived from Federal  
11      onshore and offshore oil and gas leases issued under  
12      the Outer Continental Shelf Lands Act and the Min-  
13      eral Leasing Act which are deposited in the Treas-  
14      ury, and after distribution of any such funds as de-  
15      scribed in subsection (c), \$150,000,000 shall be de-  
16      posited into the Ultra-Deepwater and Unconven-  
17      tional Natural Gas and Other Petroleum Research  
18      Fund (in this section referred to as the Fund). For  
19      purposes of this section, the term “royalties” ex-  
20      cludes proceeds from the sale of royalty production  
21      taken in kind and royalty production that is trans-  
22      ferred under section 27(a)(3) of the Outer Conti-  
23      nental Shelf Lands Act (43 U.S.C. 1353(a)(3)).

24               (2) AUTHORIZATION OF APPROPRIATIONS.—In  
25      addition to amounts described in paragraph (1),

1 there are authorized to be appropriated to the Sec-  
2 retary, to be deposited in the Fund, \$50,000,000 for  
3 each of the fiscal years 2004 through 2013, to re-  
4 main available until expended.

5 (b) OBLIGATIONAL AUTHORITY.—Monies in the  
6 Fund shall be available to the Secretary for obligation  
7 under this part without fiscal year limitation, to remain  
8 available until expended.

9 (c) PRIOR DISTRIBUTIONS.—The distributions de-  
10 scribed in subsection (a) are those required by law—

11 (1) to States and to the Reclamation Fund  
12 under the Mineral Leasing Act (30 U.S.C. 191(a));  
13 and

14 (2) to other funds receiving monies from Fed-  
15 eral oil and gas leasing programs, including—

16 (A) any recipients pursuant to section 8(g)  
17 of the Outer Continental Shelf Lands Act (43  
18 U.S.C. 1337(g));

19 (B) the Land and Water Conservation  
20 Fund, pursuant to section 2(c) of the Land and  
21 Water Conservation Fund Act of 1965 (16  
22 U.S.C. 4601–5(c));

23 (C) the Historic Preservation Fund, pursu-  
24 ant to section 108 of the National Historic  
25 Preservation Act (16 U.S.C. 470h); and

(D) the Secure Energy Reinvestment Fund.

3       (d) ALLOCATION.—Amounts obligated from the Fund  
4 under this section in each fiscal year shall be allocated  
5 as follows:

(2) 35 percent shall be for activities under section 943(d)(1).

12                   (4) 5 percent shall be for research under section  
13                   941(d).

14 (e) FUND.—There is hereby established in the Treas-  
15 ury of the United States a separate fund to be known as  
16 the “Ultra-Deepwater and Unconventional Natural Gas  
17 and Other Petroleum Research Fund”.

## **Subtitle F—Science**

19 SEC. 951. SCIENCE.

20           (a) IN GENERAL.—The following sums are author-  
21 ized to be appropriated to the Secretary for research, de-  
22 velopment, demonstration, and commercial application ac-  
23 tivities of the Office of Science, including activities author-  
24 ized under this subtitle, including the amounts authorized  
25 under the amendment made by section 958(c)(2)(C), and

1 including basic energy sciences, advanced scientific com-  
2 putting research, biological and environmental research, fu-  
3 sion energy sciences, high energy physics, nuclear physics,  
4 and research analysis and infrastructure support:

- 5                 (1) For fiscal year 2004, \$3,785,000,000.  
6                 (2) For fiscal year 2005, \$4,153,000,000.  
7                 (3) For fiscal year 2006, \$4,618,000,000.  
8                 (4) For fiscal year 2007, \$5,310,000,000.  
9                 (5) For fiscal year 2008, \$5,800,000,000.

10                 (b) ALLOCATIONS.—From amounts authorized under  
11 subsection (a), the following sums are authorized:

12                 (1) For activities of the Fusion Energy Sciences  
13 Program, including activities under sections 952 and  
14 953—

- 15                 (A) for fiscal year 2004, \$335,000,000;  
16                 (B) for fiscal year 2005, \$349,000,000;  
17                 (C) for fiscal year 2006, \$362,000,000;  
18                 (D) for fiscal year 2007, \$377,000,000;

19                 and

20                 (E) for fiscal year 2008, \$393,000,000.

21                 (2) For the Spallation Neutron Source—

- 22                 (A) for construction in fiscal year 2004,  
23                 \$124,600,000;  
24                 (B) for construction in fiscal year 2005,  
25                 \$79,800,000;

(C) for completion of construction in fiscal year 2006, \$41,100,000; and

(D) for other project costs (including research and development necessary to complete the project, preoperations costs, and capital equipment related to construction), \$103,279,000 for the period encompassing fiscal years 2003 through 2006, to remain available until expended through September 30, 2006.

11 (3) For Catalysis Research activities under sec-  
12 tion 956—

18 (4) For Nanoscale Science and Engineering Re-  
19 search activities under section 957—

1                         (5) For activities under section 957(c), from  
2                         the amounts authorized under paragraph (4) of this  
3                         subsection—

- 4                             (A) for fiscal year 2004, \$135,000,000;  
5                             (B) for fiscal year 2005, \$150,000,000;  
6                             (C) for fiscal year 2006, \$120,000,000;  
7                             (D) for fiscal year 2007, \$100,000,000;  
8                         and  
9                             (E) for fiscal year 2008, \$125,000,000.

10                         (6) For activities in the Genomes to Life Pro-  
11                         gram under section 959—

- 12                             (A) for fiscal year 2004, \$100,000,000;  
13                         and  
14                             (B) for fiscal years 2005 through 2008,  
15                         such sums as may be necessary.

16                         (7) For activities in the Energy-Water Supply  
17                         Program under section 961, \$30,000,000 for each of  
18                         fiscal years 2004 through 2008.

19                         (c) ITER CONSTRUCTION.—In addition to the funds  
20                         authorized under subsection (b)(1), such sums as may be  
21                         necessary for costs associated with ITER construction,  
22                         consistent with limitations under section 952.

1 **SEC. 952. UNITED STATES PARTICIPATION IN ITER.**

2       (a) IN GENERAL.—The United States may participate in ITER in accordance with the provisions of this  
3 section.

5       (b) AGREEMENT.—

6           (1) IN GENERAL.—The Secretary is authorized  
7 to negotiate an agreement for United States participation in ITER.  
8

9           (2) CONTENTS.—Any agreement for United  
10 States participation in ITER shall, at a minimum—

11                  (A) clearly define the United States financial contribution to construction and operating  
12 costs;

14                  (B) ensure that the share of ITER's high-  
15 technology components manufactured in the  
16 United States is at least proportionate to the  
17 United States financial contribution to ITER;

18                  (C) ensure that the United States will not  
19 be financially responsible for cost overruns in  
20 components manufactured in other ITER participating countries;

22                  (D) guarantee the United States full access to all data generated by ITER;

24                  (E) enable United States researchers to  
25 propose and carry out an equitable share of the  
26 experiments at ITER;

(F) provide the United States with a role  
in all collective decisionmaking related to ITER;  
and

4 (G) describe the process for discontinuing  
5 or decommissioning ITER and any United  
6 States role in those processes.

7       (c) PLAN.—The Secretary, in consultation with the  
8 Fusion Energy Sciences Advisory Committee, shall de-  
9 velop a plan for the participation of United States sci-  
10 entists in ITER that shall include the United States re-  
11 search agenda for ITER, methods to evaluate whether  
12 ITER is promoting progress toward making fusion a reli-  
13 able and affordable source of power, and a description of  
14 how work at ITER will relate to other elements of the  
15 United States fusion program. The Secretary shall request  
16 a review of the plan by the National Academy of Sciences.

17       (d) LIMITATION.—No funds shall be expended for the  
18 construction of ITER until the Secretary has transmitted  
19 to Congress—

1 construction of ITER, and 120 days have elapsed since  
2 that transmission;

3 (3) a report describing how United States par-  
4 ticipation in ITER will be funded without reducing  
5 funding for other programs in the Office of Science,  
6 including other fusion programs, and 60 days have  
7 elapsed since that transmission; and

8 (4) the plan required by subsection (c) (but not  
9 the National Academy of Sciences review of that  
10 plan), and 60 days have elapsed since that trans-  
11 mission.

12 (e) ALTERNATIVE TO ITER.—If at any time during  
13 the negotiations on ITER, the Secretary determines that  
14 construction and operation of ITER is unlikely or infeasi-  
15 ble, the Secretary shall send to Congress, as part of the  
16 budget request for the following year, a plan for imple-  
17 menting the domestic burning plasma experiment known  
18 as FIRE, including costs and schedules for such a plan.

19 The Secretary shall refine such plan in full consultation  
20 with the Fusion Energy Sciences Advisory Committee and  
21 shall also transmit such plan to the National Academy of  
22 Sciences for review.

23 (f) DEFINITIONS.—In this section and sections  
24 951(b)(1) and (c):

1                     (1) CONSTRUCTION.—The term “construction”  
2     means the physical construction of the ITER facil-  
3     ity, and the physical construction, purchase, or man-  
4     ufacture of equipment or components that are spe-  
5     cifically designed for the ITER facility, but does not  
6     mean the design of the facility, equipment, or com-  
7     ponents.

8                     (2) FIRE.—The term “FIRE” means the Fu-  
9     sion Ignition Research Experiment, the fusion re-  
10    search experiment for which design work has been  
11    supported by the Department as a possible alter-  
12    native burning plasma experiment in the event that  
13    ITER fails to move forward.

14                    (3) ITER.—The term “ITER” means the  
15     international burning plasma fusion research project  
16     in which the President announced United States  
17     participation on January 30, 2003.

18 **SEC. 953. PLAN FOR FUSION ENERGY SCIENCES PROGRAM.**

19                   (a) DECLARATION OF POLICY.—It shall be the policy  
20    of the United States to conduct research, development,  
21    demonstration, and commercial application to provide for  
22    the scientific, engineering, and commercial infrastructure  
23    necessary to ensure that the United States is competitive  
24    with other nations in providing fusion energy for its own  
25    needs and the needs of other nations, including by dem-

1 onstrating electric power or hydrogen production for the  
2 United States energy grid utilizing fusion energy at the  
3 earliest date possible.

4 (b) PLANNING.—

5 (1) IN GENERAL.—Not later than 180 days  
6 after the date of enactment of this Act, the Sec-  
7 retary shall present to Congress a plan, with pro-  
8 posed cost estimates, budgets, and potential inter-  
9 national partners, for the implementation of the pol-  
10 icy described in subsection (a). The plan shall ensure  
11 that—

12 (A) existing fusion research facilities are  
13 more fully utilized;

14 (B) fusion science, technology, theory, ad-  
15 vanced computation, modeling, and simulation  
16 are strengthened;

17 (C) new magnetic and inertial fusion re-  
18 search facilities are selected based on scientific  
19 innovation, cost effectiveness, and their poten-  
20 tial to advance the goal of practical fusion en-  
21 ergy at the earliest date possible, and those that  
22 are selected are funded at a cost-effective rate;

23 (D) communication of scientific results and  
24 methods between the fusion energy science com-

1           munity and the broader scientific and tech-  
2           nology communities is improved;

3           (E) inertial confinement fusion facilities  
4           are utilized to the extent practicable for the  
5           purpose of inertial fusion energy research and  
6           development; and

7           (F) attractive alternative inertial and mag-  
8           netic fusion energy approaches are more fully  
9           explored.

10          (2) COSTS AND SCHEDULES.—Such plan shall  
11          also address the status of and, to the degree pos-  
12          sible, costs and schedules for—

13           (A) in coordination with the program  
14           under section 960, the design and implementa-  
15           tion of international or national facilities for the  
16           testing of fusion materials; and

17           (B) the design and implementation of  
18           international or national facilities for the test-  
19           ing and development of key fusion technologies.

20 **SEC. 954. SPALLATION NEUTRON SOURCE.**

21          (a) DEFINITION.—For the purposes of this section,  
22          the term “Spallation Neutron Source” means Department  
23          Project 99-E-334, Oak Ridge National Laboratory, Oak  
24          Ridge, Tennessee.

1       (b) REPORT.—The Secretary shall report on the  
2 Spallation Neutron Source as part of the Department's  
3 annual budget submission, including a description of the  
4 achievement of milestones, a comparison of actual costs  
5 to estimated costs, and any changes in estimated project  
6 costs or schedule.

7       (c) LIMITATIONS.—The total amount obligated by the  
8 Department, including prior year appropriations, for the  
9 Spallation Neutron Source shall not exceed—

- 10           (1) \$1,192,700,000 for costs of construction;
- 11           (2) \$219,000,000 for other project costs; and
- 12           (3) \$1,411,700,000 for total project cost.

13 **SEC. 955. SUPPORT FOR SCIENCE AND ENERGY FACILITIES  
14 AND INFRASTRUCTURE.**

15       (a) FACILITY AND INFRASTRUCTURE POLICY.—The  
16 Secretary shall develop and implement a strategy for fa-  
17 cilities and infrastructure supported primarily from the  
18 Office of Science, the Office of Energy Efficiency and Re-  
19 newable Energy, the Office of Fossil Energy, or the Office  
20 of Nuclear Energy, Science, and Technology Programs at  
21 all National Laboratories and single-purpose research fa-  
22 cilities. Such strategy shall provide cost-effective means  
23 for—

- 24           (1) maintaining existing facilities and infra-  
25 structure, as needed;

- 1                             (2) closing unneeded facilities;  
2                             (3) making facility modifications; and  
3                             (4) building new facilities.

4                             (b) REPORT.—

5                             (1) IN GENERAL.—The Secretary shall prepare  
6                             and transmit, along with the President's budget re-  
7                             quest to Congress for fiscal year 2006, a report con-  
8                             taining the strategy developed under subsection (a).

9                             (2) CONTENTS.—For each National Laboratory  
10                             and single-purpose research facility, for the facilities  
11                             primarily used for science and energy research, such  
12                             report shall contain—

13                                 (A) the current priority list of proposed fa-  
14                             cilities and infrastructure projects, including  
15                             cost and schedule requirements;

16                                 (B) a current 10-year plan that dem-  
17                             onstrates the reconfiguration of its facilities and  
18                             infrastructure to meet its missions and to ad-  
19                             dress its long-term operational costs and return  
20                             on investment;

21                                 (C) the total current budget for all facili-  
22                             ties and infrastructure funding; and

23                                 (D) the current status of each facility and  
24                             infrastructure project compared to the original  
25                             baseline cost, schedule, and scope.

## 1 SEC. 956. CATALYSIS RESEARCH AND DEVELOPMENT PRO-

2                   **GRAM.**

3                 (a) ESTABLISHMENT.—The Secretary, through the  
4 Office of Science, shall support a program of research and  
5 development in catalysis science consistent with the De-  
6 partment's statutory authorities related to research and  
7 development. The program shall include efforts to—

8                         (1) enable catalyst design using combinations of  
9 experimental and mechanistic methodologies coupled  
10 with computational modeling of catalytic reactions at  
11 the molecular level;

12                         (2) develop techniques for high throughput syn-  
13 thesis, assay, and characterization at nanometer and  
14 subnanometer scales in situ under actual operating  
15 conditions;

16                         (3) synthesize catalysts with specific site archi-  
17 tectures;

18                         (4) conduct research on the use of precious  
19 metals for catalysis; and

20                         (5) translate molecular understanding to the  
21 design of catalytic compounds.

22                 (b) DUTIES OF THE OFFICE OF SCIENCE.—In car-  
23 rying out the program under this section, the Director of  
24 the Office of Science shall—

1                         (1) support both individual investigators and  
2                         multidisciplinary teams of investigators to pioneer  
3                         new approaches in catalytic design;  
4                         (2) develop, plan, construct, acquire, share, or  
5                         operate special equipment or facilities for the use of  
6                         investigators in collaboration with national user fa-  
7                         cilities such as nanoscience and engineering centers;  
8                         (3) support technology transfer activities to  
9                         benefit industry and other users of catalysis science  
10                         and engineering; and  
11                         (4) coordinate research and development activi-  
12                         ties with industry and other Federal agencies.

13                         (c) TRIENNIAL ASSESSMENT.—The National Acad-  
14 emy of Sciences shall review the catalysis program every  
15 3 years to report on gains made in the fundamental  
16 science of catalysis and its progress towards developing  
17 new fuels for energy production and material fabrication  
18 processes.

19 **SEC. 957. NANOSCALE SCIENCE AND ENGINEERING RE-**  
20 **SEARCH, DEVELOPMENT, DEMONSTRATION,**  
21 **AND COMMERCIAL APPLICATION.**

22                         (a) ESTABLISHMENT.—The Secretary, acting  
23 through the Office of Science, shall support a program of  
24 research, development, demonstration, and commercial ap-  
25 plication in nanoscience and nanoengineering. The pro-

1 gram shall include efforts to further the understanding of  
2 the chemistry, physics, materials science, and engineering  
3 of phenomena on the scale of nanometers and to apply  
4 that knowledge to the Department's mission areas.

5 (b) DUTIES OF THE OFFICE OF SCIENCE.—In car-  
6 rying out the program under this section, the Office of  
7 Science shall—

8 (1) support both individual investigators and  
9 teams of investigators, including multidisciplinary  
10 teams;

11 (2) carry out activities under subsection (c);

12 (3) support technology transfer activities to  
13 benefit industry and other users of nanoscience and  
14 nanoengineering;

15 (4) coordinate research and development activi-  
16 ties with other Department programs, industry, and  
17 other Federal agencies;

18 (5) ensure that societal and ethical concerns  
19 will be addressed as the technology is developed by—

20 (A) establishing a research program to  
21 identify societal and ethical concerns related to  
22 nanotechnology, and ensuring that the results  
23 of such research are widely disseminated; and

1 (B) integrating, insofar as possible, re-  
2 search on societal and ethical concerns with  
3 nanotechnology research and development; and  
4 (6) ensure that the potential of nanotechnology  
5 to produce or facilitate the production of clean, inex-  
6 pensive energy is realized by supporting  
7 nanotechnology energy applications research and de-  
8 velopment.

9 (c) NANOSCIENCE AND NANOENGINEERING RE-  
10 SEARCH CENTERS AND MAJOR INSTRUMENTATION.—

1 ties, microlithography facilities, scanning probe fa-  
2 cilities, and related instrumentation.

3 (4) COLLABORATIONS.—The Secretary shall en-  
4 courage collaborations among Department programs,  
5 institutions of higher education, laboratories, and in-  
6 dustry at facilities under this subsection.

7 **SEC. 958. ADVANCED SCIENTIFIC COMPUTING FOR ENERGY**

8 **MISSIONS.**

9 (a) IN GENERAL.—The Secretary, acting through the  
10 Office of Science, shall support a program to advance the  
11 Nation's computing capability across a diverse set of  
12 grand challenge, computationally based, science problems  
13 related to departmental missions.

14 (b) DUTIES OF THE OFFICE OF SCIENCE.—In car-  
15 rying out the program under this section, the Office of  
16 Science shall—

17 (1) advance basic science through computation  
18 by developing software to solve grand challenge  
19 science problems on new generations of computing  
20 platforms in collaboration with other Department  
21 program offices;

22 (2) enhance the foundations for scientific com-  
23 puting by developing the basic mathematical and  
24 computing systems software needed to take full ad-  
25 vantage of the computing capabilities of computers

1       with peak speeds of 100 teraflops or more, some of  
2       which may be unique to the scientific problem of in-  
3       terest;

4                 (3) enhance national collaborative and net-  
5       working capabilities by developing software to inte-  
6       grate geographically separated researchers into ef-  
7       fective research teams and to facilitate access to and  
8       movement and analysis of large (petabyte) data sets;

9                 (4) develop and maintain a robust scientific  
10      computing hardware infrastructure to ensure that  
11      the computing resources needed to address depart-  
12      mental missions are available; and

13                 (5) explore new computing approaches and  
14      technologies that promise to advance scientific com-  
15      puting, including developments in quantum com-  
16      puting.

17                 (c) HIGH-PERFORMANCE COMPUTING ACT OF 1991  
18      AMENDMENTS.—The High-Performance Computing Act  
19      of 1991 is amended—

20                 (1) in section 4 (15 U.S.C. 5503)—

21                         (A) in paragraph (3) by striking “means”  
22       and inserting “and networking and information  
23       technology mean”, and by striking “(including  
24       vector supercomputers and large scale parallel  
25       systems)”; and

(B) in paragraph (4), by striking “packet switched”; and

3 (2) in section 203 (15 U.S.C. 5523)—

(A) in subsection (a), by striking all after  
“As part of the” and inserting “Networking  
and Information Technology Research and De-  
velopment Program, the Secretary of Energy  
shall conduct basic and applied research in net-  
working and information technology, with em-  
phasis on supporting fundamental research in  
the physical sciences and engineering, and en-  
ergy applications; providing supercomputer ac-  
cess and advanced communication capabilities  
and facilities to scientific researchers; and de-  
veloping tools for distributed scientific collabo-  
ration.”;

21 (C) by amending subsection (e) to read as  
22 follows:

23        "(e) AUTHORIZATION OF APPROPRIATIONS.—There  
24 are authorized to be appropriated to the Secretary of En-  
25 ergy to carry out the Networking and Information Tech-

1 nology Research and Development Program such sums as  
2 may be necessary for fiscal years 2004 through 2008.”.

3 (d) COORDINATION.—The Secretary shall ensure that  
4 the program under this section is integrated and con-  
5 sistent with—

6 (1) the Advanced Simulation and Computing  
7 Program, formerly known as the Accelerated Stra-  
8 tegic Computing Initiative, of the National Nuclear  
9 Security Administration; and

10 (2) other national efforts related to advanced  
11 scientific computing for science and engineering.

12 (e) REPORT.—

13 (1) IN GENERAL.—Before undertaking any new  
14 initiative to develop any new advanced architecture  
15 for high-speed computing, the Secretary, through the  
16 Director of the Office of Science, shall transmit a re-  
17 port to Congress describing—

18 (A) the expected duration and cost of the  
19 initiative;

20 (B) the technical milestones the initiative  
21 is designed to achieve;

22 (C) how institutions of higher education  
23 and private firms will participate in the initia-  
24 tive; and

(D) why the goals of the initiative could not be achieved through existing programs.

## **7 SEC. 959. GENOMES TO LIFE PROGRAM.**

## 8 (a) PROGRAM.—

21 (b) GOALS.—The program shall have the goal of de-  
22 veloping technologies and methods based on the biological  
23 functions of genomes, microbes, and plants that—

24 (1) can facilitate the production of fuels, includ-  
25 ing hydrogen;

- 1                         (2) convert carbon dioxide to organic carbon;
- 2                         (3) improve national security and combat ter-
- 3                         rorism;
- 4                         (4) detoxify soils and water at Department fa-
- 5                         cilities contaminated with heavy metals and radio-
- 6                         logical materials; and
- 7                         (5) address other Department missions as iden-
- 8                         tified by the Secretary.

9                         (c) PLAN.—

10                         (1) DEVELOPMENT OF PLAN.—Not later than 1  
11                         year after the date of enactment of this Act, the  
12                         Secretary shall prepare and transmit to Congress a  
13                         research plan describing how the program author-  
14                         ized pursuant to this section will be undertaken to  
15                         accomplish the program goals established in sub-  
16                         section (b).

17                         (2) REVIEW OF PLAN.—The Secretary shall  
18                         contract with the National Academy of Sciences to  
19                         review the research plan developed under this sub-  
20                         section. The Secretary shall transmit the review to  
21                         Congress not later than 18 months after transmittal  
22                         of the research plan under paragraph (1), along with  
23                         the Secretary's response to the recommendations  
24                         contained in the review.

1       (d) GENOMES TO LIFE USER FACILITIES AND AN-  
2 CILLARY EQUIPMENT.—

3                 (1) IN GENERAL.—Within the funds authorized  
4       to be appropriated pursuant to this Act, the  
5       amounts specified under section 951(b)(6) shall,  
6       subject to appropriations, be available for projects to  
7       develop, plan, construct, acquire, or operate special  
8       equipment, instrumentation, or facilities for inves-  
9       tigators conducting research, development, dem-  
10     onstration, and commercial application in systems  
11     biology and proteomics and associated biological dis-  
12     ciplines.

13                 (2) FACILITIES.—Facilities under paragraph  
14      (1) may include facilities, equipment, or instrumen-  
15      tation for—

- 16                     (A) the production and characterization of  
17                     proteins;
- 18                     (B) whole proteome analysis;
- 19                     (C) characterization and imaging of molec-  
20                     ular machines; and
- 21                     (D) analysis and modeling of cellular sys-  
22                     tems.

23                 (3) COLLABORATIONS.—The Secretary shall en-  
24       courage collaborations among universities, labora-  
25       tories, and industry at facilities under this sub-

1       section. All facilities under this subsection shall have  
2       a specific mission of technology transfer to other in-  
3       stitutions.

4           (e) PROHIBITION ON BIOMEDICAL AND HUMAN CELL  
5       AND HUMAN SUBJECT RESEARCH.—

6           (1) NO BIOMEDICAL RESEARCH.—In carrying  
7       out the program under this section, the Secretary  
8       shall not conduct biomedical research.

9           (2) LIMITATIONS.—Nothing in this section shall  
10       authorize the Secretary to conduct any research or  
11       demonstrations—

12           (A) on human cells or human subjects; or  
13           (B) designed to have direct application  
14       with respect to human cells or human subjects.

15   **SEC. 960. FISSION AND FUSION ENERGY MATERIALS RE-**  
16           **SEARCH PROGRAM.**

17       In the President's fiscal year 2006 budget request,  
18       the Secretary shall establish a research and development  
19       program on material science issues presented by advanced  
20       fission reactors and the Department's fusion energy pro-  
21       gram. The program shall develop a catalog of material  
22       properties required for these applications, develop theo-  
23       retical models for materials possessing the required prop-  
24       erties, benchmark models against existing data, and de-

1 develop a roadmap to guide further research and development in this area.

3 **SEC. 961. ENERGY-WATER SUPPLY PROGRAM.**

4 (a) ESTABLISHMENT.—There is established within  
5 the Department the Energy-Water Supply Program, to  
6 study energy-related and certain other issues associated  
7 with the supply of drinking water and operation of com-  
8 munity water systems and to study water supply issues  
9 related to energy.

10 (b) DEFINITIONS.—For the purposes of this section:

11 (1) ADMINISTRATOR.—The term “Administrator” means the Environmental Protection Agency.

14 (2) AGENCY.—The term “Agency” means the Environmental Protection Agency.

16 (3) FOUNDATION.—The term “Foundation”  
17 means the American Water Works Association Research Foundation.

19 (4) INDIAN TRIBE.—The term “Indian tribe”  
20 has the meaning given the term in section 4 of the  
21 Indian Self-Determination and Education Assistance  
22 Act (25 U.S.C. 450b).

23 (5) PROGRAM.—The term “Program” means  
24 the Energy-Water Supply Program established by  
25 this section.

1       (c) PROGRAM AREAS.—The Program shall develop  
2 methods, means, procedures, equipment, and improved  
3 technologies relating to—

4               (1) the arsenic removal program under sub-  
5 section (d);

6               (2) the desalination program under subsection  
7 (e); and

8               (3) the water and energy sustainability program  
9 under subsection (f).

10     (d) ARSENIC REMOVAL PROGRAM.—

11               (1) IN GENERAL.—As soon as practicable after  
12 the date of enactment of this Act, the Secretary, in  
13 coordination with the Administrator and in partner-  
14 ship with the Foundation, shall utilize the facilities,  
15 institutions, and relationships established in the  
16 Consolidated Appropriations Resolution, 2003 as de-  
17 scribed in Senate Report 107–220 to carry out a re-  
18 search program to provide innovative methods and  
19 means for removal of arsenic.

20               (2) REQUIRED EVALUATIONS.—The program  
21 shall, to the maximum extent practicable, evaluate  
22 the means of—

23                       (A) reducing energy costs incurred in  
24 using arsenic removal technologies;

(B) minimizing materials, operating, and maintenance costs; and

(C) minimizing any quantities of waste (especially hazardous waste) that result from use of arsenic removal technologies.

(3) PEER REVIEW.—Where applicable and reasonably available, projects undertaken under this subsection shall be peer-reviewed.

(A) select projects involving a geographically and hydrologically diverse group of community water systems (as defined in section 1003 of the Public Health Service Act (42 U.S.C. 300)) and water chemistries, that have experienced technical or economic difficulties in providing drinking water with levels of arsenic at 10 parts-per-billion or lower, which projects shall be designed to develop innovative methods and means to deliver drinking water that contains less than 10 parts per billion of arsenic; and

(B) provide not less than 40 percent of all funds spent pursuant to this subsection to address the needs of, and in collaboration with, rural communities or Indian tribes.

1 the Senate a report on the results of the program  
2 under this subsection.

3 (e) DESALINATION PROGRAM.—

4 (1) IN GENERAL.—The Secretary, in coopera-  
5 tion with the Commissioner of Reclamation of the  
6 Department of the Interior, shall carry out a pro-  
7 gram to conduct research and develop methods and  
8 means for desalination in accordance with the desali-  
9 nation technology progress plan developed under  
10 title II of the Energy and Water Development Ap-  
11 propriations Act, 2002 (115 Stat. 498), and de-  
12 scribed in Senate Report 107–39 under the heading  
13 “WATER AND RELATED RESOURCES” in the “BU-  
14 REAU OF RECLAMATION” section.

15 (2) REQUIREMENTS.—The desalination pro-  
16 gram shall—

17 (A) use the resources of the Department  
18 and the Department of the Interior that were  
19 involved in the development of the 2003 Na-  
20 tional Desalination and Water Purification  
21 Technology Roadmap for next-generation de-  
22 salination technology;

23 (B) focus on technologies that are appro-  
24 priate for use in desalinating brackish ground-  
25 water, drinking water, wastewater and other sa-

1           line water supplies, or disposal of residual brine  
2           or salt; and

3                 (C) consider the use of renewable energy  
4           sources.

5                 (3) CONSTRUCTION PROJECTS.—Funds made  
6           available to carry out this subsection may be used  
7           for construction projects, including completion of the  
8           National Desalination Research Center for brackish  
9           groundwater and ongoing operational costs of this  
10          facility.

11                 (4) STEERING COMMITTEE.—The Secretary and  
12          the Commissioner of Reclamation of the Department  
13          of the Interior shall jointly establish a steering com-  
14          mittee for activities conducted under this subsection.  
15          The steering committee shall be jointly chaired by 1  
16          representative from the program and 1 representa-  
17          tive from the Bureau of Reclamation.

18                 (f) WATER AND ENERGY SUSTAINABILITY PRO-  
19          GRAM.—

20                 (1) IN GENERAL.—The Secretary shall develop  
21          a program to identify methods, means, procedures,  
22          equipment, and improved technologies necessary to  
23          ensure that sufficient quantities of water are avail-  
24          able to meet energy needs and sufficient energy is  
25          available to meet water needs.

1                         (2) ASSESSMENTS.—In order to acquire information  
2                         and avoid duplication, the Secretary shall  
3                         work in collaboration with the Secretary of the Interior,  
4                         the Army Corps of Engineers, the Administrator,  
5                         the Secretary of Commerce, the Secretary of Defense,  
6                         relevant State agencies, nongovernmental organizations, and academia, to assess—

7                             (A) future water resources needed to support energy development and production within the United States including water used for hydropower, and production of, or electricity generation by, hydrogen, biomass, fossil fuels, and nuclear fuel;

8                             (B) future energy resources needed to support water purification and wastewater treatment, including desalination and water conveyance;

9                             (C) use of impaired and nontraditional water supplies for energy production other than oil and gas extraction;

10                          (D) technology and programs for improving water use efficiency; and

11                          (E) technologies to reduce water use in energy development and production.

12                         (3) ROADMAP; TOOLS.—The Secretary shall—

(A) develop a program plan and technology development roadmap for the Water and Energy Sustainability Program to identify scientific and technical requirements and activities that are required to support planning for energy sustainability under current and potential future conditions of water availability, use of impaired water for energy production and other uses, and reduction of water use in energy development and production;

(B) develop tools for national and local energy and water sustainability planning, including numerical models, decision analysis tools, economic analysis tools, databases, and planning methodologies and strategies;

(D) transfer those tools to other Federal agencies, State agencies, nonprofit organizations, industry, and academia.

- 1                         (4) REPORT.—Not later than 1 year after the  
2                         date of enactment of this Act, the Secretary shall  
3                         submit to Congress a report on the Water and En-  
4                         ergy Sustainability Program that—  
5                             (A) includes the results of the assessment  
6                         under paragraph (2) and the program plan and  
7                         technology development roadmap; and  
8                             (B) identifies policy, legal, and institu-  
9                         tional issues related to water and energy sus-  
10                         tainability.

11 **SEC. 962. NITROGEN FIXATION.**

12                 The Secretary, acting through the Office of Science,  
13 shall support a program of research, development, dem-  
14 onstration, and commercial application on biological nitro-  
15 gen fixation, including plant genomics research relevant  
16 to the development of commercial crop varieties with en-  
17 hanced nitrogen fixation efficiency and ability.

18 **Subtitle G—Energy and  
19 Environment**

20 **SEC. 964. UNITED STATES-MEXICO ENERGY TECHNOLOGY  
21 COOPERATION.**

22                 (a) PROGRAM.—The Secretary shall establish a re-  
23 search, development, demonstration, and commercial ap-  
24 plication program to be carried out in collaboration with  
25 entities in Mexico and the United States to promote en-

1       ergy efficient, environmentally sound economic develop-  
2       ment along the United States-Mexico border that mini-  
3       mizes public health risks from industrial activities in the  
4       border region.

5           (b) PROGRAM MANAGEMENT.—The program under  
6       subsection (a) shall be managed by the Department of En-  
7       ergy Carlsbad Environmental Management Field Office.

8           (c) TECHNOLOGY TRANSFER.—In carrying out  
9       projects and activities under this section, the Secretary  
10      shall assess the applicability of technology developed under  
11      the Environmental Management Science Program of the  
12      Department.

13          (d) INTELLECTUAL PROPERTY.—In carrying out this  
14       section, the Secretary shall comply with the requirements  
15       of any agreement entered into between the United States  
16       and Mexico regarding intellectual property protection.

17          (e) AUTHORIZATION OF APPROPRIATIONS.—The fol-  
18       lowing sums are authorized to be appropriated to the Sec-  
19       retary to carry out activities under this section:

20               (1) For each of fiscal years 2004 and 2005,  
21               \$5,000,000.

22               (2) For each of fiscal years 2006, 2007, and  
23               2008, \$6,000,000.

1   **SEC. 965. WESTERN HEMISPHERE ENERGY COOPERATION.**

2       (a) PROGRAM.—The Secretary shall carry out a pro-  
3       gram to promote cooperation on energy issues with West-  
4       ern Hemisphere countries.

5       (b) ACTIVITIES.—Under the program, the Secretary  
6       shall fund activities to work with Western Hemisphere  
7       countries to—

8           (1) assist the countries in formulating and  
9           adopting changes in economic policies and other poli-  
10          cies to—

11              (A) increase the production of energy sup-  
12          plies; and

13              (B) improve energy efficiency; and  
14           (2) assist in the development and transfer of  
15          energy supply and efficiency technologies that would  
16          have a beneficial impact on world energy markets.

17       (c) UNIVERSITY PARTICIPATION.—To the extent  
18       practicable, the Secretary shall carry out the program  
19       under this section with the participation of universities so  
20       as to take advantage of the acceptance of universities by  
21       Western Hemisphere countries as sources of unbiased  
22       technical and policy expertise when assisting the Secretary  
23       in—

24           (1) evaluating new technologies;  
25           (2) resolving technical issues;

(3) working with those countries in the development of new policies; and

8       (d) AUTHORIZATION OF APPROPRIATIONS.—There  
9 are authorized to be appropriated to carry out this sec-  
10 tion—

- 11                   (1) \$8,000,000 for fiscal year 2004;
- 12                   (2) \$10,000,000 for fiscal year 2005;
- 13                   (3) \$13,000,000 for fiscal year 2006;
- 14                   (4) \$16,000,000 for fiscal year 2007; and
- 15                   (5) \$19,000,000 for fiscal year 2008.

## 16 SEC. 966. WASTE REDUCTION AND USE OF ALTERNATIVES.

17       (a) GRANT AUTHORITY.—The Secretary may make  
18 a single grant to a qualified institution to examine and  
19 develop the feasibility of burning post-consumer carpet in  
20 cement kilns as an alternative energy source. The pur-  
21 poses of the grant shall include determining—

22 (1) how post-consumer carpet can be burned  
23 without disrupting kiln operations;  
24 (2) the extent to which overall kiln emissions  
25 may be reduced;

(3) the emissions of air pollutants and other relevant environmental impacts; and

5       (b) QUALIFIED INSTITUTION.—For the purposes of  
6 subsection (a), a qualified institution is a research-inten-  
7 sive institution of higher education with demonstrated ex-  
8 pertise in the fields of fiber recycling and logistical mod-  
9 eling of carpet waste collection and preparation.

10       (c) AUTHORIZATION OF APPROPRIATIONS.—There  
11 are authorized to be appropriated to the Secretary for car-  
12 rying out this section \$500,000.

## 13 SEC. 967. REPORT ON FUEL CELL TEST CENTER.

14       (a) REPORT.—Not later than 1 year after the date  
15 of enactment of this Act, the Secretary shall transmit to  
16 Congress a report on the results of a study of the estab-  
17 lishment of a test center for next-generation fuel cells at  
18 an institution of higher education that has available a con-  
19 tinuous source of hydrogen and access to the electric  
20 transmission grid. Such report shall include a conceptual  
21 design for such test center and a projection of the costs  
22 of establishing the test center.

23       (b) AUTHORIZATION OF APPROPRIATIONS.—There  
24 are authorized to be appropriated to the Secretary for car-  
25 rying out this section \$500,000.

1     **SEC. 968. ARCTIC ENGINEERING RESEARCH CENTER.**

2         (a) IN GENERAL.—The Secretary of Energy (referred  
3     to in this section as the “Secretary”) in consultation with  
4     the Secretary of Transportation and the United States  
5     Arctic Research Commission shall provide annual grants  
6     to a university located adjacent to the Arctic Energy Of-  
7     fice of the Department of Energy, to establish and operate  
8     a university research center to be headquartered in Fair-  
9     banks and to be known as the “Arctic Engineering Re-  
10    search Center” (referred to in this section as the “Cen-  
11    ter”).

12         (b) PURPOSE.—The purpose of the Center shall be  
13    to conduct research on, and develop improved methods of,  
14    construction and use of materials to improve the overall  
15    performance of roads, bridges, residential, commercial,  
16    and industrial structures, and other infrastructure in the  
17    Arctic region, with an emphasis on developing—

18                 (1) new construction techniques for roads,  
19                 bridges, rail, and related transportation infrastruc-  
20                 ture and residential, commercial, and industrial in-  
21                 frastructure that are capable of withstanding the  
22                 Arctic environment and using limited energy re-  
23                 sources as efficiently as possible;

24                 (2) technologies and procedures for increasing  
25                 road, bridge, rail, and related transportation infra-  
26                 structure and residential, commercial, and industrial

1       infrastructure safety, reliability, and integrity in the  
2       Arctic region;

3                 (3) new materials and improving the perform-  
4       ance and energy efficiency of existing materials for  
5       the construction of roads, bridges, rail, and related  
6       transportation infrastructure and residential, com-  
7       mercial, and industrial infrastructure in the Arctic  
8       region; and

9                 (4) recommendations for new local, regional,  
10      and State permitting and building codes to ensure  
11      transportation and building safety and efficient en-  
12      ergy use when constructing, using, and occupying  
13      such infrastructure in the Arctic region.

14       (c) OBJECTIVES.—The Center shall carry out—

15                 (1) basic and applied research in the subjects  
16      described in subsection (b), the products of which  
17      shall be judged by peers or other experts in the field  
18      to advance the body of knowledge in road, bridge,  
19      rail, and infrastructure engineering in the Arctic re-  
20      gion; and

21                 (2) an ongoing program of technology transfer  
22      that makes research results available to potential  
23      users in a form that can be implemented.

24       (d) AMOUNT OF GRANT.—For each of fiscal years  
25      2004 through 2009, the Secretary shall provide a grant

1 in the amount of \$3,000,000 to the institution specified  
2 in subsection (a) to carry out this section.

3 (e) AUTHORIZATION OF APPROPRIATIONS.—There  
4 are authorized to be appropriated to carry out this section  
5 \$3,000,000 for each of fiscal years 2004 through 2009.

6 **SEC. 969. BARROW GEOPHYSICAL RESEARCH FACILITY.**

7 (a) ESTABLISHMENT.—The Secretary of Commerce,  
8 in consultation with the Secretaries of Energy and the In-  
9 terior, the Director of the National Science Foundation,  
10 and the Administrator of the Environmental Protection  
11 Agency, shall establish a joint research facility in Barrow,  
12 Alaska, to be known as the “Barrow Geophysical Research  
13 Facility”, to support scientific research activities in the  
14 Arctic.

15 (b) AUTHORIZATION OF APPROPRIATIONS.—There  
16 are authorized to be appropriated to the Secretaries of  
17 Commerce, Energy, and the Interior, the Director of the  
18 National Science Foundation, and the Administrator of  
19 the Environmental Protection Agency for the planning,  
20 design, construction, and support of the Barrow Geo-  
21 physical Research Facility \$61,000,000.

22 **SEC. 970. WESTERN MICHIGAN DEMONSTRATION PROJECT.**

23 The Administrator of the Environmental Protection  
24 Agency, in consultation with the State of Michigan and  
25 affected local officials, shall conduct a demonstration

1 project to address the effect of transported ozone and  
2 ozone precursors in Southwestern Michigan. The dem-  
3 onstration program shall address projected nonattainment  
4 areas in Southwestern Michigan that include counties with  
5 design values for ozone of less than .095 based on years  
6 2000 to 2002 or the most current 3-year period of air  
7 quality data. The Administrator shall assess any difficul-  
8 ties such areas may experience in meeting the 8 hour na-  
9 tional ambient air quality standard for ozone due to the  
10 effect of transported ozone or ozone precursors into the  
11 areas. The Administrator shall work with State and local  
12 officials to determine the extent of ozone and ozone pre-  
13 cursor transport, to assess alternatives to achieve compli-  
14 ance with the 8 hour standard apart from local controls,  
15 and to determine the timeframe in which such compliance  
16 could take place. The Administrator shall complete this  
17 demonstration project no later than 2 years after the date  
18 of enactment of this section and shall not impose any re-  
19 quirement or sanction that might otherwise apply during  
20 the pendency of the demonstration project.

## 21           **Subtitle H—Management**

### 22   **SEC. 971. AVAILABILITY OF FUNDS.**

23       Funds authorized to be appropriated to the Depart-  
24 ment under this title shall remain available until expended.

1   **SEC. 972. COST SHARING.**

2       (a) RESEARCH AND DEVELOPMENT.—Except as oth-  
3   erwise provided in this title, for research and development  
4   programs carried out under this title the Secretary shall  
5   require a commitment from non-Federal sources of at  
6   least 20 percent of the cost of the project. The Secretary  
7   may reduce or eliminate the non-Federal requirement  
8   under this subsection if the Secretary determines that the  
9   research and development is of a basic or fundamental na-  
10   ture or involves technical analyses or educational activi-  
11   ties.

12       (b) DEMONSTRATION AND COMMERCIAL APPLICA-  
13   TION.—Except as otherwise provided in this title, the Sec-  
14   retary shall require at least 50 percent of the costs directly  
15   and specifically related to any demonstration or commer-  
16   cial application project under this title to be provided from  
17   non-Federal sources. The Secretary may reduce the non-  
18   Federal requirement under this subsection if the Secretary  
19   determines that the reduction is necessary and appropriate  
20   considering the technological risks involved in the project  
21   and is necessary to meet the objectives of this title.

22       (c) CALCULATION OF AMOUNT.—In calculating the  
23   amount of the non-Federal commitment under subsection  
24   (a) or (b), the Secretary may include personnel, services,  
25   equipment, and other resources.

1       (d) SIZE OF NON-FEDERAL SHARE.—The Secretary  
2 may consider the size of the non-Federal share in selecting  
3 projects.

4 **SEC. 973. MERIT REVIEW OF PROPOSALS.**

5       Awards of funds authorized under this title shall be  
6 made only after an impartial review of the scientific and  
7 technical merit of the proposals for such awards has been  
8 carried out by or for the Department.

9 **SEC. 974. EXTERNAL TECHNICAL REVIEW OF DEPART-**

10                   **MENTAL PROGRAMS.**

11       (a) NATIONAL ENERGY RESEARCH AND DEVELOP-  
12 MENT ADVISORY BOARDS.—

13               (1) IN GENERAL.—The Secretary shall establish  
14 1 or more advisory boards to review Department re-  
15 search, development, demonstration, and commercial  
16 application programs in energy efficiency, renewable  
17 energy, nuclear energy, and fossil energy.

18               (2) EXISTING ADVISORY BOARDS.—The Sec-  
19 retary may designate an existing advisory board  
20 within the Department to fulfill the responsibilities  
21 of an advisory board under this subsection, and may  
22 enter into appropriate arrangements with the Na-  
23 tional Academy of Sciences to establish such an ad-  
24 visory board.

25       (b) OFFICE OF SCIENCE ADVISORY COMMITTEES.—

1                             (1) UTILIZATION OF EXISTING COMMITTEES.—

2         The Secretary shall continue to use the scientific  
3         program advisory committees chartered under the  
4         Federal Advisory Committee Act (5 U.S.C. App.) by  
5         the Office of Science to oversee research and devel-  
6         opment programs under that Office.

7                             (2) SCIENCE ADVISORY COMMITTEE.—

8                             (A) ESTABLISHMENT.—There shall be in  
9         the Office of Science a Science Advisory Com-  
10       mittee that includes the chairs of each of the  
11       advisory committees described in paragraph (1).

12                             (B) RESPONSIBILITIES.—The Science Ad-  
13       visory Committee shall—

14                                 (i) serve as the science advisor to the  
15       Director of the Office of Science;

16                                 (ii) advise the Director with respect to  
17       the well-being and management of the Na-  
18       tional Laboratories and single-purpose re-  
19       search facilities;

20                                 (iii) advise the Director with respect  
21       to education and workforce training activi-  
22       ties required for effective short-term and  
23       long-term basic and applied research ac-  
24       tivities of the Office of Science; and

1 (iv) advise the Director with respect  
2 to the well being of the university research  
3 programs supported by the Office of  
4 Science.

5 (c) MEMBERSHIP.—Each advisory board under this  
6 section shall consist of persons with appropriate expertise  
7 representing a diverse range of interests.

8       (d) MEETINGS AND PURPOSES.—Each advisory  
9 board under this section shall meet at least semiannually  
10 to review and advise on the progress made by the respec-  
11 tive research, development, demonstration, and commer-  
12 cial application program or programs. The advisory board  
13 shall also review the measurable cost and performance-  
14 based goals for such programs as established under sec-  
15 tion 901(b), and the progress on meeting such goals.

16        (e) PERIODIC REVIEWS AND ASSESSMENTS.—The  
17 Secretary shall enter into appropriate arrangements with  
18 the National Academy of Sciences to conduct periodic re-  
19 views and assessments of the programs authorized by this  
20 title, the measurable cost and performance-based goals for  
21 such programs as established under section 901(b), if any,  
22 and the progress on meeting such goals. Such reviews and  
23 assessments shall be conducted every 5 years, or more  
24 often as the Secretary considers necessary, and the Sec-

1     retary shall transmit to Congress reports containing the  
2     results of all such reviews and assessments.

3     **SEC. 975. IMPROVED COORDINATION OF TECHNOLOGY**

4                   **TRANSFER ACTIVITIES.**

5         (a) **TECHNOLOGY TRANSFER COORDINATOR.**—The  
6     Secretary shall designate a Technology Transfer Coordi-  
7     nator to perform oversight of and policy development for  
8     technology transfer activities at the Department. The  
9     Technology Transfer Coordinator shall—

10                 (1) coordinate the activities of the Technology  
11     Transfer Working Group;

12                 (2) oversee the expenditure of funds allocated  
13     to the Technology Transfer Working Group; and

14                 (3) coordinate with each technology partnership  
15     ombudsman appointed under section 11 of the Tech-  
16     nology Transfer Commercialization Act of 2000 (42  
17     U.S.C. 7261c).

18         (b) **TECHNOLOGY TRANSFER WORKING GROUP.**—  
19     The Secretary shall establish a Technology Transfer  
20     Working Group, which shall consist of representatives of  
21     the National Laboratories and single-purpose research fa-  
22     cilities, to—

23                 (1) coordinate technology transfer activities oc-  
24     curring at National Laboratories and single-purpose  
25     research facilities;

1                         (2) exchange information about technology  
2 transfer practices, including alternative approaches  
3 to resolution of disputes involving intellectual prop-  
4 erty rights and other technology transfer matters;  
5 and

6                         (3) develop and disseminate to the public and  
7 prospective technology partners information about  
8 opportunities and procedures for technology transfer  
9 with the Department, including those related to al-  
10 ternative approaches to resolution of disputes involv-  
11 ing intellectual property rights and other technology  
12 transfer matters.

13                         (c) TECHNOLOGY TRANSFER RESPONSIBILITY.—  
14 Nothing in this section shall affect the technology transfer  
15 responsibilities of Federal employees under the Stevenson-  
16 Wydler Technology Innovation Act of 1980 (15 U.S.C.  
17 3701 et seq.).

18 **SEC. 976. FEDERAL LABORATORY EDUCATIONAL PART-  
19 NERS.**

20                         (a) DISTRIBUTION OF ROYALTIES RECEIVED BY  
21 FEDERAL AGENCIES.—Section 14(a)(1)(B)(v) of the Ste-  
22 venson-Wydler Technology Innovation Act of 1980 (15  
23 U.S.C. 3710c(a)(1)(B)(v)), is amended to read as follows:  
24                             “(v) for scientific research and develop-  
25                             ment and for educational assistance and other

1           purposes consistent with the missions and ob-  
2           jectives of the agency and the laboratory.”.

3       (b) COOPERATIVE RESEARCH AND DEVELOPMENT  
4 AGREEMENTS.—Section 12(b)(5)(C) of the Stevenson-  
5 Wydler Technology Innovation Act of 1980 (15 U.S.C.  
6 3710a(b)(5)(C)) is amended to read as follows:

7           “(C) for scientific research and development  
8           and for educational assistance consistent with the  
9           missions and objectives of the agency and the lab-  
10          oratory.”.

**11 SEC. 977. INTERAGENCY COOPERATION.**

12       The Secretary shall enter into discussions with the  
13 Administrator of the National Aeronautics and Space Ad-  
14 ministration with the goal of reaching an interagency  
15 working agreement between the 2 agencies that would  
16 make the National Aeronautics and Space Administra-  
17 tion’s expertise in energy, gained from its existing and  
18 planned programs, more readily available to the relevant  
19 research, development, demonstration, and commercial ap-  
20 plications programs of the Department. Technologies to  
21 be discussed should include the National Aeronautics and  
22 Space Administration’s modeling, research, development,  
23 testing, and evaluation of new energy technologies, includ-  
24 ing solar, wind, fuel cells, and hydrogen storage and dis-  
25 tribution.

1   **SEC. 978. TECHNOLOGY INFRASTRUCTURE PROGRAM.**

2       (a) ESTABLISHMENT.—The Secretary shall establish  
3       a Technology Infrastructure Program in accordance with  
4       this section.

5       (b) PURPOSE.—The purpose of the Technology Infra-  
6       structure Program shall be to improve the ability of Na-  
7       tional Laboratories and single-purpose research facilities  
8       to support departmental missions by—

9              (1) stimulating the development of technology  
10          clusters that can support departmental missions at  
11          the National Laboratories or single-purpose research  
12          facilities;

13              (2) improving the ability of National Labora-  
14          tories and single-purpose research facilities to lever-  
15          age and benefit from commercial research, tech-  
16          nology, products, processes, and services; and

17              (3) encouraging the exchange of scientific and  
18          technological expertise between National Labora-  
19          tories or single-purpose research facilities and enti-  
20          ties that can support departmental missions at the  
21          National Laboratories or single-purpose research fa-  
22          cilities, such as institutions of higher education;  
23          technology-related business concerns; nonprofit insti-  
24          tutions; and agencies of State, tribal, or local gov-  
25          ernments.

1       (c) PROJECTS.—The Secretary shall authorize the  
2 Director of each National Laboratory or single-purpose re-  
3 search facility to implement the Technology Infrastructure  
4 Program at such National Laboratory or facility through  
5 projects that meet the requirements of subsections (d) and  
6 (e).

7       (d) PROGRAM REQUIREMENTS.—Each project funded  
8 under this section shall meet the following requirements:

9           (1) Each project shall include at least 1 of each  
10 of the following entities: a business; an institution of  
11 higher education; a nonprofit institution; and an  
12 agency of a State, local, or tribal government.

13           (2) Not less than 50 percent of the costs of  
14 each project funded under this section shall be pro-  
15 vided from non-Federal sources. The calculation of  
16 costs paid by the non-Federal sources to a project  
17 shall include cash, personnel, services, equipment,  
18 and other resources expended on the project after  
19 start of the project. Independent research and devel-  
20 opment expenses of Government contractors that  
21 qualify for reimbursement under section 31.205–  
22 18(e) of the Federal Acquisition Regulation issued  
23 pursuant to section 25(c)(1) of the Office of Federal  
24 Procurement Policy Act (41 U.S.C. 421(c)(1)) may  
25 be credited toward costs paid by non-Federal sources

1 to a project, if the expenses meet the other require-  
2 ments of this section.

3 (3) All projects under this section shall be com-  
4 petitively selected using procedures determined by  
5 the Secretary.

6 (4) Any participant that receives funds under  
7 this section may use generally accepted accounting  
8 principles for maintaining accounts, books, and  
9 records relating to the project.

10 (5) No Federal funds shall be made available  
11 under this section for construction or any project for  
12 more than 5 years.

13 (e) SELECTION CRITERIA.—

14 (1) IN GENERAL.—The Secretary shall allocate  
15 funds under this section only if the Director of the  
16 National Laboratory or single-purpose research facil-  
17 ity managing the project determines that the project  
18 is likely to improve the ability of the National Lab-  
19 oratory or single-purpose research facility to achieve  
20 technical success in meeting departmental missions.

21 (2) CRITERIA.—The Secretary shall consider  
22 the following criteria in selecting a project to receive  
23 Federal funds:

24 (A) The potential of the project to promote  
25 the development of a commercially sustainable

1 technology cluster following the period of De-  
2 partment investment, which will derive most of  
3 the demand for its products or services from  
4 the private sector, and which will support de-  
5 partmental missions at the participating Na-  
6 tional Laboratory or single-purpose research fa-  
7 cility.

8 (B) The potential of the project to promote  
9 the use of commercial research, technology,  
10 products, processes, and services by the partici-  
11 pating National Laboratory or single-purpose  
12 research facility to achieve its mission or the  
13 commercial development of technological innov-  
14 ations made at the participating National Lab-  
15 oratory or single-purpose research facility.

16 (C) The extent to which the project in-  
17 volves a wide variety and number of institutions  
18 of higher education, nonprofit institutions, and  
19 technology-related business concerns that can  
20 support the missions of the participating Na-  
21 tional Laboratory or single-purpose research fa-  
22 cility and that will make substantive contribu-  
23 tions to achieving the goals of the project.

24 (D) The extent to which the project fo-  
25 cuses on promoting the development of tech-

1           nology-related business concerns that are small  
2           businesses or involves such small businesses  
3           substantively in the project.

4           (E) Such other criteria as the Secretary  
5           determines to be appropriate.

6           (f) ALLOCATION.—In allocating funds for projects  
7         approved under this section, the Secretary shall provide—  
8           (1) the Federal share of the project costs; and  
9           (2) additional funds to the National Laboratory

10          or single-purpose research facility managing the  
11         project to permit the National Laboratory or single-  
12         purpose research facility to carry out activities relat-  
13         ing to the project, and to coordinate such activities  
14         with the project.

15          (g) REPORT TO CONGRESS.—Not later than July 1,  
16         2006, the Secretary shall report to Congress on whether  
17         the Technology Infrastructure Program should be contin-  
18         ued and, if so, how the program should be managed.

19          (h) DEFINITIONS.—In this section:

20           (1) TECHNOLOGY CLUSTER.—The term “tech-  
21         nology cluster” means a concentration of technology-  
22         related business concerns, institutions of higher edu-  
23         cation, or nonprofit institutions that reinforce each  
24         other’s performance in the areas of technology devel-  
25         opment through formal or informal relationships.

(2) TECHNOLOGY-RELATED BUSINESS CONCERN.—The term “technology-related business concern” means a for-profit corporation, company, association, firm, partnership, or small business concern that conducts scientific or engineering research; develops new technologies; manufactures products based on new technologies; or performs technological services.

9           (i) AUTHORIZATION OF APPROPRIATIONS.—There  
10 are authorized to be appropriated to the Secretary for ac-  
11 tivities under this section \$10,000,000 for each of fiscal  
12 years 2004, 2005, and 2006.

## **13 SEC. 979. REPROGRAMMING.**

14       (a) DISTRIBUTION REPORT.—Not later than 60 days  
15 after the date of the enactment of an Act appropriating  
16 amounts authorized under this title, the Secretary shall  
17 transmit to the appropriate authorizing committees of  
18 Congress a report explaining how such amounts will be  
19 distributed among the authorizations contained in this  
20 title.

21 (b) PROHIBITION.—

22                   (1) IN GENERAL.—No amount identified under  
23 subsection (a) shall be reprogrammed if such re-  
24 programming would result in an obligation which  
25 changes an individual distribution required to be re-

1 ported under subsection (a) by more than 5 percent  
2 unless the Secretary has transmitted to the appro-  
3 priate authorizing committees of Congress a report  
4 described in subsection (c) and a period of 30 days  
5 has elapsed after such committees receive the report.

6                 (2) COMPUTATION.—In the computation of the  
7 30-day period described in paragraph (1), there shall  
8 be excluded any day on which either House of Con-  
9 gress is not in session because of an adjournment of  
10 more than 3 days to a day certain.

11                 (c) REPROGRAMMING REPORT.—A report referred to  
12 in subsection (b)(1) shall contain a full and complete  
13 statement of the action proposed to be taken and the facts  
14 and circumstances relied on in support of the proposed  
15 action.

16 **SEC. 980. CONSTRUCTION WITH OTHER LAWS.**

17                 Except as otherwise provided in this title, the Sec-  
18 retary shall carry out the research, development, dem-  
19 onstration, and commercial application programs,  
20 projects, and activities authorized by this title in accord-  
21 ance with the applicable provisions of the Atomic Energy  
22 Act of 1954 (42 U.S.C. 2011 et seq.), the Federal Non-  
23 nuclear Research and Development Act of 1974 (42  
24 U.S.C. 5901 et seq.), the Energy Policy Act of 1992 (42  
25 U.S.C. 13201 et seq.), the Stevenson-Wydler Technology

1 Innovation Act of 1980 (15 U.S.C. 3701 et seq.), chapter  
2 18 of title 35, United States Code (commonly referred to  
3 as the Bayh-Dole Act), and any other Act under which  
4 the Secretary is authorized to carry out such activities.

5 **SEC. 981. REPORT ON RESEARCH AND DEVELOPMENT PRO-**  
6 **GRAM EVALUATION METHODOLOGIES.**

7 Not later than 180 days after the date of enactment  
8 of this Act, the Secretary shall enter into appropriate ar-  
9 rangements with the National Academy of Sciences to in-  
10 vestigate and report on the scientific and technical merits  
11 of any evaluation methodology currently in use or pro-  
12 posed for use in relation to the scientific and technical pro-  
13 grams of the Department by the Secretary or other Fed-  
14 eral official. Not later than 6 months after receiving the  
15 report of the National Academy, the Secretary shall sub-  
16 mit such report to Congress, along with any other views  
17 or plans of the Secretary with respect to the future use  
18 of such evaluation methodology.

19 **SEC. 982. DEPARTMENT OF ENERGY SCIENCE AND TECH-**  
20 **NOLOGY SCHOLARSHIP PROGRAM.**

21 (a) ESTABLISHMENT OF PROGRAM.—

22 (1) IN GENERAL.—The Secretary is authorized  
23 to establish a Department of Energy Science and  
24 Technology Scholarship Program to award scholar-

1 ships to individuals that is designed to recruit and  
2 prepare students for careers in the Department.

3 (2) COMPETITIVE PROCESS.—Individuals shall  
4 be selected to receive scholarships under this section  
5 through a competitive process primarily on the basis  
6 of academic merit, with consideration given to finan-  
7 cial need and the goal of promoting the participation  
8 of individuals identified in section 33 or 34 of the  
9 Science and Engineering Equal Opportunities Act  
10 (42 U.S.C. 1885a or 1885b).

11 (3) SERVICE AGREEMENTS.—To carry out the  
12 Program the Secretary shall enter into contractual  
13 agreements with individuals selected under para-  
14 graph (2) under which the individuals agree to serve  
15 as full-time employees of the Department, for the  
16 period described in subsection (f)(1), in positions  
17 needed by the Department and for which the individ-  
18 uals are qualified, in exchange for receiving a schol-  
19 arship.

20 (b) SCHOLARSHIP ELIGIBILITY.—In order to be eligi-  
21 ble to participate in the Program, an individual must—

22 (1) be enrolled or accepted for enrollment as a  
23 full-time student at an institution of higher edu-  
24 cation in an academic program or field of study de-

1 scribed in the list made available under subsection  
2 (d);

3 (2) be a United States citizen; and  
4 (3) at the time of the initial scholarship award,  
5 not be a Federal employee as defined in section  
6 2105 of title 5 of the United States Code.

7 (c) APPLICATION REQUIRED.—An individual seeking  
8 a scholarship under this section shall submit an applica-  
9 tion to the Secretary at such time, in such manner, and  
10 containing such information, agreements, or assurances as  
11 the Secretary may require.

12 (d) ELIGIBLE ACADEMIC PROGRAMS.—The Secretary  
13 shall make publicly available a list of academic programs  
14 and fields of study for which scholarships under the Pro-  
15 gram may be utilized, and shall update the list as nec-  
16 essary.

17 (e) SCHOLARSHIP REQUIREMENT.—

18 (1) IN GENERAL.—The Secretary may provide a  
19 scholarship under the Program for an academic year  
20 if the individual applying for the scholarship has  
21 submitted to the Secretary, as part of the applica-  
22 tion required under subsection (c), a proposed aca-  
23 demic program leading to a degree in a program or  
24 field of study on the list made available under sub-  
25 section (d).

1                         (2) DURATION OF ELIGIBILITY.—An individual  
2 may not receive a scholarship under this section for  
3 more than 4 academic years, unless the Secretary  
4 grants a waiver.

5                         (3) SCHOLARSHIP AMOUNT.—The dollar  
6 amount of a scholarship under this section for an  
7 academic year shall be determined under regulations  
8 issued by the Secretary, but shall in no case exceed  
9 the cost of attendance.

10                        (4) AUTHORIZED USES.—A scholarship pro-  
11 vided under this section may be expended for tuition,  
12 fees, and other authorized expenses as established by  
13 the Secretary by regulation.

14                        (5) CONTRACTS REGARDING DIRECT PAYMENTS  
15 TO INSTITUTIONS.—The Secretary may enter into a  
16 contractual agreement with an institution of higher  
17 education under which the amounts provided for a  
18 scholarship under this section for tuition, fees, and  
19 other authorized expenses are paid directly to the in-  
20 stitution with respect to which the scholarship is  
21 provided.

22                        (f) PERIOD OF OBLIGATED SERVICE.—

23                        (1) DURATION OF SERVICE.—The period of  
24 service for which an individual shall be obligated to  
25 serve as an employee of the Department is, except

1       as provided in subsection (h)(2), 24 months for each  
2       academic year for which a scholarship under this  
3       section is provided.

4                     (2) SCHEDULE FOR SERVICE.—

5                     (A) IN GENERAL.—Except as provided in  
6        subparagraph (B), obligated service under para-  
7        graph (1) shall begin not later than 60 days  
8        after the individual obtains the educational de-  
9        gree for which the scholarship was provided.

10                    (B) DEFERRAL.—The Secretary may defer  
11        the obligation of an individual to provide a pe-  
12        riod of service under paragraph (1) if the Sec-  
13        retary determines that such a deferral is appro-  
14        priate. The Secretary shall prescribe the terms  
15        and conditions under which a service obligation  
16        may be deferred through regulation.

17                    (g) PENALTIES FOR BREACH OF SCHOLARSHIP  
18        AGREEMENT.—

19                    (1) FAILURE TO COMPLETE ACADEMIC TRAIN-  
20        ING.—Scholarship recipients who fail to maintain a  
21        high level of academic standing, as defined by the  
22        Secretary by regulation, who are dismissed from  
23        their educational institutions for disciplinary rea-  
24        sons, or who voluntarily terminate academic training  
25        before graduation from the educational program for

1 which the scholarship was awarded, shall be in  
2 breach of their contractual agreement and, in lieu of  
3 any service obligation arising under such agreement,  
4 shall be liable to the United States for repayment  
5 not later than 1 year after the date of default of all  
6 scholarship funds paid to them and to the institution  
7 of higher education on their behalf under the agree-  
8 ment, except as provided in subsection (h)(2). The  
9 repayment period may be extended by the Secretary  
10 when determined to be necessary, as established by  
11 regulation.

12 (2) FAILURE TO BEGIN OR COMPLETE THE  
13 SERVICE OBLIGATION OR MEET THE TERMS AND  
14 CONDITIONS OF DEFERMENT.—A scholarship recipi-  
15 ent who, for any reason, fails to begin or complete  
16 a service obligation under this section after comple-  
17 tion of academic training, or fails to comply with the  
18 terms and conditions of deferment established by the  
19 Secretary pursuant to subsection (f)(2)(B), shall be  
20 in breach of the contractual agreement. When a re-  
21 cipient breaches an agreement for the reasons stated  
22 in the preceding sentence, the recipient shall be lia-  
23 ble to the United States for an amount equal to—

1                             (A) the total amount of scholarships re-  
2                             ceived by such individual under this section;  
3                             plus

4                             (B) the interest on the amounts of such  
5                             awards which would be payable if at the time  
6                             the awards were received they were loans bear-  
7                             ing interest at the maximum legal prevailing  
8                             rate, as determined by the Treasurer of the  
9                             United States,

10                         multiplied by 3.

11                         (h) WAIVER OR SUSPENSION OF OBLIGATION.—

12                         (1) DEATH OF INDIVIDUAL.—Any obligation of  
13                         an individual incurred under the Program (or a con-  
14                         tractual agreement thereunder) for service or pay-  
15                         ment shall be canceled upon the death of the indi-  
16                         vidual.

17                         (2) IMPOSSIBILITY OR EXTREME HARDSHIP.—  
18                         The Secretary shall by regulation provide for the  
19                         partial or total waiver or suspension of any obliga-  
20                         tion of service or payment incurred by an individual  
21                         under the Program (or a contractual agreement  
22                         thereunder) whenever compliance by the individual is  
23                         impossible or would involve extreme hardship to the  
24                         individual, or if enforcement of such obligation with

1 respect to the individual would be contrary to the  
2 best interests of the Government.

3 (i) DEFINITIONS.—In this section the following defi-  
4 nitions apply:

5 (1) COST OF ATTENDANCE.—The term “cost of  
6 attendance” has the meaning given that term in sec-  
7 tion 472 of the Higher Education Act of 1965 (20  
8 U.S.C. 1087ll).

9 (2) PROGRAM.—The term “Program” means  
10 the Department of Energy Science and Technology  
11 Scholarship Program established under this section.

12 (j) AUTHORIZATION OF APPROPRIATIONS.—There  
13 are authorized to be appropriated to the Secretary for ac-  
14 tivities under this section—

- 15 (1) for fiscal year 2004, \$800,000;
- 16 (2) for fiscal year 2005, \$1,600,000;
- 17 (3) for fiscal year 2006, \$2,000,000;
- 18 (4) for fiscal year 2007, \$2,000,000; and
- 19 (5) for fiscal year 2008, \$2,000,000.

20 **SEC. 983. REPORT ON EQUAL EMPLOYMENT OPPORTUNITY**

21 **PRACTICES.**

22 Not later than 12 months after the date of enactment  
23 of this Act, and biennially thereafter, the Secretary shall  
24 transmit to Congress a report on the equal employment

1 opportunity practices at National Laboratories. Such re-  
2 port shall include—

3                 (1) a thorough review of each laboratory con-  
4 tractor's equal employment opportunity policies, in-  
5 cluding promotion to management and professional  
6 positions and pay raises;

7                 (2) a statistical report on complaints and their  
8 disposition in the laboratories;

9                 (3) a description of how equal employment op-  
10 portunity practices at the laboratories are treated in  
11 the contract and in calculating award fees for each  
12 contractor;

13                 (4) a summary of disciplinary actions and their  
14 disposition by either the Department or the relevant  
15 contractors for each laboratory;

16                 (5) a summary of outreach efforts to attract  
17 women and minorities to the laboratories;

18                 (6) a summary of efforts to retain women and  
19 minorities in the laboratories; and

20                 (7) a summary of collaboration efforts with the  
21 Office of Federal Contract Compliance Programs to  
22 improve equal employment opportunity practices at  
23 the laboratories.

1   **SEC. 984. SMALL BUSINESS ADVOCACY AND ASSISTANCE.**

2       (a) **SMALL BUSINESS ADVOCATE.**—The Secretary  
3   shall require the Director of each National Laboratory,  
4   and may require the Director of a single-purpose research  
5   facility, to designate a small business advocate to—

6                   (1) increase the participation of small business  
7   concerns, including socially and economically dis-  
8   advantaged small business concerns, in procurement,  
9   collaborative research, technology licensing, and  
10   technology transfer activities conducted by the Na-  
11   tional Laboratory or single-purpose research facility;

12                  (2) report to the Director of the National Lab-  
13   oratory or single-purpose research facility on the ac-  
14   tual participation of small business concerns, includ-  
15   ing socially and economically disadvantaged small  
16   business concerns, in procurement, collaborative re-  
17   search, technology licensing, and technology transfer  
18   activities along with recommendations, if appro-  
19   priate, on how to improve participation;

20                  (3) make available to small businesses training,  
21   mentoring, and information on how to participate in  
22   procurement and collaborative research activities;

23                  (4) increase the awareness inside the National  
24   Laboratory or single-purpose research facility of the  
25   capabilities and opportunities presented by small  
26   business concerns; and

1                         (5) establish guidelines for the program under  
2                         subsection (b) and report on the effectiveness of  
3                         such program to the Director of the National Lab-  
4                         oratory or single-purpose research facility.

5                         (b) ESTABLISHMENT OF SMALL BUSINESS ASSIST-  
6                         ANCE PROGRAM.—The Secretary shall require the Direc-  
7                         tor of each National Laboratory, and may require the Di-  
8                         rector of a single-purpose research facility, to establish a  
9                         program to provide small business concerns—

10                         (1) assistance directed at making them more ef-  
11                         fective and efficient subcontractors or suppliers to  
12                         the National Laboratory or single-purpose research  
13                         facility; or

14                         (2) general technical assistance, the cost of  
15                         which shall not exceed \$10,000 per instance of as-  
16                         sistance, to improve the small business concerns'  
17                         products or services.

18                         (c) USE OF FUNDS.—None of the funds expended  
19                         under subsection (b) may be used for direct grants to the  
20                         small business concerns.

21                         (d) DEFINITIONS.—In this section:

22                         (1) SMALL BUSINESS CONCERN.—The term  
23                         “small business concern” has the meaning given  
24                         such term in section 3 of the Small Business Act  
25                         (15 U.S.C. 632).

(2) SOCIALLY AND ECONOMICALLY DISADVANTAGED SMALL BUSINESS CONCERN.—The term “socially and economically disadvantaged small business concerns” has the meaning given such term in section 8(a)(4) of the Small Business Act (15 U.S.C. 637(a)(4)).

7       (e) AUTHORIZATION OF APPROPRIATIONS.—There  
8 are authorized to be appropriated to the Secretary for ac-  
9 tivities under this section \$5,000,000 for each of fiscal  
10 years 2004 through 2008.

11 SEC. 985. REPORT ON MOBILITY OF SCIENTIFIC AND TECH-  
12 NICAL PERSONNEL.

Not later than 2 years after the date of enactment of this Act, the Secretary shall transmit a report to Congress identifying any policies or procedures of a contractor operating a National Laboratory or single-purpose research facility that create disincentives to the temporary transfer of scientific and technical personnel among the contractor-operated National Laboratories or contractor-operated single-purpose research facilities and provide suggestions for improving interlaboratory exchange of scientific and technical personnel.

## 23 SEC. 986. NATIONAL ACADEMY OF SCIENCES REPORT.

24 Not later than 90 days after the date of enactment  
25 of this Act, the Secretary shall enter into an arrangement

1 with the National Academy of Sciences for the Academy  
2 to—  
3                 (1) conduct a study on—  
4                         (A) the obstacles to accelerating the com-  
5                         mercial application of energy technology; and  
6                         (B) the adequacy of Department policies  
7                         and procedures for, and oversight of, technology  
8                         transfer-related disputes between contractors of  
9                         the Department and the private sector; and  
10                 (2) transmit a report to Congress on rec-  
11                 ommendations developed as a result of the study.

12 **SEC. 987. OUTREACH.**

13                 The Secretary shall ensure that each program au-  
14 thorized by this title includes an outreach component to  
15 provide information, as appropriate, to manufacturers,  
16 consumers, engineers, architects, builders, energy service  
17 companies, institutions of higher education, small busi-  
18 nesses, facility planners and managers, State and local  
19 governments, and other entities.

20 **SEC. 988. COMPETITIVE AWARD OF MANAGEMENT CON-**  
21 **TRACTS.**

22                 None of the funds authorized to be appropriated to  
23 the Secretary by this title may be used to award a manage-  
24 ment and operating contract for a nonmilitary energy lab-  
25 oratory of the Department unless such contract is com-

1  petitively awarded or the Secretary grants, on a case-by-  
2  case basis, a waiver to allow for such a deviation. The Sec-  
3  retary may not delegate the authority to grant such a  
4  waiver and shall submit to Congress a report notifying  
5  Congress of the waiver and setting forth the reasons for  
6  the waiver at least 60 days prior to the date of the award  
7  of such a contract.

8 SEC. 989. EDUCATIONAL PROGRAMS IN SCIENCE AND  
9 MATHEMATICS.

10       (a) ACTIVITIES.—Section 3165(a) of the Department  
11 of Energy Science Education Enhancement Act (42  
12 U.S.C. 7381b(a)) is amended by adding at the end the  
13 following:

14           “(14) Support competitive events for students,  
15       under supervision of teachers, designed to encourage  
16       student interest and knowledge in science and math-  
17       ematics.”.

18       (b) AUTHORIZATION OF APPROPRIATIONS.—Section  
19 3169 of the Department of Energy Science Education En-  
20 hancement Act (42 U.S.C. 7381e), as so redesignated by  
21 section 1102(b), is amended by inserting before the period  
22 “; and \$40,000,000 for each of fiscal years 2004 through  
23 2008”.

1           **TITLE X—DEPARTMENT OF**  
2           **ENERGY MANAGEMENT**

3   **SEC. 1001. ADDITIONAL ASSISTANT SECRETARY POSITION.**

4       (a) ADDITIONAL ASSISTANT SECRETARY POSITION  
5       TO ENABLE IMPROVED MANAGEMENT OF NUCLEAR EN-  
6       ERGY ISSUES.—

7           (1) IN GENERAL.—Section 203(a) of the De-  
8       partment of Energy Organization Act (42 U.S.C.  
9       7133(a)) is amended by striking “six Assistant Sec-  
10       retaries” and inserting “7 Assistant Secretaries”.

11          (2) SENSE OF CONGRESS.—It is the sense of  
12       Congress that the leadership for departmental mis-  
13       sions in nuclear energy should be at the Assistant  
14       Secretary level.

15       (b) TECHNICAL AND CONFORMING AMENDMENTS.—

16           (1) TITLE 5.—Section 5315 of title 5, United  
17       States Code, is amended by striking “Assistant Sec-  
18       retaries of Energy (6)” and inserting “Assistant  
19       Secretaries of Energy (7)”.

20          (2) DEPARTMENT OF ENERGY ORGANIZATION  
21       ACT.—The table of contents for the Department of  
22       Energy Organization Act (42 U.S.C. 7101 note) is  
23       amended—

24           (A) by striking “Section 209” and insert-  
25           ing “Sec. 209”;

## **9 SEC. 1002. OTHER TRANSACTIONS AUTHORITY.**

10 Section 646 of the Department of Energy Organiza-  
11 tion Act (42 U.S.C. 7256) is amended by adding at the  
12 end the following:

“(g)(1) In addition to other authorities granted to the Secretary under law, the Secretary may enter into other transactions on such terms as the Secretary may deem appropriate in furtherance of research, development, or demonstration functions vested in the Secretary. Such other transactions shall not be subject to the provisions of section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5908) or section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182).

22       “(2)(A) The Secretary shall ensure that—

23               “(i) to the maximum extent the Secretary de-  
24               termines practicable, no transaction entered into  
25               under paragraph (1) provides for research, develop-

1       ment, or demonstration that duplicates research, de-  
2       velopment, or demonstration being conducted under  
3       existing projects carried out by the Department;

4           “(ii) to the extent the Secretary determines  
5       practicable, the funds provided by the Government  
6       under a transaction authorized by paragraph (1) do  
7       not exceed the total amount provided by other par-  
8       ties to the transaction; and

9           “(iii) to the extent the Secretary determines  
10      practicable, competitive, merit-based selection proce-  
11      dures shall be used when entering into transactions  
12      under paragraph (1).

13          “(B) A transaction authorized by paragraph (1) may  
14      be used for a research, development, or demonstration  
15      project only if the Secretary makes a written determina-  
16      tion that the use of a standard contract, grant, or coopera-  
17      tive agreement for the project is not feasible or appro-  
18      priate.

19          “(3)(A) The Secretary shall protect from disclosure,  
20      including disclosure under section 552 of title 5, United  
21      States Code, for up to 5 years after the date the informa-  
22      tion is received by the Secretary—

23           “(i) a proposal, proposal abstract, and sup-  
24      porting documents submitted to the Department in  
25      a competitive or noncompetitive process having the

1 potential for resulting in an award under paragraph  
2 (1) to the party submitting the information; and  
3       (ii) a business plan and technical information  
4 relating to a transaction authorized by paragraph  
5 (1) submitted to the Department as confidential  
6 business information.

7       “(B) The Secretary may protect from disclosure, for  
8 up to 5 years after the information was developed, any  
9 information developed pursuant to a transaction under  
10 paragraph (1) which developed information is of a char-  
11 acter that it would be protected from disclosure under sec-  
12 tion 552(b)(4) of title 5, United States Code, if obtained  
13 from a person other than a Federal agency.

14       “(4) Not later than 90 days after the date of enact-  
15 ment of this subsection, the Secretary shall prescribe  
16 guidelines for using other transactions authorized by para-  
17 graph (1). Such guidelines shall be published in the Fed-  
18 eral Register for public comment under rulemaking proce-  
19 dures of the Department.

20       “(5) The authority of the Secretary under this sub-  
21 section may be delegated only to an officer of the Depart-  
22 ment who is appointed by the President by and with the  
23 advice and consent of the Senate and may not be delegated  
24 to any other person.

1       “(6)(A) Not later than September 31, 2005, the  
2 Comptroller General of the United States shall report to  
3 Congress on the Department’s use of the authorities  
4 granted under this section, including the ability to attract  
5 nontraditional government contractors and whether addi-  
6 tional safeguards are needed with respect to the use of  
7 such authorities.

8       “(B) In this section, the term ‘nontraditional Govern-  
9       ment contractor’ has the same meaning as the term ‘non-  
10      traditional defense contractor’ as defined in section 845(e)  
11      of the National Defense Authorization Act for Fiscal Year  
12      1994 (Public Law 103–160; 10 U.S.C. 2371 note).”.

13      **TITLE XI—PERSONNEL AND**  
14                    **TRAINING**

## **15 SEC. 1101. TRAINING GUIDELINES FOR ELECTRIC ENERGY 16 INDUSTRY PERSONNEL.**

17 The Secretary of Energy, in consultation with the  
18 Secretary of Labor and jointly with the electric industry  
19 and recognized employee representatives, shall develop  
20 model personnel training guidelines to support electric sys-  
21 tem reliability and safety. The training guidelines shall,  
22 at a minimum—

23                   (1) include training requirements for workers  
24       engaged in the construction, operation, inspection,  
25       and maintenance of electric generation, trans-

1 mission, and distribution, including competency and  
2 certification requirements, and assessment require-  
3 ments that include initial and ongoing evaluation of  
4 workers, recertification assessment procedures, and  
5 methods for examining or testing the qualification of  
6 individuals performing covered tasks; and

7                 (2) consolidate existing training guidelines on  
8 the construction, operation, maintenance, and in-  
9 spection of electric generation, transmission, and  
10 distribution facilities, such as those established by  
11 the National Electric Safety Code and other indus-  
12 try consensus standards.

13 **SEC. 1102. IMPROVED ACCESS TO ENERGY-RELATED SCI-  
14 ENTIFIC AND TECHNICAL CAREERS.**

15                 (a) DEPARTMENT OF ENERGY SCIENCE EDUCATION  
16 PROGRAMS.—Section 3164 of the Department of Energy  
17 Science Education Enhancement Act (42 U.S.C. 7381a)  
18 is amended by adding at the end the following:

19                 “(c) PROGRAMS FOR STUDENTS FROM UNDERREP-  
20 RESENTED GROUPS.—In carrying out a program under  
21 subsection (a), the Secretary shall give priority to activi-  
22 ties that are designed to encourage students from under-  
23 represented groups to pursue scientific and technical ca-  
24 reers.”.

1       (b) PARTNERSHIPS WITH HISTORICALLY BLACK  
2 COLLEGES AND UNIVERSITIES, HISPANIC-SERVICING IN-  
3 STITUTIONS, AND TRIBAL COLLEGES.—The Department  
4 of Energy Science Education Enhancement Act (42  
5 U.S.C. 7381 et seq.) is amended—

6                 (1) by redesignating sections 3167 and 3168 as  
7 sections 3168 and 3169, respectively; and  
8                 (2) by inserting after section 3166 the fol-  
9 lowing:

10 **“SEC. 3167. PARTNERSHIPS WITH HISTORICALLY BLACK**  
11 **COLLEGES AND UNIVERSITIES, HISPANIC-**  
12 **SERVING INSTITUTIONS, AND TRIBAL COL-**  
13 **LEGES.**

14 “(a) DEFINITIONS.—In this section:

15                 “(1) HISPANIC-SERVING INSTITUTION.—The  
16 term ‘Hispanic-serving institution’ has the meaning  
17 given that term in section 502(a) of the Higher  
18 Education Act of 1965 (20 U.S.C. 1101a(a)).

19                 “(2) HISTORICALLY BLACK COLLEGE OR UNI-  
20 VERSITY.—The term ‘historically Black college or  
21 university’ has the meaning given the term ‘part B  
22 institution’ in section 322 of the Higher Education  
23 Act of 1965 (20 U.S.C. 1061).

1           “(3) NATIONAL LABORATORY.—The term ‘Na-  
2       tional Laboratory’ has the meaning given that term  
3       in section 902 of the Energy Policy Act of 2003.

4           “(4) SCIENCE FACILITY.—The term ‘science fa-  
5       cility’ has the meaning given the term ‘single-pur-  
6       pose research facility’ in section 902 of the Energy  
7       Policy Act of 2003.

8           “(5) TRIBAL COLLEGE.—The term ‘tribal col-  
9       lege’ has the meaning given the term ‘Tribal College  
10      or University’ in section 316(b)(3) of the Higher  
11      Education Act of 1965 (20 U.S.C. 1059c(b)(3)).

12          “(b) EDUCATION PARTNERSHIP.—The Secretary  
13      shall direct the Director of each National Laboratory and,  
14      to the extent practicable, the head of any science facility  
15      to increase the participation of historically Black colleges  
16      or universities, Hispanic-serving institutions, or tribal col-  
17      leges in activities that increase the capacity of the histori-  
18      cally Black colleges or universities, Hispanic-serving insti-  
19      tutions, or tribal colleges to train personnel in science or  
20      engineering.

21          “(c) ACTIVITIES.—An activity under subsection (b)  
22      may include—

- 23           “(1) collaborative research;  
24           “(2) equipment transfer;

1               “(3) training activities conducted at a National  
2               Laboratory or science facility; and

3               “(4) mentoring activities conducted at a Na-  
4               tional Laboratory or science facility.

5               “(d) REPORT.—Not later than 2 years after the date  
6               of enactment of the Energy Policy Act of 2003, the Sec-  
7               retary shall submit to Congress a report on the activities  
8               carried out under this section.”.

9 **SEC. 1103. NATIONAL POWER PLANT OPERATIONS TECH-  
10               NOLOGY AND EDUCATION CENTER.**

11               (a) ESTABLISHMENT.—The Secretary shall support  
12               the establishment of a National Power Plant Operations  
13               Technology and Education Center (in this section referred  
14               to as the “Center”), to address the need for training and  
15               educating certified operators for nonnuclear electric power  
16               generation plants.

17               (b) ROLE.—The Center shall provide both training  
18               and continuing education relating to nonnuclear electric  
19               power generation plant technologies and operations. The  
20               Center shall conduct training and education activities on  
21               site and through Internet-based information technologies  
22               that allow for learning at remote sites.

23               (c) CRITERIA FOR COMPETITIVE SELECTION.—The  
24               Secretary shall support the establishment of the Center  
25               at an institution of higher education with expertise in

1 power plant technology and operation and with the ability  
2 to provide onsite as well as Internet-based training.

3 **SEC. 1104. INTERNATIONAL ENERGY TRAINING.**

4 (a) IN GENERAL.—The Secretary of Energy, in con-  
5 sultation with the Secretaries of Commerce, Interior, and  
6 State and the Federal Energy Regulatory Commission,  
7 shall coordinate training and outreach efforts for inter-  
8 national commercial energy markets in countries with de-  
9 veloping and restructuring economies.

10 (b) COMPONENTS.—The efforts may address—

11 (1) production-related fiscal regimes;  
12 (2) grid and network issues;  
13 (3) energy user and demand side response;  
14 (4) international trade of energy; and  
15 (5) international transportation of energy.

16 (c) AUTHORIZATION OF APPROPRIATIONS.—There  
17 are authorized to be appropriated to carry out this section  
18 \$1,500,000 for each of fiscal years 2004 through 2007.

19 **TITLE XII—ELECTRICITY**

20 **SEC. 1201. SHORT TITLE.**

21 This title may be cited as the “Electric Reliability  
22 Act of 2004”.

## 1   **Subtitle A—Reliability Standards**

### 2   **SEC. 1211. ELECTRIC RELIABILITY STANDARDS.**

3       (a) IN GENERAL.—Part II of the Federal Power Act  
4   (16 U.S.C 824 et seq.) is amended by adding at the end  
5   the following:

### 6   **“SEC. 215. ELECTRIC RELIABILITY.**

7       “(a) DEFINITIONS.—For purposes of this section:

8           “(1) The term ‘bulk-power system’ means—

9                  “(A) facilities and control systems nec-  
10               essary for operating an interconnected electric  
11               energy transmission network (or any portion  
12               thereof); and

13                  “(B) electric energy from generation facili-  
14               ties needed to maintain transmission system re-  
15               liability.

16       The term does not include facilities used in the local  
17       distribution of electric energy.

18           “(2) The terms ‘Electric Reliability Organiza-  
19               tion’ and ‘ERO’ mean the organization certified by  
20               the Commission under subsection (c) the purpose of  
21               which is to establish and enforce reliability stand-  
22               ards for the bulk-power system, subject to Commis-  
23               sion review.

24           “(3) The term ‘reliability standard’ means a re-  
25               quirement, approved by the Commission under this

1 section, to provide for reliable operation of the bulk-  
2 power system. The term includes requirements for  
3 the operation of existing bulk-power system facilities  
4 and the design of planned additions or modifications  
5 to such facilities to the extent necessary to provide  
6 for reliable operation of the bulk-power system, but  
7 the term does not include any requirement to en-  
8 large such facilities or to construct new transmission  
9 capacity or generation capacity.

10 “(4) The term ‘reliable operation’ means oper-  
11 ating the elements of the bulk-power system within  
12 equipment and electric system thermal, voltage, and  
13 stability limits so that instability, uncontrolled sepa-  
14 ration, or cascading failures of such system will not  
15 occur as a result of a sudden disturbance or unan-  
16 ticipated failure of system elements.

17 “(5) The term ‘Interconnection’ means a geo-  
18 graphic area in which the operation of bulk-power  
19 system components is synchronized such that the  
20 failure of 1 or more of such components may ad-  
21 versely affect the ability of the operators of other  
22 components within the system to maintain reliable  
23 operation of the facilities within their control.

24 “(6) The term ‘transmission organization’  
25 means a Regional Transmission Organization, Inde-

1 pendent System Operator, independent transmission  
2 provider, or other transmission organization finally  
3 approved by the Commission for the operation of  
4 transmission facilities.

5 “(7) The term ‘regional entity’ means an entity  
6 having enforcement authority pursuant to subsection  
7 (e)(4).

8 “(b) JURISDICTION AND APPLICABILITY.—(1) The  
9 Commission shall have jurisdiction, within the United  
10 States, over the ERO certified by the Commission under  
11 subsection (c), any regional entities, and all users, owners  
12 and operators of the bulk-power system, including but not  
13 limited to the entities described in section 201(f), for pur-  
14 poses of approving reliability standards established under  
15 this section and enforcing compliance with this section. All  
16 users, owners and operators of the bulk-power system  
17 shall comply with reliability standards that take effect  
18 under this section.

19 “(2) The Commission shall issue a final rule to imple-  
20 ment the requirements of this section not later than 180  
21 days after the date of enactment of this section.

22 “(c) CERTIFICATION.—Following the issuance of a  
23 Commission rule under subsection (b)(2), any person may  
24 submit an application to the Commission for certification  
25 as the Electric Reliability Organization. The Commission

1 may certify 1 such ERO if the Commission determines  
2 that such ERO—

3           “(1) has the ability to develop and enforce, sub-  
4           ject to subsection (e)(2), reliability standards that  
5           provide for an adequate level of reliability of the  
6           bulk-power system; and

7           “(2) has established rules that—

8               “(A) assure its independence of the users  
9               and owners and operators of the bulk-power  
10              system, while assuring fair stakeholder rep-  
11              resentation in the selection of its directors and  
12              balanced decisionmaking in any ERO com-  
13              mittee or subordinate organizational structure;

14               “(B) allocate equitably reasonable dues,  
15               fees, and other charges among end users for all  
16               activities under this section;

17               “(C) provide fair and impartial procedures  
18               for enforcement of reliability standards through  
19               the imposition of penalties in accordance with  
20               subsection (e) (including limitations on activi-  
21               ties, functions, or operations, or other appro-  
22               priate sanctions);

23               “(D) provide for reasonable notice and op-  
24               portunity for public comment, due process,  
25               openness, and balance of interests in developing

1           reliability standards and otherwise exercising its  
2           duties; and

3           “(E) provide for taking, after certification,  
4           appropriate steps to gain recognition in Canada  
5           and Mexico.

6         “(d) RELIABILITY STANDARDS.—(1) The Electric  
7     Reliability Organization shall file each reliability standard  
8     or modification to a reliability standard that it proposes  
9     to be made effective under this section with the Commis-  
10   sion.

11        “(2) The Commission may approve, by rule or order,  
12   a proposed reliability standard or modification to a reli-  
13   ability standard if it determines that the standard is just,  
14   reasonable, not unduly discriminatory or preferential, and  
15   in the public interest. The Commission shall give due  
16   weight to the technical expertise of the Electric Reliability  
17   Organization with respect to the content of a proposed  
18   standard or modification to a reliability standard and to  
19   the technical expertise of a regional entity organized on  
20   an Interconnection-wide basis with respect to a reliability  
21   standard to be applicable within that Interconnection, but  
22   shall not defer with respect to the effect of a standard  
23   on competition. A proposed standard or modification shall  
24   take effect upon approval by the Commission.

1       “(3) The Electric Reliability Organization shall  
2 rebuttably presume that a proposal from a regional entity  
3 organized on an Interconnection-wide basis for a reliability  
4 standard or modification to a reliability standard to be ap-  
5 plicable on an Interconnection-wide basis is just, reason-  
6 able, and not unduly discriminatory or preferential, and  
7 in the public interest.

8       “(4) The Commission shall remand to the Electric  
9 Reliability Organization for further consideration a pro-  
10 posed reliability standard or a modification to a reliability  
11 standard that the Commission disapproves in whole or in  
12 part.

13       “(5) The Commission, upon its own motion or upon  
14 complaint, may order the Electric Reliability Organization  
15 to submit to the Commission a proposed reliability stand-  
16 ard or a modification to a reliability standard that ad-  
17 dresses a specific matter if the Commission considers such  
18 a new or modified reliability standard appropriate to carry  
19 out this section.

20       “(6) The final rule adopted under subsection (b)(2)  
21 shall include fair processes for the identification and time-  
22 ly resolution of any conflict between a reliability standard  
23 and any function, rule, order, tariff, rate schedule, or  
24 agreement accepted, approved, or ordered by the Commis-  
25 sion applicable to a transmission organization. Such trans-

1 mission organization shall continue to comply with such  
2 function, rule, order, tariff, rate schedule or agreement ac-  
3 cepted approved, or ordered by the Commission until—

4           “(A) the Commission finds a conflict exists be-  
5           tween a reliability standard and any such provision;

6           “(B) the Commission orders a change to such  
7           provision pursuant to section 206 of this part; and

8           “(C) the ordered change becomes effective  
9           under this part.

10 If the Commission determines that a reliability standard  
11 needs to be changed as a result of such a conflict, it shall  
12 order the ERO to develop and file with the Commission  
13 a modified reliability standard under paragraph (4) or (5)  
14 of this subsection.

15           “(e) ENFORCEMENT.—(1) The ERO may impose,  
16 subject to paragraph (2), a penalty on a user or owner  
17 or operator of the bulk-power system for a violation of a  
18 reliability standard approved by the Commission under  
19 subsection (d) if the ERO, after notice and an opportunity  
20 for a hearing—

21           “(A) finds that the user or owner or operator  
22 has violated a reliability standard approved by the  
23 Commission under subsection (d); and

24           “(B) files notice and the record of the pro-  
25 ceeding with the Commission.

1       “(2) A penalty imposed under paragraph (1) may  
2 take effect not earlier than the 31st day after the ERO  
3 files with the Commission notice of the penalty and the  
4 record of proceedings. Such penalty shall be subject to re-  
5 view by the Commission, on its own motion or upon appli-  
6 cation by the user, owner or operator that is the subject  
7 of the penalty filed within 30 days after the date such  
8 notice is filed with the Commission. Application to the  
9 Commission for review, or the initiation of review by the  
10 Commission on its own motion, shall not operate as a stay  
11 of such penalty unless the Commission otherwise orders  
12 upon its own motion or upon application by the user,  
13 owner or operator that is the subject of such penalty. In  
14 any proceeding to review a penalty imposed under para-  
15 graph (1), the Commission, after notice and opportunity  
16 for hearing (which hearing may consist solely of the record  
17 before the ERO and opportunity for the presentation of  
18 supporting reasons to affirm, modify, or set aside the pen-  
19 alty), shall by order affirm, set aside, reinstate, or modify  
20 the penalty, and, if appropriate, remand to the ERO for  
21 further proceedings. The Commission shall implement ex-  
22 pedited procedures for such hearings.

23       “(3) On its own motion or upon complaint, the Com-  
24 mission may order compliance with a reliability standard  
25 and may impose a penalty against a user or owner or oper-

1 actor of the bulk-power system if the Commission finds,  
2 after notice and opportunity for a hearing, that the user  
3 or owner or operator of the bulk-power system has en-  
4 gaged or is about to engage in any acts or practices that  
5 constitute or will constitute a violation of a reliability  
6 standard.

7       “(4) The Commission shall issue regulations author-  
8 izing the ERO to enter into an agreement to delegate au-  
9 thority to a regional entity for the purpose of proposing  
10 reliability standards to the ERO and enforcing reliability  
11 standards under paragraph (1) if—

12           “(A) the regional entity is governed by—  
13                  “(i) an independent board;  
14                  “(ii) a balanced stakeholder board; or  
15                  “(iii) a combination independent and bal-  
16                  anced stakeholder board.

17           “(B) the regional entity otherwise satisfies the  
18 provisions of subsection (c)(1) and (2); and

19           “(C) the agreement promotes effective and effi-  
20                  cient administration of bulk-power system reliability.

21 The Commission may modify such delegation. The ERO  
22 and the Commission shall rebuttably presume that a pro-  
23 posal for delegation to a regional entity organized on an  
24 Interconnection-wide basis promotes effective and efficient  
25 administration of bulk-power system reliability and should

1 be approved. Such regulation may provide that the Com-  
2 mission may assign the ERO's authority to enforce reli-  
3 ability standards under paragraph (1) directly to a re-  
4 gional entity consistent with the requirements of this para-  
5 graph.

6       “(5) The Commission may take such action as is nec-  
7 essary or appropriate against the ERO or a regional entity  
8 to ensure compliance with a reliability standard or any  
9 Commission order affecting the ERO or a regional entity.

10       “(6) Any penalty imposed under this section shall  
11 bear a reasonable relation to the seriousness of the viola-  
12 tion and shall take into consideration the efforts of such  
13 user, owner, or operator to remedy the violation in a time-  
14 ly manner.

15       “(f) CHANGES IN ELECTRIC RELIABILITY ORGANIZA-  
16 TION RULES.—The Electric Reliability Organization shall  
17 file with the Commission for approval any proposed rule  
18 or proposed rule change, accompanied by an explanation  
19 of its basis and purpose. The Commission, upon its own  
20 motion or complaint, may propose a change to the rules  
21 of the ERO. A proposed rule or proposed rule change shall  
22 take effect upon a finding by the Commission, after notice  
23 and opportunity for comment, that the change is just, rea-  
24 sonable, not unduly discriminatory or preferential, is in

1 the public interest, and satisfies the requirements of sub-  
2 section (c).

3       “(g) RELIABILITY REPORTS.—The ERO shall con-  
4 duct periodic assessments of the reliability and adequacy  
5 of the bulk-power system in North America.

6       “(h) COORDINATION WITH CANADA AND MEXICO.—  
7 The President is urged to negotiate international agree-  
8 ments with the governments of Canada and Mexico to pro-  
9 vide for effective compliance with reliability standards and  
10 the effectiveness of the ERO in the United States and  
11 Canada or Mexico.

12       “(i) SAVINGS PROVISIONS.—(1) The ERO shall have  
13 authority to develop and enforce compliance with reli-  
14 ability standards for only the bulk-power system.

15       “(2) This section does not authorize the ERO or the  
16 Commission to order the construction of additional gen-  
17 eration or transmission capacity or to set and enforce com-  
18 pliance with standards for adequacy or safety of electric  
19 facilities or services.

20       “(3) Nothing in this section shall be construed to pre-  
21empt any authority of any State to take action to ensure  
22 the safety, adequacy, and reliability of electric service  
23 within that State, as long as such action is not incon-  
24 sistent with any reliability standard.

1       “(4) Within 90 days of the application of the Electric  
2 Reliability Organization or other affected party, and after  
3 notice and opportunity for comment, the Commission shall  
4 issue a final order determining whether a State action is  
5 inconsistent with a reliability standard, taking into consid-  
6 eration any recommendation of the ERO.

7       “(5) The Commission, after consultation with the  
8 ERO and the State taking action, may stay the effective-  
9 ness of any State action, pending the Commission’s  
10 issuance of a final order.

11       “(j) REGIONAL ADVISORY BODIES.—The Commis-  
12 sion shall establish a regional advisory body on the petition  
13 of at least  $\frac{2}{3}$  of the States within a region that have more  
14 than  $\frac{1}{2}$  of their electric load served within the region. A  
15 regional advisory body shall be composed of 1 member  
16 from each participating State in the region, appointed by  
17 the Governor of each State, and may include representa-  
18 tives of agencies, States, and provinces outside the United  
19 States. A regional advisory body may provide advice to the  
20 Electric Reliability Organization, a regional entity, or the  
21 Commission regarding the governance of an existing or  
22 proposed regional entity within the same region, whether  
23 a standard proposed to apply within the region is just,  
24 reasonable, not unduly discriminatory or preferential, and  
25 in the public interest, whether fees proposed to be assessed

1 within the region are just, reasonable, not unduly discrimi-  
2 natory or preferential, and in the public interest and any  
3 other responsibilities requested by the Commission. The  
4 Commission may give deference to the advice of any such  
5 regional advisory body if that body is organized on an  
6 Interconnection-wide basis.

7       “(k) ALASKA AND HAWAII.—The provisions of this  
8 section do not apply to Alaska or Hawaii.”.

9       (b) STATUS OF ERO.—The Electric Reliability Orga-  
10 nization certified by the Federal Energy Regulatory Com-  
11 mission under section 215(c) of the Federal Power Act  
12 and any regional entity delegated enforcement authority  
13 pursuant to section 215(e)(4) of that Act are not depart-  
14 ments, agencies, or instrumentalities of the United States  
15 Government.

## 16                   **Subtitle B—Transmission** 17                   **Infrastructure Modernization**

18 SEC. 1221. SITING OF INTERSTATE ELECTRIC TRANS-  
19                   **MISSION FACILITIES.**

20       (a) AMENDMENT OF FEDERAL POWER ACT.—Part  
21 II of the Federal Power Act is amended by adding at the  
22 end the following:

1 "SEC. 216. SITING OF INTERSTATE ELECTRIC TRANS-

2 **MISSION FACILITIES.**

3 "(a) DESIGNATION OF NATIONAL INTEREST ELEC-

4 TRIC TRANSMISSION CORRIDORS.—

5 "(1) TRANSMISSION CONGESTION STUDY.—

6 Within 1 year after the enactment of this section,  
7 and every 3 years thereafter, the Secretary of En-  
8 ergy, in consultation with affected States, shall con-  
9 duct a study of electric transmission congestion.

10 After considering alternatives and recommendations  
11 from interested parties, including an opportunity for  
12 comment from affected States, the Secretary shall  
13 issue a report, based on such study, which may des-  
14 ignate any geographic area experiencing electric en-  
15 ergy transmission capacity constraints or congestion  
16 that adversely affects consumers as a national inter-  
17 est electric transmission corridor. The Secretary  
18 shall conduct the study and issue the report in con-  
19 sultation with any appropriate regional entity ref-  
20 erenced in section 215 of this Act.

21 "(2) CONSIDERATIONS.—In determining whether  
22 to designate a national interest electric trans-  
23 mission corridor referred to in paragraph (1) under  
24 this section, the Secretary may consider whether—

25 "(A) the economic vitality and development  
26 of the corridor, or the end markets served by

1           the corridor, may be constrained by lack of ade-  
2           quate or reasonably priced electricity;

3           “(B)(i) economic growth in the corridor, or  
4           the end markets served by the corridor, may be  
5           jeopardized by reliance on limited sources of en-  
6           ergy; and

7           “(ii) a diversification of supply is war-  
8           ranted;

9           “(C) the energy independence of the  
10          United States would be served by the designa-  
11          tion;

12          “(D) the designation would be in the inter-  
13          est of national energy policy; and

14          “(E) the designation would enhance na-  
15          tional defense and homeland security.

16          “(b) CONSTRUCTION PERMIT.—Except as provided  
17          in subsection (i), the Commission is authorized, after no-  
18          tice and an opportunity for hearing, to issue a permit or  
19          permits for the construction or modification of electric  
20          transmission facilities in a national interest electric trans-  
21          mission corridor designated by the Secretary under sub-  
22          section (a) if the Commission finds that—

23          “(1)(A) a State in which the transmission fa-  
24          cilities are to be constructed or modified is without  
25          authority to—

1                 “(i) approve the siting of the facilities; or  
2                 “(ii) consider the interstate benefits ex-  
3                 pected to be achieved by the proposed construc-  
4                 tion or modification of transmission facilities in  
5                 the State;

6                 “(B) the applicant for a permit is a transmit-  
7                 ting utility under this Act but does not qualify to  
8                 apply for a permit or siting approval for the pro-  
9                 posed project in a State because the applicant does  
10                 not serve end-use customers in the State; or

11                 “(C) a State commission or other entity that  
12                 has authority to approve the siting of the facilities  
13                 has—

14                 “(i) withheld approval for more than 1  
15                 year after the filing of an application pursuant  
16                 to applicable law seeking approval or 1 year  
17                 after the designation of the relevant national in-  
18                 terest electric transmission corridor, whichever  
19                 is later; or

20                 “(ii) conditioned its approval in such a  
21                 manner that the proposed construction or modi-  
22                 fication will not significantly reduce trans-  
23                 mission congestion in interstate commerce or is  
24                 not economically feasible;

1           “(2) the facilities to be authorized by the per-  
2 mit will be used for the transmission of electric en-  
3 ergy in interstate commerce;

4           “(3) the proposed construction or modification  
5 is consistent with the public interest;

6           “(4) the proposed construction or modification  
7 will significantly reduce transmission congestion in  
8 interstate commerce and protects or benefits con-  
9 sumers; and

10          “(5) the proposed construction or modification  
11 is consistent with sound national energy policy and  
12 will enhance energy independence.

13          “(c) PERMIT APPLICATIONS.—Permit applications  
14 under subsection (b) shall be made in writing to the Com-  
15 mission. The Commission shall issue rules setting forth  
16 the form of the application, the information to be con-  
17 tained in the application, and the manner of service of no-  
18 tice of the permit application upon interested persons.

19          “(d) COMMENTS.—In any proceeding before the  
20 Commission under subsection (b), the Commission shall  
21 afford each State in which a transmission facility covered  
22 by the permit is or will be located, each affected Federal  
23 agency and Indian tribe, private property owners, and  
24 other interested persons, a reasonable opportunity to

1 present their views and recommendations with respect to  
2 the need for and impact of a facility covered by the permit.

3       “(e) RIGHTS-OF-WAY.—In the case of a permit under  
4 subsection (b) for electric transmission facilities to be lo-  
5 cated on property other than property owned by the  
6 United States or a State, if the permit holder cannot ac-  
7 quire by contract, or is unable to agree with the owner  
8 of the property to the compensation to be paid for, the  
9 necessary right-of-way to construct or modify such trans-  
10 mission facilities, the permit holder may acquire the right-  
11 of-way by the exercise of the right of eminent domain in  
12 the district court of the United States for the district in  
13 which the property concerned is located, or in the appro-  
14 priate court of the State in which the property is located.  
15 The practice and procedure in any action or proceeding  
16 for that purpose in the district court of the United States  
17 shall conform as nearly as may be with the practice and  
18 procedure in similar action or proceeding in the courts of  
19 the State where the property is situated.

20       “(f) STATE LAW.—Nothing in this section shall pre-  
21 clude any person from constructing or modifying any  
22 transmission facility pursuant to State law.

23       “(g) COMPENSATION.—Any exercise of eminent do-  
24 main authority pursuant to this section shall be considered  
25 a taking of private property for which just compensation

1 is due. Just compensation shall be an amount equal to  
2 the full fair market value of the property taken on the  
3 date of the exercise of eminent domain authority, except  
4 that the compensation shall exceed fair market value if  
5 necessary to make the landowner whole for decreases in  
6 the value of any portion of the land not subject to eminent  
7 domain. Any parcel of land acquired by eminent domain  
8 under this subsection shall be transferred back to the  
9 owner from whom it was acquired (or his heirs or assigns)  
10 if the land is not used for the construction or modification  
11 of electric transmission facilities within a reasonable pe-  
12 riod of time after the acquisition. Other than construction,  
13 modification, operation, or maintenance of electric trans-  
14 mission facilities and related facilities, property acquired  
15 under subsection (e) may not be used for any purpose (in-  
16 cluding use for any heritage area, recreational trail, or  
17 park) without the consent of the owner of the parcel from  
18 whom the property was acquired (or the owner's heirs or  
19 assigns).

20       “(h) COORDINATION OF FEDERAL AUTHORIZATIONS  
21 FOR TRANSMISSION AND DISTRIBUTION FACILITIES.—

22           “(1) LEAD AGENCY.—If an applicant, or pro-  
23 spective applicant, for a Federal authorization re-  
24 lated to an electric transmission or distribution facil-  
25 ity so requests, the Department of Energy (DOE)

1 shall act as the lead agency for purposes of coordi-  
2 nating all applicable Federal authorizations and re-  
3 lated environmental reviews of the facility. For pur-  
4 poses of this subsection, the term ‘Federal auth-  
5 orization’ means any authorization required under  
6 Federal law in order to site a transmission or dis-  
7 tribution facility, including but not limited to such  
8 permits, special use authorizations, certifications,  
9 opinions, or other approvals as may be required,  
10 whether issued by a Federal or a State agency. To  
11 the maximum extent practicable under applicable  
12 Federal law, the Secretary of Energy shall coordi-  
13 nate this Federal authorization and review process  
14 with any Indian tribes, multi-State entities, and  
15 State agencies that are responsible for conducting  
16 any separate permitting and environmental reviews  
17 of the facility, to ensure timely and efficient review  
18 and permit decisions.

19       “(2) AUTHORITY TO SET DEADLINES.—As lead  
20 agency, the Department of Energy, in consultation  
21 with agencies responsible for Federal authorizations  
22 and, as appropriate, with Indian tribes, multi-State  
23 entities, and State agencies that are willing to co-  
24 ordinate their own separate permitting and environ-  
25 mental reviews with the Federal authorization and

1 environmental reviews, shall establish prompt and  
2 binding intermediate milestones and ultimate dead-  
3 lines for the review of, and Federal authorization de-  
4 cisions relating to, the proposed facility. The Sec-  
5 retary of Energy shall ensure that once an applica-  
6 tion has been submitted with such data as the Sec-  
7 retary considers necessary, all permit decisions and  
8 related environmental reviews under all applicable  
9 Federal laws shall be completed within 1 year or, if  
10 a requirement of another provision of Federal law  
11 makes this impossible, as soon thereafter as is prac-  
12 ticable. The Secretary of Energy also shall provide  
13 an expeditious pre-application mechanism for pro-  
14 spective applicants to confer with the agencies in-  
15 volved to have each such agency determine and com-  
16 municate to the prospective applicant within 60 days  
17 of when the prospective applicant submits a request  
18 for such information concerning—

19                 “(A) the likelihood of approval for a poten-  
20 tial facility; and

21                 “(B) key issues of concern to the agencies  
22 and public.

23                 “(3) CONSOLIDATED ENVIRONMENTAL REVIEW  
24 AND RECORD OF DECISION.—As lead agency head,  
25 the Secretary of Energy, in consultation with the af-

1 fected agencies, shall prepare a single environmental  
2 review document, which shall be used as the basis  
3 for all decisions on the proposed project under Fed-  
4 eral law. The document may be an environmental as-  
5 sessment or environmental impact statement under  
6 the National Environmental Policy Act of 1969 if  
7 warranted, or such other form of analysis as may be  
8 warranted. The Secretary of Energy and the heads  
9 of other agencies shall streamline the review and  
10 permitting of transmission and distribution facilities  
11 within corridors designated under section 503 of the  
12 Federal Land Policy and Management Act (43  
13 U.S.C. 1763) by fully taking into account prior anal-  
14 yses and decisions relating to the corridors. Such  
15 document shall include consideration by the relevant  
16 agencies of any applicable criteria or other matters  
17 as required under applicable laws.

18 “(4) APPEALS.—In the event that any agency  
19 has denied a Federal authorization required for a  
20 transmission or distribution facility, or has failed to  
21 act by the deadline established by the Secretary pur-  
22 suant to this section for deciding whether to issue  
23 the authorization, the applicant or any State in  
24 which the facility would be located may file an ap-  
25 peal with the Secretary, who shall, in consultation

1       with the affected agency, review the denial or take  
2       action on the pending application. Based on the  
3       overall record and in consultation with the affected  
4       agency, the Secretary may then either issue the nec-  
5       essary authorization with any appropriate condi-  
6       tions, or deny the application. The Secretary shall  
7       issue a decision within 90 days of the filing of the  
8       appeal. In making a decision under this paragraph,  
9       the Secretary shall comply with applicable require-  
10      ments of Federal law, including any requirements of  
11      the Endangered Species Act, the Clean Water Act,  
12      the National Forest Management Act, the National  
13      Environmental Policy Act of 1969, and the Federal  
14      Land Policy and Management Act.

15           “(5) CONFORMING REGULATIONS AND MEMO-  
16      RANDA OF UNDERSTANDING.—Not later than 18  
17      months after the date of enactment of this section,  
18      the Secretary of Energy shall issue any regulations  
19      necessary to implement this subsection. Not later  
20      than 1 year after the date of enactment of this sec-  
21      tion, the Secretary and the heads of all Federal  
22      agencies with authority to issue Federal authoriza-  
23      tions shall enter into Memoranda of Understanding  
24      to ensure the timely and coordinated review and per-  
25      mitting of electricity transmission and distribution

1 facilities. The head of each Federal agency with au-  
2 thority to issue a Federal authorization shall des-  
3 ignate a senior official responsible for, and dedicate  
4 sufficient other staff and resources to ensure, full  
5 implementation of the DOE regulations and any  
6 Memoranda. Interested Indian tribes, multi-State  
7 entities, and State agencies may enter such Memo-  
8 randa of Understanding.

9                 “(6) DURATION AND RENEWAL.—Each Federal  
10 land use authorization for an electricity transmission  
11 or distribution facility shall be issued—

12                     “(A) for a duration, as determined by the  
13 Secretary of Energy, commensurate with the  
14 anticipated use of the facility, and

15                     “(B) with appropriate authority to manage  
16 the right-of-way for reliability and environ-  
17 mental protection.

18 Upon the expiration of any such authorization (in-  
19 cluding an authorization issued prior to enactment  
20 of this section), the authorization shall be reviewed  
21 for renewal taking fully into account reliance on  
22 such electricity infrastructure, recognizing its impor-  
23 tance for public health, safety and economic welfare  
24 and as a legitimate use of Federal lands.

1           “(7) MAINTAINING AND ENHANCING THE  
2       TRANSMISSION INFRASTRUCTURE.—In exercising the  
3       responsibilities under this section, the Secretary of  
4       Energy shall consult regularly with the Federal En-  
5       ergy Regulatory Commission (FERC), FERC-ap-  
6       proved electric reliability organizations (including re-  
7       lated regional entities), and FERC-approved Re-  
8       gional Transmission Organizations and Independent  
9       System Operators.

10       “(i) INTERSTATE COMPACTS.—The consent of Con-  
11      gress is hereby given for 3 or more contiguous States to  
12      enter into an interstate compact, subject to approval by  
13      Congress, establishing regional transmission siting agen-  
14      cies to facilitate siting of future electric energy trans-  
15      mission facilities within such States and to carry out the  
16      electric energy transmission siting responsibilities of such  
17      States. The Secretary of Energy may provide technical as-  
18      sistance to regional transmission siting agencies estab-  
19      lished under this subsection. Such regional transmission  
20      siting agencies shall have the authority to review, certify,  
21      and permit siting of transmission facilities, including fa-  
22      cilities in national interest electric transmission corridors  
23      (other than facilities on property owned by the United  
24      States). The Commission shall have no authority to issue  
25      a permit for the construction or modification of electric

1 transmission facilities within a State that is a party to  
2 a compact, unless the members of a compact are in dis-  
3 agreement and the Secretary makes, after notice and an  
4 opportunity for a hearing, the finding described in section  
5 (b)(1)(C).

6       “(j) SAVINGS CLAUSE.—Nothing in this section shall  
7 be construed to affect any requirement of the environ-  
8 mental laws of the United States, including, but not lim-  
9 ited to, the National Environmental Policy Act of 1969.  
10 Subsection (h)(4) of this section shall not apply to any  
11 Congressionally-designated components of the National  
12 Wilderness Preservation System, the National Wild and  
13 Scenic Rivers System, or the National Park system (in-  
14 cluding National Monuments therein).

15       “(k) ERCOT.—This section shall not apply within  
16 the area referred to in section 212(k)(2)(A).”.

17       (b) REPORTS TO CONGRESS ON CORRIDORS AND  
18 RIGHTS OF WAY ON FEDERAL LANDS.—The Secretary of  
19 the Interior, the Secretary of Energy, the Secretary of Ag-  
20 riculture, and the Chairman of the Council on Environ-  
21 mental Quality shall, within 90 days of the date of enact-  
22 ment of this subsection, submit a joint report to Congress  
23 identifying each of the following:

24           (1) All existing designated transmission and  
25 distribution corridors on Federal land and the status

1       of work related to proposed transmission and dis-  
2       tribution corridor designations under Title V of the  
3       Federal Land Policy and Management Act (43  
4       U.S.C. 1761 et. Seq.), the schedule for completing  
5       such work, any impediments to completing the work,  
6       and steps that Congress could take to expedite the  
7       process.

8                     (2) The number of pending applications to lo-  
9       cate transmission and distribution facilities on Fed-  
10      eral lands, key information relating to each such fa-  
11      cility, how long each application has been pending,  
12      the schedule for issuing a timely decision as to each  
13      facility, and progress in incorporating existing and  
14      new such rights-of-way into relevant land use and  
15      resource management plans or their equivalent.

16                     (3) The number of existing transmission and  
17      distribution rights-of-way on Federal lands that will  
18      come up for renewal within the following 5, 10, and  
19      15 year periods, and a description of how the Secre-  
20      taries plan to manage such renewals.

21 **SEC. 1222. THIRD-PARTY FINANCE.**

22                     (a) EXISTING FACILITIES.—The Secretary of Energy  
23      (hereinafter in this section referred to as the “Secretary”),  
24      acting through the Administrator of the Western Area  
25      Power Administration (hereinafter in this section referred

1 to as “WAPA”), or through the Administrator of the  
2 Southwestern Power Administration (hereinafter in this  
3 section referred to as “SWPA”), or both, may design, de-  
4 velop, construct, operate, maintain, or own, or participate  
5 with other entities in designing, developing, constructing,  
6 operating, maintaining, or owning, an electric power  
7 transmission facility and related facilities (“Project”)  
8 needed to upgrade existing transmission facilities owned  
9 by SWPA or WAPA if the Secretary of Energy, in con-  
10 sultation with the applicable Administrator, determines  
11 that the proposed Project—

12                 (1)(A) is located in a national interest electric  
13                 transmission corridor designated under section  
14                 216(a) of the Federal Power Act and will reduce  
15                 congestion of electric transmission in interstate com-  
16                 merce; or

17                 (B) is necessary to accommodate an actual or  
18                 projected increase in demand for electric trans-  
19                 mission capacity;

20                 (2) is consistent with—

21                 (A) transmission needs identified, in a  
22                 transmission expansion plan or otherwise, by  
23                 the appropriate Regional Transmission Organi-  
24                 zation or Independent System Operator (as de-

1           fined in the Federal Power Act), if any, or ap-  
2           proved regional reliability organization; and

3               (B) efficient and reliable operation of the  
4               transmission grid; and

5               (3) would be operated in conformance with pru-  
6               dent utility practice.

7           (b) NEW FACILITIES.—The Secretary, acting  
8 through WAPA or SWPA, or both, may design, develop,  
9 construct, operate, maintain, or own, or participate with  
10 other entities in designing, developing, constructing, oper-  
11 ating, maintaining, or owning, a new electric power trans-  
12 mission facility and related facilities (“Project”) located  
13 within any State in which WAPA or SWPA operates if  
14 the Secretary, in consultation with the applicable Adminis-  
15 trator, determines that the proposed Project—

16               (1)(A) is located in an area designated under  
17 section 216(a) of the Federal Power Act and will re-  
18 duce congestion of electric transmission in interstate  
19 commerce; or

20               (B) is necessary to accommodate an actual or  
21 projected increase in demand for electric trans-  
22 mission capacity;

23               (2) is consistent with—

24               (A) transmission needs identified, in a  
25 transmission expansion plan or otherwise, by

1           the appropriate Regional Transmission Organiza-  
2           zation or Independent System Operator, if any,  
3           or approved regional reliability organization;  
4           and

5                 (B) efficient and reliable operation of the  
6                 transmission grid;

7                 (3) will be operated in conformance with pru-  
8                 dent utility practice;

9                 (4) will be operated by, or in conformance with  
10                 the rules of, the appropriate (A) Regional Trans-  
11                 mission Organization or Independent System Oper-  
12                 ator, if any, or (B) if such an organization does not  
13                 exist, regional reliability organization; and

14                 (5) will not duplicate the functions of existing  
15                 transmission facilities or proposed facilities which  
16                 are the subject of ongoing or approved siting and re-  
17                 lated permitting proceedings.

18                 (c) OTHER FUNDS.—

19                 (1) IN GENERAL.—In carrying out a Project  
20                 under subsection (a) or (b), the Secretary may ac-  
21                 cept and use funds contributed by another entity for  
22                 the purpose of carrying out the Project.

23                 (2) AVAILABILITY.—The contributed funds  
24                 shall be available for expenditure for the purpose of  
25                 carrying out the Project—

12 (d) RELATIONSHIP TO OTHER LAWS.—Nothing in  
13 this section affects any requirement of—

19 (3) any existing authorizing statutes

20       (e) SAVINGS CLAUSE.—Nothing in this section shall  
21 constrain or restrict an Administrator in the utilization  
22 of other authority delegated to the Administrator of  
23 WAPA or SWPA.

24 (f) SECRETARIAL DETERMINATIONS.—Any deter-  
25 mination made pursuant to subsections (a) or (b) shall

1 be based on findings by the Secretary using the best avail-  
2 able data.

3 (g) MAXIMUM FUNDING AMOUNT.—The Secretary  
4 shall not accept and use more than \$100,000,000 under  
5 subsection (c)(1) for the period encompassing fiscal years  
6 2004 through 2013.

7 **SEC. 1223. TRANSMISSION SYSTEM MONITORING.**

8 Within 6 months after the date of enactment of this  
9 Act, the Secretary of Energy and the Federal Energy Reg-  
10 ulatory Commission shall study and report to Congress on  
11 the steps which must be taken to establish a system to  
12 make available to all transmission system owners and Re-  
13 gional Transmission Organizations (as defined in the Fed-  
14 eral Power Act) within the Eastern and Western Inter-  
15 connections real-time information on the functional status  
16 of all transmission lines within such Interconnections. In  
17 such study, the Commission shall assess technical means  
18 for implementing such transmission information system  
19 and identify the steps the Commission or Congress must  
20 take to require the implementation of such system.

21 **SEC. 1224. ADVANCED TRANSMISSION TECHNOLOGIES.**

22 (a) AUTHORITY.—The Federal Energy Regulatory  
23 Commission, in the exercise of its authorities under the  
24 Federal Power Act and the Public Utility Regulatory Poli-

1 cies Act of 1978, shall encourage the deployment of ad-  
2 vanced transmission technologies.

3 (b) DEFINITION.—For the purposes of this section,  
4 the term “advanced transmission technologies” means  
5 technologies that increase the capacity, efficiency, or reli-  
6 ability of existing or new transmission facilities, including,

7 but not limited to—

8 (1) high-temperature lines (including super-  
9 conducting cables);

10 (2) underground cables;

11 (3) advanced conductor technology (including  
12 advanced composite conductors, high-temperature  
13 low-sag conductors, and fiber optic temperature  
14 sensing conductors);

15 (4) high-capacity ceramic electric wire, connec-  
16 tors, and insulators;

17 (5) optimized transmission line configurations  
18 (including multiple phased transmission lines);

19 (6) modular equipment;

20 (7) wireless power transmission;

21 (8) ultra-high voltage lines;

22 (9) high-voltage DC technology;

23 (10) flexible AC transmission systems;

1                         (11) energy storage devices (including pumped  
2                         hydro, compressed air, superconducting magnetic en-  
3                         ergy storage, flywheels, and batteries);  
4                         (12) controllable load;  
5                         (13) distributed generation (including PV, fuel  
6                         cells, microturbines);  
7                         (14) enhanced power device monitoring;  
8                         (15) direct system state sensors;  
9                         (16) fiber optic technologies;  
10                         (17) power electronics and related software (in-  
11                         cluding real time monitoring and analytical soft-  
12                         ware); and  
13                         (18) any other technologies the Commission  
14                         considers appropriate.

15                 (c) OBSOLETE OR IMPRACTICABLE TECH-  
16 NOLOGIES.—The Commission is authorized to cease en-  
17 couraging the deployment of any technology described in  
18 this section on a finding that such technology has been  
19 rendered obsolete or otherwise impracticable to deploy.

20 **SEC. 1225. ELECTRIC TRANSMISSION AND DISTRIBUTION**  
21 **PROGRAMS.**

22                 (a) ELECTRIC TRANSMISSION AND DISTRIBUTION  
23 PROGRAM.—The Secretary of Energy (hereinafter in this  
24 section referred to as the “Secretary”) acting through the  
25 Director of the Office of Electric Transmission and Dis-

1 tribution shall establish a comprehensive research, devel-  
2 opment, demonstration and commercial application pro-  
3 gram to promote improved reliability and efficiency of  
4 electrical transmission and distribution systems. This pro-  
5 gram shall include—

6                 (1) advanced energy delivery and storage tech-  
7 nologies, materials, and systems, including new  
8 transmission technologies, such as flexible alter-  
9 nating current transmission systems, composite con-  
10 ductor materials and other technologies that enhance  
11 reliability, operational flexibility, or power-carrying  
12 capability;

13                 (2) advanced grid reliability and efficiency tech-  
14 nology development;

15                 (3) technologies contributing to significant load  
16 reductions;

17                 (4) advanced metering, load management, and  
18 control technologies;

19                 (5) technologies to enhance existing grid compo-  
20 nents;

21                 (6) the development and use of high-tempera-  
22 ture superconductors to—

23                     (A) enhance the reliability, operational  
24 flexibility, or power-carrying capability of elec-  
25 tric transmission or distribution systems; or

(B) increase the efficiency of electric energy generation, transmission, distribution, or storage systems;

(7) integration of power systems, including systems to deliver high-quality electric power, electric power reliability, and combined heat and power;

(8) supply of electricity to the power grid by small scale, distributed and residential-based power generators;

(9) the development and use of advanced grid design, operation and planning tools;

14 (11) technology transfer and education.

(b) PROGRAM PLAN.—Not later than 1 year after the date of the enactment of this legislation, the Secretary, in consultation with other appropriate Federal agencies, shall prepare and transmit to Congress a 5-year program plan to guide activities under this section. In preparing the program plan, the Secretary may consult with utilities, energy services providers, manufacturers, institutions of higher education, other appropriate State and local agencies, environmental organizations, professional and technical societies, and any other persons the Secretary considers appropriate.

1       (c) IMPLEMENTATION.—The Secretary shall consider  
2 implementing this program using a consortium of indus-  
3 try, university and national laboratory participants.

4       (d) REPORT.—Not later than 2 years after the trans-  
5 mittal of the plan under subsection (b), the Secretary shall  
6 transmit a report to Congress describing the progress  
7 made under this section and identifying any additional re-  
8 sources needed to continue the development and commer-  
9 cial application of transmission and distribution infra-  
10 structure technologies.

11     (e) POWER DELIVERY RESEARCH INITIATIVE.—

12           (1) IN GENERAL.—The Secretary shall establish  
13 a research, development, demonstration, and com-  
14 mercial application initiative specifically focused on  
15 power delivery utilizing components incorporating  
16 high temperature superconductivity.

17           (2) GOALS.—The goals of this initiative shall be  
18 to—

19                  (A) establish facilities to develop high tem-  
20 perature superconductivity power applications  
21 in partnership with manufacturers and utilities;

22                  (B) provide technical leadership for estab-  
23 lishing reliability for high temperature super-  
24 conductivity power applications including suit-  
25 able modeling and analysis;

(C) facilitate commercial transition toward direct current power transmission, storage, and use for high power systems utilizing high temperature superconductivity; and

(D) facilitate the integration of very low impedance high temperature superconducting wires and cables in existing electric networks to improve system performance, power flow control and reliability.

10                   (3) REQUIREMENTS.—The initiative shall in-  
11                   clude—

(A) feasibility analysis, planning, research, and design to construct demonstrations of superconducting links in high power, direct current and controllable alternating current transmission systems;

(B) public-private partnerships to demonstrate deployment of high temperature superconducting cable into testbeds simulating a realistic transmission grid and under varying transmission conditions, including actual grid insertions; and

(C) testbeds developed in cooperation with national laboratories, industries, and universities to demonstrate these technologies, pre-

1           pare the technologies for commercial introduc-  
2           tion, and address cost or performance road-  
3           blocks to successful commercial use.

4           (4) AUTHORIZATION OF APPROPRIATIONS.—For  
5           purposes of carrying out this subsection, there are  
6           authorized to be appropriated—

- 7                 (A) for fiscal year 2004, \$15,000,000;  
8                 (B) for fiscal year 2005, \$20,000,000;  
9                 (C) for fiscal year 2006, \$30,000,000;  
10                (D) for fiscal year 2007, \$35,000,000; and  
11                (E) for fiscal year 2008, \$40,000,000.

12 **SEC. 1226. ADVANCED POWER SYSTEM TECHNOLOGY IN-**  
13               **CENTIVE PROGRAM.**

14           (a) PROGRAM.—The Secretary of Energy is author-  
15 ized to establish an Advanced Power System Technology  
16 Incentive Program to support the deployment of certain  
17 advanced power system technologies and to improve and  
18 protect certain critical governmental, industrial, and com-  
19 mercial processes. Funds provided under this section shall  
20 be used by the Secretary to make incentive payments to  
21 eligible owners or operators of advanced power system  
22 technologies to increase power generation through en-  
23 hanced operational, economic, and environmental perform-  
24 ance. Payments under this section may only be made upon

1 receipt by the Secretary of an incentive payment applica-  
2 tion establishing an applicant as either—

3                 (1) a qualifying advanced power system tech-  
4 nology facility; or  
5                 (2) a qualifying security and assured power fa-  
6 cility.

7                 (b) INCENTIVES.—Subject to availability of funds, a  
8 payment of 1.8 cents per kilowatt-hour shall be paid to  
9 the owner or operator of a qualifying advanced power sys-  
10 tem technology facility under this section for electricity  
11 generated at such facility. An additional 0.7 cents per kilo-  
12 watt-hour shall be paid to the owner or operator of a quali-  
13 fying security and assured power facility for electricity  
14 generated at such facility. Any facility qualifying under  
15 this section shall be eligible for an incentive payment for  
16 up to, but not more than, the first 10,000,000 kilowatt-  
17 hours produced in any fiscal year.

18                 (c) ELIGIBILITY.—For purposes of this section:

19                         (1) QUALIFYING ADVANCED POWER SYSTEM  
20 TECHNOLOGY FACILITY.—The term “qualifying ad-  
21 vanced power system technology facility” means a  
22 facility using an advanced fuel cell, turbine, or hy-  
23 brid power system or power storage system to gen-  
24 erate or store electric energy.

10 (d) AUTHORIZATION.—There are authorized to be ap-  
11 propriated to the Secretary of Energy for the purposes  
12 of this section, \$10,000,000 for each of the fiscal years  
13 2004 through 2010.

14 SEC. 1227. OFFICE OF ELECTRIC TRANSMISSION AND DIS-  
15 TRIBUTION.

16       (a) CREATION OF AN OFFICE OF ELECTRIC TRANS-  
17 MISSION AND DISTRIBUTION.—Title II of the Department  
18 of Energy Organization Act (42 U.S.C. 7131 et seq.) (as  
19 amended by section 502(a) of this Act) is amended by in-  
20 serting the following after section 217, as added by title  
21 V of this Act:

22 "SEC. 218. OFFICE OF ELECTRIC TRANSMISSION AND DIS-  
23 TRIBUTION.

24        "(a) ESTABLISHMENT.—There is established within  
25 the Department an Office of Electric Transmission and

1 Distribution. This Office shall be headed by a Director,  
2 subject to the authority of the Secretary. The Director  
3 shall be appointed by the Secretary. The Director shall  
4 be compensated at the annual rate prescribed for level IV  
5 of the Executive Schedule under section 5315 of title 5,  
6 United States Code.

7       “(b) DIRECTOR.—The Director shall—

8           “(1) coordinate and develop a comprehensive,  
9           multi-year strategy to improve the Nation’s elec-  
10          tricity transmission and distribution;

11           “(2) implement or, where appropriate, coordi-  
12          nate the implementation of, the recommendations  
13          made in the Secretary’s May 2002 National Trans-  
14          mission Grid Study;

15           “(3) oversee research, development, and dem-  
16          onstration to support Federal energy policy related  
17          to electricity transmission and distribution;

18           “(4) grant authorizations for electricity import  
19          and export pursuant to section 202(c), (d), (e), and  
20          (f) of the Federal Power Act (16 U.S.C. 824a);

21           “(5) perform other functions, assigned by the  
22          Secretary, related to electricity transmission and dis-  
23          tribution; and

24           “(6) develop programs for workforce training in  
25          power and transmission engineering.”.

1       (b) CONFORMING AMENDMENTS.—(1) The table of  
2 contents of the Department of Energy Organization Act  
3 (42 U.S.C. 7101 note) is amended by inserting after the  
4 item relating to section 217 the following new item:

“Sec. 218. Office of Electric Transmission and Distribution.”.

5       (2) Section 5315 of title 5, United States Code, is  
6 amended by inserting after the item relating to “Inspector  
7 General, Department of Energy.” the following:

8              “Director, Office of Electric Transmission and  
9 Distribution, Department of Energy.”.

## 10              **Subtitle C—Transmission 11              Operation Improvements**

### 12    **SEC. 1231. OPEN NONDISCRIMINATORY ACCESS.**

13       Part II of the Federal Power Act (16 U.S.C. 824 et  
14 seq.) is amended by inserting after section 211 the fol-  
15 lowing new section:

### 16    **“SEC. 211A. OPEN ACCESS BY UNREGULATED TRANSMIT- 17              TING UTILITIES.**

18       “(a) TRANSMISSION SERVICES.—Subject to section  
19 212(h), the Commission may, by rule or order, require an  
20 unregulated transmitting utility to provide transmission  
21 services—

22              “(1) at rates that are comparable to those that  
23 the unregulated transmitting utility charges itself;  
24 and

1               “(2) on terms and conditions (not relating to  
2               rates) that are comparable to those under which  
3               such unregulated transmitting utility provides trans-  
4               mission services to itself and that are not unduly  
5               discriminatory or preferential.

6               “(b) EXEMPTION.—The Commission shall exempt  
7               from any rule or order under this section any unregulated  
8               transmitting utility that—

9               “(1) sells no more than 4,000,000 megawatt  
10              hours of electricity per year; or

11              “(2) does not own or operate any transmission  
12              facilities that are necessary for operating an inter-  
13              connected transmission system (or any portion  
14              thereof); or

15              “(3) meets other criteria the Commission deter-  
16              mines to be in the public interest.

17              “(c) LOCAL DISTRIBUTION FACILITIES.—The re-  
18              quirements of subsection (a) shall not apply to facilities  
19              used in local distribution.

20              “(d) EXEMPTION TERMINATION.—Whenever the  
21              Commission, after an evidentiary hearing held upon a  
22              complaint and after giving consideration to reliability  
23              standards established under section 215, finds on the  
24              basis of a preponderance of the evidence that any exemp-  
25              tion granted pursuant to subsection (b) unreasonably im-

1 pairs the continued reliability of an interconnected trans-  
2 mission system, it shall revoke the exemption granted to  
3 that transmitting utility.

4       “(e) APPLICATION TO UNREGULATED TRANSMIT-  
5 TING UTILITIES.—The rate changing procedures applica-  
6 ble to public utilities under subsections (c) and (d) of sec-  
7 tion 205 are applicable to unregulated transmitting utili-  
8 ties for purposes of this section.

9       “(f) REMAND.—In exercising its authority under  
10 paragraph (1) of subsection (a), the Commission may re-  
11 mand transmission rates to an unregulated transmitting  
12 utility for review and revision where necessary to meet the  
13 requirements of subsection (a).

14       “(g) OTHER REQUESTS.—The provision of trans-  
15 mission services under subsection (a) does not preclude a  
16 request for transmission services under section 211.

17       “(h) LIMITATION.—The Commission may not require  
18 a State or municipality to take action under this section  
19 that would violate a private activity bond rule for purposes  
20 of section 141 of the Internal Revenue Code of 1986 (26  
21 U.S.C. 141).

22       “(i) TRANSFER OF CONTROL OF TRANSMITTING FA-  
23 CILITIES.—Nothing in this section authorizes the Commis-  
24 sion to require an unregulated transmitting utility to  
25 transfer control or operational control of its transmitting

1 facilities to an RTO or any other Commission-approved  
2 independent transmission organization designated to pro-  
3 vide nondiscriminatory transmission access.

4       “(j) DEFINITION.—For purposes of this section, the  
5 term ‘unregulated transmitting utility’ means an entity  
6 that—

7           “(1) owns or operates facilities used for the  
8 transmission of electric energy in interstate com-  
9 merce; and

10           “(2) is an entity described in section 201(f).”.

11 **SEC. 1232. SENSE OF CONGRESS ON REGIONAL TRANS-**

12           **MISSION ORGANIZATIONS.**

13       It is the sense of Congress that, in order to promote  
14 fair, open access to electric transmission service, benefit  
15 retail consumers, facilitate wholesale competition, improve  
16 efficiencies in transmission grid management, promote  
17 grid reliability, remove opportunities for unduly discrimi-  
18 natory or preferential transmission practices, and provide  
19 for the efficient development of transmission infrastruc-  
20 ture needed to meet the growing demands of competitive  
21 wholesale power markets, all transmitting utilities in inter-  
22 state commerce should voluntarily become members of Re-  
23 gional Transmission Organizations as defined in section  
24 3 of the Federal Power Act.

## 1 SEC. 1233. REGIONAL TRANSMISSION ORGANIZATION AP-

## 2 PLICATIONS PROGRESS REPORT.

3 Not later than 120 days after the date of enactment  
4 of this section, the Federal Energy Regulatory Commis-  
5 sion shall submit to Congress a report containing each of  
6 the following:

7 (1) A list of all regional transmission organiza-  
8 tion applications filed at the Commission pursuant  
9 to subpart F of part 35 of title 18, Code of Federal  
10 Regulations (in this section referred to as “Order  
11 No. 2000”), including an identification of each pub-  
12 lic utility and other entity included within the pro-  
13 posed membership of the regional transmission orga-  
14 nization.

15 (2) A brief description of the status of each  
16 pending regional transmission organization applica-  
17 tion, including a precise explanation of how each  
18 fails to comply with the minimal requirements of  
19 Order No. 2000 and what steps need to be taken to  
20 bring each application into such compliance.

21 (3) For any application that has not been fi-  
22 nally approved by the Commission, a detailed de-  
23 scription of every aspect of the application that the  
24 Commission has determined does not conform to the  
25 requirements of Order No. 2000.

1                         (4) For any application that has not been fi-  
2                         nally approved by the Commission, an explanation  
3                         by the Commission of why the items described pur-  
4                         suant to paragraph (3) constitute material non-  
5                         compliance with the requirements of the Commis-  
6                         sion's Order No. 2000 sufficient to justify denial of  
7                         approval by the Commission.

8                         (5) For all regional transmission organization  
9                         applications filed pursuant to the Commission's  
10                         Order No. 2000, whether finally approved or not—

11                             (A) a discussion of that regional trans-  
12                         mission organization's efforts to minimize rate  
13                         seams between itself and—

14                             (i) other regional transmission organi-  
15                         zations; and

16                             (ii) entities not participating in a re-  
17                         gional transmission organization;

18                             (B) a discussion of the impact of such  
19                         seams on consumers and wholesale competition;  
20                         and

21                             (C) a discussion of minimizing cost-shifting  
22                         on consumers.

23                         **SEC. 1234. FEDERAL UTILITY PARTICIPATION IN REGIONAL**  
24                         **TRANSMISSION ORGANIZATIONS.**

25                         (a) DEFINITIONS.—For purposes of this section—

1                             (1) APPROPRIATE FEDERAL REGULATORY AU-  
2                             THORITY.—The term “appropriate Federal regu-  
3                             latory authority” means—

4                                 (A) with respect to a Federal power mar-  
5                             keting agency (as defined in the Federal Power  
6                             Act), the Secretary of Energy, except that the  
7                             Secretary may designate the Administrator of a  
8                             Federal power marketing agency to act as the  
9                             appropriate Federal regulatory authority with  
10                             respect to the transmission system of that Fed-  
11                             eral power marketing agency; and

12                                 (B) with respect to the Tennessee Valley  
13                             Authority, the Board of Directors of the Ten-  
14                             nessee Valley Authority.

15                             (2) FEDERAL UTILITY.—The term “Federal  
16                             utility” means a Federal power marketing agency or  
17                             the Tennessee Valley Authority.

18                             (3) TRANSMISSION SYSTEM.—The term “trans-  
19                             mission system” means electric transmission facili-  
20                             ties owned, leased, or contracted for by the United  
21                             States and operated by a Federal utility.

22                             (b) TRANSFER.—The appropriate Federal regulatory  
23                             authority is authorized to enter into a contract, agreement  
24                             or other arrangement transferring control and use of all  
25                             or part of the Federal utility’s transmission system to an

1 RTO or ISO (as defined in the Federal Power Act), ap-  
2 proved by the Federal Energy Regulatory Commission.

3 Such contract, agreement or arrangement shall include—

4           (1) performance standards for operation and  
5       use of the transmission system that the head of the  
6       Federal utility determines necessary or appropriate,  
7       including standards that assure recovery of all the  
8       Federal utility's costs and expenses related to the  
9       transmission facilities that are the subject of the  
10      contract, agreement or other arrangement; consist-  
11     ency with existing contracts and third-party financ-  
12     ing arrangements; and consistency with said Federal  
13     utility's statutory authorities, obligations, and limi-  
14     tations;

15           (2) provisions for monitoring and oversight by  
16       the Federal utility of the RTO's or ISO's fulfillment  
17       of the terms and conditions of the contract, agree-  
18       ment or other arrangement, including a provision for  
19       the resolution of disputes through arbitration or  
20       other means with the regional transmission organi-  
21       zation or with other participants, notwithstanding  
22       the obligations and limitations of any other law re-  
23       garding arbitration; and

24           (3) a provision that allows the Federal utility to  
25       withdraw from the RTO or ISO and terminate the

1 contract, agreement or other arrangement in accord-  
2 ance with its terms.

3 Neither this section, actions taken pursuant to it, nor any  
4 other transaction of a Federal utility using an RTO or  
5 ISO shall confer upon the Federal Energy Regulatory  
6 Commission jurisdiction or authority over the Federal util-  
7 ity's electric generation assets, electric capacity or energy  
8 that the Federal utility is authorized by law to market,  
9 or the Federal utility's power sales activities.

10 (c) EXISTING STATUTORY AND OTHER OBLIGA-  
11 TIONS.—

12 (1) SYSTEM OPERATION REQUIREMENTS.—No  
13 statutory provision requiring or authorizing a Fed-  
14 eral utility to transmit electric power or to construct,  
15 operate or maintain its transmission system shall be  
16 construed to prohibit a transfer of control and use  
17 of its transmission system pursuant to, and subject  
18 to all requirements of subsection (b).

19 (2) OTHER OBLIGATIONS.—This subsection  
20 shall not be construed to—

21 (A) suspend, or exempt any Federal utility  
22 from, any provision of existing Federal law, in-  
23 cluding but not limited to any requirement or  
24 direction relating to the use of the Federal util-  
25 ity's transmission system, environmental protec-

1           tion, fish and wildlife protection, flood control,  
2           navigation, water delivery, or recreation; or  
3               (B) authorize abrogation of any contract  
4           or treaty obligation.

5               (3) REPEAL.—Section 311 of title III of Appen-  
6           dix B of the Act of October 27, 2000 (P.L. 106–  
7           377, section 1(a)(2); 114 Stat. 1441, 1441A–80; 16  
8           U.S.C. 824n) is repealed.

9 **SEC. 1235. STANDARD MARKET DESIGN.**

10          (a) REMAND.—The Commission’s proposed rule-  
11 making entitled “Remedying Undue Discrimination  
12 through Open Access Transmission Service and Standard  
13 Electricity Market Design” (Docket No. RM01–12–000)  
14 (“SMD NOPR”) is remanded to the Commission for re-  
15 consideration. No final rule mandating a standard elec-  
16 tricity market design pursuant to the proposed rule-  
17 making, including any rule or order of general applica-  
18 bility within the scope of the proposed rulemaking, may  
19 be issued before October 31, 2006, or take effect before  
20 December 31, 2006. Any final rule issued by the Commis-  
21 sion pursuant to the proposed rulemaking shall be pre-  
22 ceded by a second notice of proposed rulemaking issued  
23 after the date of enactment of this Act and an opportunity  
24 for public comment.

1       (b) SAVINGS CLAUSE.—This section shall not be con-  
2 strued to modify or diminish any authority or obligation  
3 the Commission has under this Act, the Federal Power  
4 Act, or other applicable law, including, but not limited to,  
5 any authority to—

6                 (1) issue any rule or order (of general or par-  
7 ticular applicability) pursuant to any such authority  
8 or obligation; or

9                 (2) act on a filing or filings by 1 or more trans-  
10 mitting utilities for the voluntary formation of a Re-  
11 gional Transmission Organization or Independent  
12 System Operator (as defined in the Federal Power  
13 Act) (and related market structures or rules) or vol-  
14 untry modification of an existing Regional Trans-  
15 mission Organization or Independent System Oper-  
16 ator (and related market structures or rules).

17 **SEC. 1236. NATIVE LOAD SERVICE OBLIGATION.**

18       Part II of the Federal Power Act (16 U.S.C. 824 et  
19 seq.) is amended by adding at the end the following:

20 **“SEC. 217. NATIVE LOAD SERVICE OBLIGATION.**

21       “(a) MEETING SERVICE OBLIGATIONS.—(1) Any  
22 load-serving entity that, as of the date of enactment of  
23 this section—

24                 “(A) owns generation facilities, markets the  
25 output of Federal generation facilities, or holds

1       rights under 1 or more wholesale contracts to pur-  
2       chase electric energy, for the purpose of meeting a  
3       service obligation, and

4           “(B) by reason of ownership of transmission fa-  
5       cilities, or 1 or more contracts or service agreements  
6       for firm transmission service, holds firm trans-  
7       mission rights for delivery of the output of such gen-  
8       eration facilities or such purchased energy to meet  
9       such service obligation,

10      is entitled to use such firm transmission rights, or, equiva-  
11     lent tradable or financial transmission rights, in order to  
12     deliver such output or purchased energy, or the output of  
13     other generating facilities or purchased energy to the ex-  
14     tent deliverable using such rights, to the extent required  
15     to meet its service obligation.

16           “(2) To the extent that all or a portion of the service  
17     obligation covered by such firm transmission rights or  
18     equivalent tradable or financial transmission rights is  
19     transferred to another load-serving entity, the successor  
20     load-serving entity shall be entitled to use the firm trans-  
21     mission rights or equivalent tradable or financial trans-  
22     mission rights associated with the transferred service obli-  
23     gation. Subsequent transfers to another load-serving enti-  
24     ty, or back to the original load-serving entity, shall be enti-  
25     tled to the same rights.

1       “(3) The Commission shall exercise its authority  
2 under this Act in a manner that facilitates the planning  
3 and expansion of transmission facilities to meet the rea-  
4 sonable needs of load-serving entities to satisfy their serv-  
5 ice obligations.

6       “(b) ALLOCATION OF TRANSMISSION RIGHTS.—  
7 Nothing in this section shall affect any methodology ap-  
8 proved by the Commission prior to September 15, 2003,  
9 for the allocation of transmission rights by an RTO or  
10 ISO that has been authorized by the Commission to allo-  
11 cate transmission rights.

12       “(c) CERTAIN TRANSMISSION RIGHTS.—The Com-  
13 mission may exercise authority under this Act to make  
14 transmission rights not used to meet an obligation covered  
15 by subsection (a) available to other entities in a manner  
16 determined by the Commission to be just, reasonable, and  
17 not unduly discriminatory or preferential.

18       “(d) OBLIGATION TO BUILD.—Nothing in this Act  
19 shall relieve a load-serving entity from any obligation  
20 under State or local law to build transmission or distribu-  
21 tion facilities adequate to meet its service obligations.

22       “(e) CONTRACTS.—Nothing in this section shall pro-  
23 vide a basis for abrogating any contract or service agree-  
24 ment for firm transmission service or rights in effect as  
25 of the date of the enactment of this subsection.

1       “(f) WATER PUMPING FACILITIES.—The Commis-  
2 sion shall ensure that any entity described in section  
3 201(f) that owns transmission facilities used predomi-  
4 nately to support its own water pumping facilities shall  
5 have, with respect to such facilities, protections for trans-  
6 mission service comparable to those provided to load-serv-  
7 ing entities pursuant to this section.

8       “(g) ERCOT.—This section shall not apply within  
9 the area referred to in section 212(k)(2)(A).

10       “(h) JURISDICTION.—This section does not authorize  
11 the Commission to take any action not otherwise within  
12 its jurisdiction.

13       “(i) EFFECT OF EXERCISING RIGHTS.—An entity  
14 that lawfully exercises rights granted under subsection (a)  
15 shall not be considered by such action as engaging in  
16 undue discrimination or preference under this Act.

17       “(j) TVA AREA.—For purposes of subsection  
18 (a)(1)(B), a load-serving entity that is located within the  
19 service area of the Tennessee Valley Authority and that  
20 has a firm wholesale power supply contract with the Ten-  
21 nessee Valley Authority shall be deemed to hold firm  
22 transmission rights for the transmission of such power.

23       “(k) DEFINITIONS.—For purposes of this section:

24           “(1) The term ‘distribution utility’ means an  
25 electric utility that has a service obligation to end-

1       users or to a State utility or electric cooperative  
2       that, directly or indirectly, through 1 or more addi-  
3       tional State utilities or electric cooperatives, provides  
4       electric service to end-users.

5           “(2) The term ‘load-serving entity’ means a dis-  
6       tribution utility or an electric utility that has a serv-  
7       ice obligation.

8           “(3) The term ‘service obligation’ means a re-  
9       quirement applicable to, or the exercise of authority  
10      granted to, an electric utility under Federal, State  
11      or local law or under long-term contracts to provide  
12      electric service to end-users or to a distribution util-  
13      ity.

14           “(4) The term ‘State utility’ means a State or  
15      any political subdivision of a State, or any agency,  
16      authority, or instrumentality of any 1 or more of the  
17      foregoing, or a corporation which is wholly owned,  
18      directly or indirectly, by any 1 or more of the fore-  
19      going, competent to carry on the business of devel-  
20      oping, transmitting, utilizing or distributing power.”.

21 **SEC. 1237. STUDY ON THE BENEFITS OF ECONOMIC DIS-**  
22           **PATCH.**

23           (a) STUDY.—The Secretary of Energy, in coordina-  
24      tion and consultation with the States, shall conduct a  
25      study on—

1                         (1) the procedures currently used by electric  
2                         utilities to perform economic dispatch;

3                         (2) identifying possible revisions to those proce-  
4                         dures to improve the ability of nonutility generation  
5                         resources to offer their output for sale for the pur-  
6                         pose of inclusion in economic dispatch; and

7                         (3) the potential benefits to residential, com-  
8                         mercial, and industrial electricity consumers nation-  
9                         ally and in each state if economic dispatch proce-  
10                         dures were revised to improve the ability of non-  
11                         utility generation resources to offer their output for  
12                         inclusion in economic dispatch.

13                         (b) DEFINITION.—The term “economic dispatch”  
14                         when used in this section means the operation of genera-  
15                         tion facilities to produce energy at the lowest cost to reli-  
16                         ably serve consumers, recognizing any operational limits  
17                         of generation and transmission facilities.

18                         (c) REPORT TO CONGRESS AND THE STATES.—Not  
19                         later than 90 days after the date of enactment of this Act,  
20                         and on a yearly basis following, the Secretary of Energy  
21                         shall submit a report to Congress and the States on the  
22                         results of the study conducted under subsection (a), in-  
23                         cluding recommendations to Congress and the States for  
24                         any suggested legislative or regulatory changes.

## **Subtitle D—Transmission Rate Reform**

### **3 SEC. 1241. TRANSMISSION INFRASTRUCTURE INVESTMENT.**

4        Part II of the Federal Power Act (16 U.S.C. 824 et  
5 seq.) is amended by adding at the end the following:

## 6 “SEC. 218. TRANSMISSION INFRASTRUCTURE INVESTMENT.

7       “(a) RULEMAKING REQUIREMENT.—Within 1 year  
8 after the enactment of this section, the Commission shall  
9 establish, by rule, incentive-based (including, but not lim-  
10 ited to performance-based) rate treatments for the trans-  
11 mission of electric energy in interstate commerce by public  
12 utilities for the purpose of benefiting consumers by ensur-  
13 ing reliability and reducing the cost of delivered power by  
14 reducing transmission congestion. Such rule shall—

15               “(1) promote reliable and economically efficient  
16               transmission and generation of electricity by pro-  
17               moting capital investment in the enlargement, im-  
18               provement, maintenance and operation of facilities  
19               for the transmission of electric energy in interstate  
20               commerce;

“(2) provide a return on equity that attracts new investment in transmission facilities (including related transmission technologies);

24               “(3) encourage deployment of transmission  
25 technologies and other measures to increase the ca-

1       pacity and efficiency of existing transmission facil-  
2       ties and improve the operation of such facilities; and

3               “(4) allow recovery of all prudently incurred  
4       costs necessary to comply with mandatory reliability  
5       standards issued pursuant to section 215 of this  
6       Act.

7       The Commission may, from time to time, revise such rule.

8               **“(b) ADDITIONAL INCENTIVES FOR RTO PARTICIPA-**  
9       **TION.**—In the rule issued under this section, the Commis-  
10      sion shall, to the extent within its jurisdiction, provide for  
11      incentives to each transmitting utility or electric utility  
12      that joins a Regional Transmission Organization or Inde-  
13      pendent System Operator. Incentives provided by the  
14      Commission pursuant to such rule shall include—

15               “(1) recovery of all prudently incurred costs to  
16      develop and participate in any proposed or approved  
17      RTO, ISO, or independent transmission company;

18               “(2) recovery of all costs previously approved by  
19      a State commission which exercised jurisdiction over  
20      the transmission facilities prior to the utility’s par-  
21      ticipation in the RTO or ISO, including costs nec-  
22      essary to honor preexisting transmission service con-  
23      tracts, in a manner which does not reduce the reve-  
24      nues the utility receives for transmission services for

1       a reasonable transition period after the utility joins  
2       the RTO or ISO;

3           “(3) recovery as an expense in rates of the  
4       costs prudently incurred to conduct transmission  
5       planning and reliability activities, including the costs  
6       of participating in RTO, ISO and other regional  
7       planning activities and design, study and other  
8       precertification costs involved in seeking permits and  
9       approvals for proposed transmission facilities;

10          “(4) a current return in rates for construction  
11       work in progress for transmission facilities and full  
12       recovery of prudently incurred costs for constructing  
13       transmission facilities;

14          “(5) formula transmission rates; and

15          “(6) a maximum 15 year accelerated depreci-  
16       ation on new transmission facilities for rate treatment  
17       purposes.

18   The Commission shall ensure that any costs recoverable  
19   pursuant to this subsection may be recovered by such util-  
20   ity through the transmission rates charged by such utility  
21   or through the transmission rates charged by the RTO  
22   or ISO that provides transmission service to such utility.

23          “(c) JUST AND REASONABLE RATES.—All rates ap-  
24   proved under the rules adopted pursuant to this section,  
25   including any revisions to such rules, are subject to the

1 requirement of sections 205 and 206 that all rates,  
2 charges, terms, and conditions be just and reasonable and  
3 not unduly discriminatory or preferential.”.

4 **SEC. 1242. VOLUNTARY TRANSMISSION PRICING PLANS.**

5 Part II of the Federal Power Act (16 U.S.C. 824 et  
6 seq.) is amended by adding at the end the following:

7 **“SEC. 219. VOLUNTARY TRANSMISSION PRICING PLANS.**

8 “(a) IN GENERAL.—Any transmission provider, in-  
9 cluding an RTO or ISO, may submit to the Commission  
10 a plan or plans under section 205 containing the criteria  
11 for determining the person or persons that will be required  
12 to pay for any construction of new transmission facilities  
13 or expansion, modification or upgrade of transmission fa-  
14 cilities (in this section referred to as ‘transmission service  
15 related expansion’) or new generator interconnection.

16 “(b) VOLUNTARY TRANSMISSION PRICING PLANS.—  
17 (1) Any plan or plans submitted under subsection (a) shall  
18 specify the method or methods by which costs may be allo-  
19 cated or assigned. Such methods may include, but are not  
20 limited to:

21 “(A) directly assigned;  
22 “(B) participant funded; or  
23 “(C) rolled into regional or sub-regional rates.

1       “(2) FERC shall approve a plan or plans submitted  
2 under subparagraph (B) of paragraph (1) if such plan or  
3 plans—

4           “(A) result in rates that are just and reasonable  
5       able and not unduly discriminatory or preferential  
6       consistent with section 205; and

7           “(B) ensure that the costs of any transmission  
8       service related expansion or new generator inter-  
9       connection not required to meet applicable reliability  
10      standards established under section 215 are assigned  
11      in a fair manner, meaning that those who benefit  
12      from the transmission service related expansion or  
13      new generator interconnection pay an appropriate  
14      share of the associated costs, provided that—

15           “(i) costs may not be assigned or allocated  
16       to an electric utility if the native load customers  
17       of that utility would not have required such  
18       transmission service related expansion or new  
19       generator interconnection absent the request for  
20       transmission service related expansion or new  
21       generator interconnection that necessitated the  
22       investment;

23           “(ii) the party requesting such trans-  
24       mission service related expansion or new gener-

1           ator interconnection shall not be required to  
2           pay for both—

3                         “(I) the assigned cost of the upgrade;

4                         and

5                         “(II) the difference between—

6                                 “(aa) the embedded cost paid for  
7                                 transmission services (including the  
8                                 cost of the requested upgrade); and

9                                 “(bb) the embedded cost that  
10                          would have been paid absent the up-  
11                          grade; and

12                         “(iii) the party or parties who pay for fa-  
13                          cilities necessary for the transmission service  
14                          related expansion or new generator interconnec-  
15                          tion receives full compensation for its costs for  
16                          the participant funded facilities in the form  
17                          of—

18                         “(I) monetary credit equal to the cost  
19                          of the participant funded facilities (ac-  
20                          counting for the time value of money at  
21                          the Gross Domestic Product deflator),  
22                          which credit shall be pro-rated in equal in-  
23                          stallments over a period of not more than  
24                          30 years and shall not exceed in total the  
25                          amount of the initial investment, against

1                   the transmission charges that the funding  
2                   entity or its assignee is otherwise assessed  
3                   by the transmission provider;

4                   “(II) appropriate financial or physical  
5                   rights; or

6                   “(III) any other method of cost recov-  
7                   ery or compensation approved by the Com-  
8                   mission.

9                   “(3) A plan submitted under this section shall apply  
10                  only to—

11                  “(A) a contract or interconnection agreement  
12                  executed or filed with the Commission after the date  
13                  of enactment of this section; or

14                  “(B) an interconnection agreement pending re-  
15                  hearing as of November 1, 2003.

16                  “(4) Nothing in this section diminishes or alters the  
17                  rights of individual members of an RTO or ISO under  
18                  this Act.

19                  “(5) Nothing in this section shall affect the allocation  
20                  of costs or the cost methodology employed by an RTO or  
21                  ISO authorized by the Commission to allocate costs (in-  
22                  cluding costs for transmission service related expansion or  
23                  new generator interconnection) prior to the date of enact-  
24                  ment of this section.

1       “(6) This section shall not apply within the area re-  
2 ferred to in section 212(k)(2)(A).

3       “(7) The term ‘transmission provider’ means a public  
4 utility that owns or operates facilities that provide inter-  
5 connection or transmission service in interstate com-  
6 merce.”.

## 7     **Subtitle E—Amendments to PURPA**

### 8     **SEC. 1251. NET METERING AND ADDITIONAL STANDARDS.**

9       (a) ADOPTION OF STANDARDS.—Section 111(d) of  
10 the Public Utility Regulatory Policies Act of 1978 (16  
11 U.S.C. 2621(d)) is amended by adding at the end the fol-  
12 lowing:

13           “(11) NET METERING.—Each electric utility  
14 shall make available upon request net metering serv-  
15 ice to any electric consumer that the electric utility  
16 serves. For purposes of this paragraph, the term  
17 ‘net metering service’ means service to an electric  
18 consumer under which electric energy generated by  
19 that electric consumer from an eligible on-site gener-  
20 ating facility and delivered to the local distribution  
21 facilities may be used to offset electric energy pro-  
22 vided by the electric utility to the electric consumer  
23 during the applicable billing period.

24           “(12) FUEL SOURCES.—Each electric utility  
25 shall develop a plan to minimize dependence on 1

1       fuel source and to ensure that the electric energy it  
2       sells to consumers is generated using a diverse range  
3       of fuels and technologies, including renewable tech-  
4       nologies.

5           “(13) FOSSIL FUEL GENERATION EFFI-  
6       CIENCY.—Each electric utility shall develop and im-  
7       plement a 10-year plan to increase the efficiency of  
8       its fossil fuel generation.”.

9       (b) COMPLIANCE.—

10           (1) TIME LIMITATIONS.—Section 112(b) of the  
11       Public Utility Regulatory Policies Act of 1978 (16  
12       U.S.C. 2622(b)) is amended by adding at the end  
13       the following:

14           “(3)(A) Not later than 2 years after the enactment  
15       of this paragraph, each State regulatory authority (with  
16       respect to each electric utility for which it has ratemaking  
17       authority) and each nonregulated electric utility shall com-  
18       mence the consideration referred to in section 111, or set  
19       a hearing date for such consideration, with respect to each  
20       standard established by paragraphs (11) through (13) of  
21       section 111(d).

22           “(B) Not later than 3 years after the date of the en-  
23       actment of this paragraph, each State regulatory authority  
24       (with respect to each electric utility for which it has rate-  
25       making authority), and each nonregulated electric utility,

1 shall complete the consideration, and shall make the deter-  
2 mination, referred to in section 111 with respect to each  
3 standard established by paragraphs (11) through (13) of  
4 section 111(d).”.

5                 (2) FAILURE TO COMPLY.—Section 112(c) of  
6 the Public Utility Regulatory Policies Act of 1978  
7 (16 U.S.C. 2622(c)) is amended by adding at the  
8 end the following:

9 “In the case of each standard established by paragraphs  
10 (11) through (13) of section 111(d), the reference con-  
11 tained in this subsection to the date of enactment of this  
12 Act shall be deemed to be a reference to the date of enact-  
13 ment of such paragraphs (11) through (13).”.

14                 (3) PRIOR STATE ACTIONS.—

15                 (A) IN GENERAL.—Section 112 of the  
16 Public Utility Regulatory Policies Act of 1978  
17 (16 U.S.C. 2622) is amended by adding at the  
18 end the following:

19                 “(d) PRIOR STATE ACTIONS.—Subsections (b) and  
20 (c) of this section shall not apply to the standards estab-  
21 lished by paragraphs (11) through (13) of section 111(d)  
22 in the case of any electric utility in a State if, before the  
23 enactment of this subsection—

24                 “(1) the State has implemented for such utility  
25 the standard concerned (or a comparable standard);

1               “(2) the State regulatory authority for such  
2       State or relevant nonregulated electric utility has  
3       conducted a proceeding to consider implementation  
4       of the standard concerned (or a comparable stand-  
5       ard) for such utility; or  
6               “(3) the State legislature has voted on the im-  
7       plementation of such standard (or a comparable  
8       standard) for such utility.”.

9               (B) CROSS REFERENCE.—Section 124 of  
10      such Act (16 U.S.C. 2634) is amended by add-  
11      ing the following at the end thereof: “In the  
12      case of each standard established by paragraphs  
13      (11) through (13) of section 111(d), the ref-  
14      erence contained in this subsection to the date  
15      of enactment of this Act shall be deemed to be  
16      a reference to the date of enactment of such  
17      paragraphs (11) through (13).”.

18 **SEC. 1252. SMART METERING.**

19               (a) IN GENERAL.—Section 111(d) of the Public Utili-  
20      ties Regulatory Policies Act of 1978 (16 U.S.C. 2621(d))  
21      is amended by adding at the end the following:

22               “(14) TIME-BASED METERING AND COMMU-  
23      NICATIONS.—

24               “(A) Not later than 18 months after the  
25      date of enactment of this paragraph, each elec-

1           tric utility shall offer each of its customer class-  
2           es, and provide individual customers upon cus-  
3           tomer request, a time-based rate schedule under  
4           which the rate charged by the electric utility  
5           varies during different time periods and reflects  
6           the variance, if any, in the utility's costs of gen-  
7           erating and purchasing electricity at the whole-  
8           sale level. The time-based rate schedule shall  
9           enable the electric consumer to manage energy  
10          use and cost through advanced metering and  
11          communications technology.

12           “(B) The types of time-based rate sched-  
13          ules that may be offered under the schedule re-  
14          ferred to in subparagraph (A) include, among  
15          others—

16           “(i) time-of-use pricing whereby elec-  
17          tricity prices are set for a specific time pe-  
18          riod on an advance or forward basis, typi-  
19          cally not changing more often than twice a  
20          year, based on the utility's cost of gener-  
21          ating and/or purchasing such electricity at  
22          the wholesale level for the benefit of the  
23          consumer. Prices paid for energy consumed  
24          during these periods shall be pre-estab-  
25          lished and known to consumers in advance

1           of such consumption, allowing them to  
2           vary their demand and usage in response  
3           to such prices and manage their energy  
4           costs by shifting usage to a lower cost pe-  
5           riod or reducing their consumption overall;

6                 “(ii) critical peak pricing whereby  
7                 time-of-use prices are in effect except for  
8                 certain peak days, when prices may reflect  
9                 the costs of generating and/or purchasing  
10                electricity at the wholesale level and when  
11                consumers may receive additional discounts  
12                for reducing peak period energy consump-  
13                tion; and

14                 “(iii) real-time pricing whereby elec-  
15                 tricity prices are set for a specific time pe-  
16                 riod on an advanced or forward basis, re-  
17                 flecting the utility’s cost of generating and/  
18                 or purchasing electricity at the wholesale  
19                 level, and may change as often as hourly.

20                 “(C) Each electric utility subject to sub-  
21                 paragraph (A) shall provide each customer re-  
22                 questing a time-based rate with a time-based  
23                 meter capable of enabling the utility and cus-  
24                 tomer to offer and receive such rate, respec-  
25                 tively.

1                 “(D) For purposes of implementing this  
2                 paragraph, any reference contained in this sec-  
3                 tion to the date of enactment of the Public Util-  
4                 ity Regulatory Policies Act of 1978 shall be  
5                 deemed to be a reference to the date of enact-  
6                 ment of this paragraph.

7                 “(E) In a State that permits third-party  
8                 marketers to sell electric energy to retail elec-  
9                 tric consumers, such consumers shall be entitled  
10                 to receive the same time-based metering and  
11                 communications device and service as a retail  
12                 electric consumer of the electric utility.

13                 “(F) Notwithstanding subsections (b) and  
14                 (c) of section 112, each State regulatory au-  
15                 thority shall, not later than 18 months after the  
16                 date of enactment of this paragraph conduct an  
17                 investigation in accordance with section 115(i)  
18                 and issue a decision whether it is appropriate to  
19                 implement the standards set out in subpara-  
20                 graphs (A) and (C).”.

21                 (b) STATE INVESTIGATION OF DEMAND RESPONSE  
22                 AND TIME-BASED METERING.—Section 115 of the Public  
23                 Utilities Regulatory Policies Act of 1978 (16 U.S.C. 2625)  
24                 is amended as follows:

1                   (1) By inserting in subsection (b) after the  
2                   phrase “the standard for time-of-day rates estab-  
3                   lished by section 111(d)(3)” the following: “and the  
4                   standard for time-based metering and communica-  
5                   tions established by section 111(d)(14)”.

6                   (2) By inserting in subsection (b) after the  
7                   phrase “are likely to exceed the metering” the fol-  
8                   lowing: “and communications”.

9                   (3) By adding the at the end the following:

10                  “(i) TIME-BASED METERING AND COMMUNICA-  
11 TIONS.—In making a determination with respect to the  
12 standard established by section 111(d)(14), the investiga-  
13 tion requirement of section 111(d)(14)(F) shall be as fol-  
14 lows: Each State regulatory authority shall conduct an in-  
15 vestigation and issue a decision whether or not it is appro-  
16 priate for electric utilities to provide and install time-based  
17 meters and communications devices for each of their cus-  
18 tomers which enable such customers to participate in time-  
19 based pricing rate schedules and other demand response  
20 programs.”.

21                  (c) FEDERAL ASSISTANCE ON DEMAND RE-  
22 SPONSE.—Section 132(a) of the Public Utility Regulatory  
23 Policies Act of 1978 (16 U.S.C. 2642(a)) is amended by  
24 striking “and” at the end of paragraph (3), striking the

1 period at the end of paragraph (4) and inserting “; and”,  
2 and by adding the following at the end thereof:

3                 “(5) technologies, techniques, and rate-making  
4                 methods related to advanced metering and commu-  
5                 nications and the use of these technologies, tech-  
6                 niques and methods in demand response programs.”.

7                 (d) FEDERAL GUIDANCE.—Section 132 of the Public  
8 Utility Regulatory Policies Act of 1978 (16 U.S.C. 2642)  
9 is amended by adding the following at the end thereof:

10                 “(d) DEMAND RESPONSE.—The Secretary shall be  
11 responsible for—

12                 “(1) educating consumers on the availability,  
13 advantages, and benefits of advanced metering and  
14 communications technologies, including the funding  
15 of demonstration or pilot projects;

16                 “(2) working with States, utilities, other energy  
17 providers and advanced metering and communica-  
18 tions experts to identify and address barriers to the  
19 adoption of demand response programs; and

20                 “(3) not later than 180 days after the date of  
21 enactment of the Energy Policy Act of 2003, pro-  
22 viding Congress with a report that identifies and  
23 quantifies the national benefits of demand response  
24 and makes a recommendation on achieving specific  
25 levels of such benefits by January 1, 2005.”.

1       (e) DEMAND RESPONSE AND REGIONAL COORDINA-  
2   TION.—

3                 (1) IN GENERAL.—It is the policy of the United  
4   States to encourage States to coordinate, on a re-  
5   gional basis, State energy policies to provide reliable  
6   and affordable demand response services to the pub-  
7   lic.

8                 (2) TECHNICAL ASSISTANCE.—The Secretary of  
9   Energy shall provide technical assistance to States  
10   and regional organizations formed by 2 or more  
11   States to assist them in—

12                     (A) identifying the areas with the greatest  
13   demand response potential;

14                     (B) identifying and resolving problems in  
15   transmission and distribution networks, includ-  
16   ing through the use of demand response;

17                     (C) developing plans and programs to use  
18   demand response to respond to peak demand or  
19   emergency needs; and

20                     (D) identifying specific measures con-  
21   sumers can take to participate in these demand  
22   response programs.

23                 (3) REPORT.—Not later than 1 year after the  
24   date of enactment of the Energy Policy Act of 2003,  
25   the Commission shall prepare and publish an annual

1 report, by appropriate region, that assesses demand  
2 response resources, including those available from all  
3 consumer classes, and which identifies and reviews—

4 (A) saturation and penetration rate of ad-  
5 vanced meters and communications tech-  
6 nologies, devices and systems;

7 (B) existing demand response programs  
8 and time-based rate programs;

9 (C) the annual resource contribution of de-  
10 mand resources;

11 (D) the potential for demand response as  
12 a quantifiable, reliable resource for regional  
13 planning purposes; and

14 (E) steps taken to ensure that, in regional  
15 transmission planning and operations, demand  
16 resources are provided equitable treatment as a  
17 quantifiable, reliable resource relative to the re-  
18 source obligations of any load-serving entity,  
19 transmission provider, or transmitting party.

20 (f) FEDERAL ENCOURAGEMENT OF DEMAND RE-  
21 SPONSE DEVICES.—It is the policy of the United States  
22 that time-based pricing and other forms of demand re-  
23 sponse, whereby electricity customers are provided with  
24 electricity price signals and the ability to benefit by re-  
25 sponding to them, shall be encouraged, and the deploy-

1 ment of such technology and devices that enable electricity  
2 customers to participate in such pricing and demand re-  
3 sponse systems shall be facilitated. It is further the policy  
4 of the United States that the benefits of such demand re-  
5 sponse that accrue to those not deploying such technology  
6 and devices, but who are part of the same regional elec-  
7 tricity entity, shall be recognized.

8 (g) TIME LIMITATIONS.—Section 112(b) of the Pub-  
9 lic Utility Regulatory Policies Act of 1978 (16 U.S.C.  
10 2622(b)) is amended by adding at the end the following:

11 “(4)(A) Not later than 1 year after the enact-  
12 ment of this paragraph, each State regulatory au-  
13 thority (with respect to each electric utility for which  
14 it has ratemaking authority) and each nonregulated  
15 electric utility shall commence the consideration re-  
16 ferred to in section 111, or set a hearing date for  
17 such consideration, with respect to the standard es-  
18 tablished by paragraph (14) of section 111(d).

19 “(B) Not later than 2 years after the date of  
20 the enactment of this paragraph, each State regu-  
21 latory authority (with respect to each electric utility  
22 for which it has ratemaking authority), and each  
23 nonregulated electric utility, shall complete the con-  
24 sideration, and shall make the determination, re-

1       ferred to in section 111 with respect to the standard  
2       established by paragraph (14) of section 111(d).”.

3           (h) FAILURE TO COMPLY.—Section 112(c) of the  
4       Public Utility Regulatory Policies Act of 1978 (16 U.S.C.  
5       2622(c)) is amended by adding at the end the following:  
6       “In the case of the standard established by paragraph (14)  
7       of section 111(d), the reference contained in this sub-  
8       section to the date of enactment of this Act shall be  
9       deemed to be a reference to the date of enactment of such  
10      paragraph (14).”.

11          (i) PRIOR STATE ACTIONS REGARDING SMART ME-  
12       TERING STANDARDS.—

13           (1) IN GENERAL.—Section 112 of the Public  
14       Utility Regulatory Policies Act of 1978 (16 U.S.C.  
15       2622) is amended by adding at the end the fol-  
16       lowing:

17           “(e) PRIOR STATE ACTIONS.—Subsections (b) and  
18       (c) of this section shall not apply to the standard estab-  
19       lished by paragraph (14) of section 111(d) in the case of  
20       any electric utility in a State if, before the enactment of  
21       this subsection—

22           “(1) the State has implemented for such utility  
23       the standard concerned (or a comparable standard);

24           “(2) the State regulatory authority for such  
25       State or relevant nonregulated electric utility has

1 conducted a proceeding to consider implementation  
2 of the standard concerned (or a comparable stand-  
3 ard) for such utility within the previous 3 years; or  
4 “(3) the State legislature has voted on the im-  
5 plementation of such standard (or a comparable  
6 standard) for such utility within the previous 3  
7 years.”.

8                   (2) CROSS REFERENCE.—Section 124 of such  
9 Act (16 U.S.C. 2634) is amended by adding the fol-  
10 lowing at the end thereof: “In the case of the stand-  
11 ard established by paragraph (14) of section 111(d),  
12 the reference contained in this subsection to the date  
13 of enactment of this Act shall be deemed to be a ref-  
14 erence to the date of enactment of such paragraph  
15 (14).”.

16 **SEC. 1253. COGENERATION AND SMALL POWER PRODUC-**  
17 **TION PURCHASE AND SALE REQUIREMENTS.**

18                   (a) TERMINATION OF MANDATORY PURCHASE AND  
19 SALE REQUIREMENTS.—Section 210 of the Public Utility  
20 Regulatory Policies Act of 1978 (16 U.S.C. 824a–3) is  
21 amended by adding at the end the following:

22                   “(m) TERMINATION OF MANDATORY PURCHASE AND  
23 SALE REQUIREMENTS.—

24                   “(1) OBLIGATION TO PURCHASE.—After the  
25 date of enactment of this subsection, no electric util-

1       ity shall be required to enter into a new contract or  
2       obligation to purchase electric energy from a quali-  
3       fying cogeneration facility or a qualifying small  
4       power production facility under this section if the  
5       Commission finds that the qualifying cogeneration  
6       facility or qualifying small power production facility  
7       has nondiscriminatory access to—

8                 “(A)(i) independently administered, auc-  
9                 tion-based day ahead and real time wholesale  
10          markets for the sale of electric energy; and (ii)  
11          wholesale markets for long-term sales of capac-  
12          ity and electric energy; or

13                 “(B)(i) transmission and interconnection  
14          services that are provided by a Commission-ap-  
15          proved regional transmission entity and admin-  
16          istered pursuant to an open access transmission  
17          tariff that affords nondiscriminatory treatment  
18          to all customers; and (ii) competitive wholesale  
19          markets that provide a meaningful opportunity  
20          to sell capacity, including long-term and short-  
21          term sales, and electric energy, including long-  
22          term, short-term and real-time sales, to buyers  
23          other than the utility to which the qualifying fa-  
24          cility is interconnected. In determining whether  
25          a meaningful opportunity to sell exists, the

1       Commission shall consider, among other factors,  
2       evidence of transactions within the relevant market; or  
3

4                 “(C) wholesale markets for the sale of capacity and electric energy that are, at a minimum, of comparable competitive quality as markets described in subparagraphs (A) and (B).

9                 “(2) REVISED PURCHASE AND SALE OBLIGATION FOR NEW FACILITIES.—(A) After the date of enactment of this subsection, no electric utility shall be required pursuant to this section to enter into a new contract or obligation to purchase from or sell electric energy to a facility that is not an existing qualifying cogeneration facility unless the facility meets the criteria for qualifying cogeneration facilities established by the Commission pursuant to the rulemaking required by subsection (n).

19                 “(B) For the purposes of this paragraph, the term ‘existing qualifying cogeneration facility’ means a facility that—

22                         “(i) was a qualifying cogeneration facility on the date of enactment of subsection (m); or

24                         “(ii) had filed with the Commission a notice of self-certification, self recertification or

1           an application for Commission certification  
2           under 18 C.F.R. 292.207 prior to the date on  
3           which the Commission issues the final rule re-  
4           quired by subsection (n).

5           “(3) COMMISSION REVIEW.—Any electric utility  
6       may file an application with the Commission for re-  
7       lief from the mandatory purchase obligation pursu-  
8       ant to this subsection on a service territory-wide  
9       basis. Such application shall set forth the factual  
10      basis upon which relief is requested and describe  
11      why the conditions set forth in subparagraphs (A),  
12      (B) or (C) of paragraph (1) of this subsection have  
13      been met. After notice, including sufficient notice to  
14      potentially affected qualifying cogeneration facilities  
15      and qualifying small power production facilities, and  
16      an opportunity for comment, the Commission shall  
17      make a final determination within 90 days of such  
18      application regarding whether the conditions set  
19      forth in subparagraphs (A), (B) or (C) of paragraph  
20      (1) have been met.

21           “(4) REINSTATEMENT OF OBLIGATION TO PUR-  
22       CHASE.—At any time after the Commission makes a  
23       finding under paragraph (3) relieving an electric  
24       utility of its obligation to purchase electric energy,  
25       a qualifying cogeneration facility, a qualifying small

1 power production facility, a State agency, or any  
2 other affected person may apply to the Commission  
3 for an order reinstating the electric utility's obliga-  
4 tion to purchase electric energy under this section.  
5 Such application shall set forth the factual basis  
6 upon which the application is based and describe  
7 why the conditions set forth in subparagraphs (A),  
8 (B) or (C) of paragraph (1) of this subsection are  
9 no longer met. After notice, including sufficient no-  
10 tice to potentially affected utilities, and opportunity  
11 for comment, the Commission shall issue an order  
12 within 90 days of such application reinstating the  
13 electric utility's obligation to purchase electric en-  
14 ergy under this section if the Commission finds that  
15 the conditions set forth in subparagraphs (A), (B) or  
16 (C) of paragraph (1) which relieved the obligation to  
17 purchase, are no longer met.

18 “(5) OBLIGATION TO SELL.—After the date of  
19 enactment of this subsection, no electric utility shall  
20 be required to enter into a new contract or obliga-  
21 tion to sell electric energy to a qualifying cogenera-  
22 tion facility or a qualifying small power production  
23 facility under this section if the Commission finds  
24 that—

1               “(A) competing retail electric suppliers are  
2               willing and able to sell and deliver electric en-  
3               ergy to the qualifying cogeneration facility or  
4               qualifying small power production facility; and

5               “(B) the electric utility is not required by  
6               State law to sell electric energy in its service  
7               territory.

8               “(6) NO EFFECT ON EXISTING RIGHTS AND  
9               REMEDIES.—Nothing in this subsection affects the  
10          rights or remedies of any party under any contract  
11          or obligation, in effect or pending approval before  
12          the appropriate State regulatory authority or non-  
13          regulated electric utility on the date of enactment of  
14          this subsection, to purchase electric energy or capac-  
15          ity from or to sell electric energy or capacity to a  
16          qualifying cogeneration facility or qualifying small  
17          power production facility under this Act (including  
18          the right to recover costs of purchasing electric en-  
19          ergy or capacity).

20               “(7) RECOVERY OF COSTS.—(A) The Commis-  
21          sion shall issue and enforce such regulations as are  
22          necessary to ensure that an electric utility that pur-  
23          chases electric energy or capacity from a qualifying  
24          cogeneration facility or qualifying small power pro-  
25          duction facility in accordance with any legally en-

1 forceable obligation entered into or imposed under  
2 this section recovers all prudently incurred costs as-  
3 sociated with the purchase.

4       “(B) A regulation under subparagraph (A) shall  
5 be enforceable in accordance with the provisions of  
6 law applicable to enforcement of regulations under  
7 the Federal Power Act (16 U.S.C. 791a et seq.).

8       “(n) RULEMAKING FOR NEW QUALIFYING FACILI-  
9 TIES.—(1)(A) Not later than 180 days after the date of  
10 enactment of this section, the Commission shall issue a  
11 rule revising the criteria in 18 C.F.R. 292.205 for new  
12 qualifying cogeneration facilities seeking to sell electric en-  
13 ergy pursuant to section 210 of this Act to ensure—

14           “(i) that the thermal energy output of a new  
15 qualifying cogeneration facility is used in a produc-  
16 tive and beneficial manner;

17           “(ii) the electrical, thermal, and chemical out-  
18 put of the cogeneration facility is used fundamen-  
19 tally for industrial, commercial, or institutional pur-  
20 poses and is not intended fundamentally for sale to  
21 an electric utility, taking into account technological,  
22 efficiency, economic, and variable thermal energy re-  
23 quirements, as well as State laws applicable to sales  
24 of electric energy from a qualifying facility to its  
25 host facility; and

1               “(iii) continuing progress in the development of  
2               efficient electric energy generating technology.

3               “(B) The rule issued pursuant to section (n)(1)(A)  
4               shall be applicable only to facilities that seek to sell electric  
5               energy pursuant to section 210 of this Act. For all other  
6               purposes, except as specifically provided in section  
7               (m)(2)(A), qualifying facility status shall be determined  
8               in accordance with the rules and regulations of this Act.

9               “(2) Notwithstanding rule revisions under paragraph  
10      (1), the Commission’s criteria for qualifying cogeneration  
11      facilities in effect prior to the date on which the Commis-  
12      sion issues the final rule required by paragraph (1) shall  
13      continue to apply to any cogeneration facility that—

14               “(A) was a qualifying cogeneration facility on  
15               the date of enactment of subsection (m), or

16               “(B) had filed with the Commission a notice of  
17               self-certification, self-recertification or an application  
18               for Commission certification under 18 C.F.R.  
19               292.207 prior to the date on which the Commission  
20               issues the final rule required by paragraph (1).”.

21               (b) ELIMINATION OF OWNERSHIP LIMITATIONS.—

22               (1) QUALIFYING SMALL POWER PRODUCTION  
23               FACILITY.—Section 3(17)(C) of the Federal Power  
24               Act (16 U.S.C. 796(17)(C)) is amended to read as  
25               follows:

1               “(C) ‘qualifying small power production fa-  
2               cility’ means a small power production facility  
3               that the Commission determines, by rule, meets  
4               such requirements (including requirements re-  
5               specting fuel use, fuel efficiency, and reliability)  
6               as the Commission may, by rule, prescribe;”.

7               (2) QUALIFYING COGENERATION FACILITY.—

8               Section 3(18)(B) of the Federal Power Act (16  
9               U.S.C. 796(18)(B)) is amended to read as follows:

10               “(B) ‘qualifying cogeneration facility’  
11               means a cogeneration facility that the Commis-  
12               sion determines, by rule, meets such require-  
13               ments (including requirements respecting min-  
14               imum size, fuel use, and fuel efficiency) as the  
15               Commission may, by rule, prescribe;”.

## 16               **Subtitle F—Repeal of PUHCA**

17               **SEC. 1261. SHORT TITLE.**

18               This subtitle may be cited as the “Public Utility  
19               Holding Company Act of 2004”.

20               **SEC. 1262. DEFINITIONS.**

21               For purposes of this subtitle:

22               (1) AFFILIATE.—The term “affiliate” of a com-  
23               pany means any company, 5 percent or more of the  
24               outstanding voting securities of which are owned,

1 controlled, or held with power to vote, directly or in-  
2 directly, by such company.

3 (2) ASSOCIATE COMPANY.—The term “associate  
4 company” of a company means any company in the  
5 same holding company system with such company.

6 (3) COMMISSION.—The term “Commission”  
7 means the Federal Energy Regulatory Commission.

8 (4) COMPANY.—The term “company” means a  
9 corporation, partnership, association, joint stock  
10 company, business trust, or any organized group of  
11 persons, whether incorporated or not, or a receiver,  
12 trustee, or other liquidating agent of any of the fore-  
13 going.

14 (5) ELECTRIC UTILITY COMPANY.—The term  
15 “electric utility company” means any company that  
16 owns or operates facilities used for the generation,  
17 transmission, or distribution of electric energy for  
18 sale.

19 (6) EXEMPT WHOLESALE GENERATOR AND  
20 FOREIGN UTILITY COMPANY.—The terms “exempt  
21 wholesale generator” and “foreign utility company”  
22 have the same meanings as in sections 32 and 33,  
23 respectively, of the Public Utility Holding Company  
24 Act of 1935 (15 U.S.C. 79z-5a, 79z-5b), as those

1 sections existed on the day before the effective date  
2 of this subtitle.

3 (7) GAS UTILITY COMPANY.—The term “gas  
4 utility company” means any company that owns or  
5 operates facilities used for distribution at retail  
6 (other than the distribution only in enclosed portable  
7 containers or distribution to tenants or employees of  
8 the company operating such facilities for their own  
9 use and not for resale) of natural or manufactured  
10 gas for heat, light, or power.

11 (8) HOLDING COMPANY.—The term “holding  
12 company” means—

13 (A) any company that directly or indirectly  
14 owns, controls, or holds, with power to vote, 10  
15 percent or more of the outstanding voting secu-  
16 rities of a public-utility company or of a holding  
17 company of any public-utility company; and

18 (B) any person, determined by the Com-  
19 mission, after notice and opportunity for hear-  
20 ing, to exercise directly or indirectly (either  
21 alone or pursuant to an arrangement or under-  
22 standing with 1 or more persons) such a con-  
23 trolling influence over the management or poli-  
24 cies of any public-utility company or holding  
25 company as to make it necessary or appropriate

1           for the rate protection of utility customers with  
2           respect to rates that such person be subject to  
3           the obligations, duties, and liabilities imposed  
4           by this subtitle upon holding companies.

5           (9) HOLDING COMPANY SYSTEM.—The term  
6           “holding company system” means a holding com-  
7           pany, together with its subsidiary companies.

8           (10) JURISDICTIONAL RATES.—The term “ju-  
9           risdictional rates” means rates accepted or estab-  
10          lished by the Commission for the transmission of  
11          electric energy in interstate commerce, the sale of  
12          electric energy at wholesale in interstate commerce,  
13          the transportation of natural gas in interstate com-  
14          merce, and the sale in interstate commerce of nat-  
15          ural gas for resale for ultimate public consumption  
16          for domestic, commercial, industrial, or any other  
17          use.

18           (11) NATURAL GAS COMPANY.—The term “nat-  
19          ural gas company” means a person engaged in the  
20          transportation of natural gas in interstate commerce  
21          or the sale of such gas in interstate commerce for  
22          resale.

23           (12) PERSON.—The term “person” means an  
24          individual or company.

1                         (13) PUBLIC UTILITY.—The term “public utility” means any person who owns or operates facilities used for transmission of electric energy in interstate commerce or sales of electric energy at wholesale in interstate commerce.

6                         (14) PUBLIC-UTILITY COMPANY.—The term “public-utility company” means an electric utility company or a gas utility company.

9                         (15) STATE COMMISSION.—The term “State commission” means any commission, board, agency, or officer, by whatever name designated, of a State, municipality, or other political subdivision of a State that, under the laws of such State, has jurisdiction to regulate public utility companies.

15                         (16) SUBSIDIARY COMPANY.—The term “subsidiary company” of a holding company means—

17                             (A) any company, 10 percent or more of the outstanding voting securities of which are directly or indirectly owned, controlled, or held with power to vote, by such holding company;  
18  
19  
20  
21                             and

22                             (B) any person, the management or policies of which the Commission, after notice and opportunity for hearing, determines to be subject to a controlling influence, directly or indi-

1           rectly, by such holding company (either alone or  
2           pursuant to an arrangement or understanding  
3           with 1 or more other persons) so as to make it  
4           necessary for the rate protection of utility cus-  
5           tomers with respect to rates that such person  
6           be subject to the obligations, duties, and liabil-  
7           ties imposed by this subtitle upon subsidiary  
8           companies of holding companies.

9           (17) VOTING SECURITY.—The term “voting se-  
10          curity” means any security presently entitling the  
11          owner or holder thereof to vote in the direction or  
12          management of the affairs of a company.

13 **SEC. 1263. REPEAL OF THE PUBLIC UTILITY HOLDING COM-**  
14 **PANY ACT OF 1935.**

15          The Public Utility Holding Company Act of 1935 (15  
16 U.S.C. 79 et seq.) is repealed.

17 **SEC. 1264. FEDERAL ACCESS TO BOOKS AND RECORDS.**

18          (a) IN GENERAL.—Each holding company and each  
19          associate company thereof shall maintain, and shall make  
20          available to the Commission, such books, accounts, memo-  
21          randa, and other records as the Commission determines  
22          are relevant to costs incurred by a public utility or natural  
23          gas company that is an associate company of such holding  
24          company and necessary or appropriate for the protection  
25          of utility customers with respect to jurisdictional rates.

1       (b) AFFILIATE COMPANIES.—Each affiliate of a hold-  
2       ing company or of any subsidiary company of a holding  
3       company shall maintain, and shall make available to the  
4       Commission, such books, accounts, memoranda, and other  
5       records with respect to any transaction with another affil-  
6       iate, as the Commission determines are relevant to costs  
7       incurred by a public utility or natural gas company that  
8       is an associate company of such holding company and nec-  
9       essary or appropriate for the protection of utility cus-  
10      tomers with respect to jurisdictional rates.

11       (c) HOLDING COMPANY SYSTEMS.—The Commission  
12      may examine the books, accounts, memoranda, and other  
13      records of any company in a holding company system, or  
14      any affiliate thereof, as the Commission determines are  
15      relevant to costs incurred by a public utility or natural  
16      gas company within such holding company system and  
17      necessary or appropriate for the protection of utility cus-  
18      tomers with respect to jurisdictional rates.

19       (d) CONFIDENTIALITY.—No member, officer, or em-  
20      ployee of the Commission shall divulge any fact or infor-  
21      mation that may come to his or her knowledge during the  
22      course of examination of books, accounts, memoranda, or  
23      other records as provided in this section, except as may  
24      be directed by the Commission or by a court of competent  
25      jurisdiction.

1   **SEC. 1265. STATE ACCESS TO BOOKS AND RECORDS.**

2           (a) IN GENERAL.—Upon the written request of a  
3   State commission having jurisdiction to regulate a public-  
4   utility company in a holding company system, the holding  
5   company or any associate company or affiliate thereof,  
6   other than such public-utility company, wherever located,  
7   shall produce for inspection books, accounts, memoranda,  
8   and other records that—

9               (1) have been identified in reasonable detail in  
10   a proceeding before the State commission;

11               (2) the State commission determines are rel-  
12   evant to costs incurred by such public-utility com-  
13   pany; and

14               (3) are necessary for the effective discharge of  
15   the responsibilities of the State commission with re-  
16   spect to such proceeding.

17           (b) LIMITATION.—Subsection (a) does not apply to  
18   any person that is a holding company solely by reason of  
19   ownership of 1 or more qualifying facilities under the Pub-  
20   lic Utility Regulatory Policies Act of 1978 (16 U.S.C.  
21   2601 et seq.).

22           (c) CONFIDENTIALITY OF INFORMATION.—The pro-  
23   duction of books, accounts, memoranda, and other records  
24   under subsection (a) shall be subject to such terms and  
25   conditions as may be necessary and appropriate to safe-

1 guard against unwarranted disclosure to the public of any  
2 trade secrets or sensitive commercial information.

3 (d) EFFECT ON STATE LAW.—Nothing in this sec-  
4 tion shall preempt applicable State law concerning the pro-  
5 vision of books, accounts, memoranda, and other records,  
6 or in any way limit the rights of any State to obtain books,  
7 accounts, memoranda, and other records under any other  
8 Federal law, contract, or otherwise.

9 (e) COURT JURISDICTION.—Any United States dis-  
10 trict court located in the State in which the State commis-  
11 sion referred to in subsection (a) is located shall have ju-  
12 risdiction to enforce compliance with this section.

13 **SEC. 1266. EXEMPTION AUTHORITY.**

14 (a) RULEMAKING.—Not later than 90 days after the  
15 effective date of this subtitle, the Commission shall issue  
16 a final rule to exempt from the requirements of section  
17 1264 (relating to Federal access to books and records) any  
18 person that is a holding company, solely with respect to  
19 1 or more—

20 (1) qualifying facilities under the Public Utility  
21 Regulatory Policies Act of 1978 (16 U.S.C. 2601 et  
22 seq.);

23 (2) exempt wholesale generators; or  
24 (3) foreign utility companies.

1       (b) OTHER AUTHORITY.—The Commission shall ex-  
2 empt a person or transaction from the requirements of  
3 section 1264 (relating to Federal access to books and  
4 records) if, upon application or upon the motion of the  
5 Commission—

6                 (1) the Commission finds that the books, ac-  
7 counts, memoranda, and other records of any person  
8 are not relevant to the jurisdictional rates of a pub-  
9 lic utility or natural gas company; or

10               (2) the Commission finds that any class of  
11 transactions is not relevant to the jurisdictional  
12 rates of a public utility or natural gas company.

13 **SEC. 1267. AFFILIATE TRANSACTIONS.**

14       (a) COMMISSION AUTHORITY UNAFFECTED.—Noth-  
15 ing in this subtitle shall limit the authority of the Commis-  
16 sion under the Federal Power Act (16 U.S.C. 791a et seq.)  
17 to require that jurisdictional rates are just and reasonable,  
18 including the ability to deny or approve the pass through  
19 of costs, the prevention of cross-subsidization, and the  
20 issuance of such rules and regulations as are necessary  
21 or appropriate for the protection of utility consumers.

22       (b) RECOVERY OF COSTS.—Nothing in this subtitle  
23 shall preclude the Commission or a State commission from  
24 exercising its jurisdiction under otherwise applicable law  
25 to determine whether a public-utility company, public util-

1      ity, or natural gas company may recover in rates any costs  
2      of an activity performed by an associate company, or any  
3      costs of goods or services acquired by such public-utility  
4      company from an associate company.

5      **SEC. 1268. APPLICABILITY.**

6            Except as otherwise specifically provided in this sub-  
7      title, no provision of this subtitle shall apply to, or be  
8      deemed to include—

9                (1) the United States;

10               (2) a State or any political subdivision of a  
11      State;

12               (3) any foreign governmental authority not op-  
13      erating in the United States;

14               (4) any agency, authority, or instrumentality of  
15      any entity referred to in paragraph (1), (2), or (3);  
16      or

17               (5) any officer, agent, or employee of any entity  
18      referred to in paragraph (1), (2), (3), or (4) acting  
19      as such in the course of his or her official duty.

20      **SEC. 1269. EFFECT ON OTHER REGULATIONS.**

21            Nothing in this subtitle precludes the Commission or  
22      a State commission from exercising its jurisdiction under  
23      otherwise applicable law to protect utility customers.

**1 SEC. 1270. ENFORCEMENT.**

2       The Commission shall have the same powers as set  
3 forth in sections 306 through 317 of the Federal Power  
4 Act (16 U.S.C. 825e–825p) to enforce the provisions of  
5 this subtitle.

**6 SEC. 1271. SAVINGS PROVISIONS.**

7       (a) IN GENERAL.—Nothing in this subtitle, or other-  
8 wise in the Public Utility Holding Company Act of 1935,  
9 or rules, regulations, or orders thereunder, prohibits a per-  
10 son from engaging in or continuing to engage in activities  
11 or transactions in which it is legally engaged or authorized  
12 to engage on the date of enactment of this Act, if that  
13 person continues to comply with the terms (other than an  
14 expiration date or termination date) of any such auth-  
15 ization, whether by rule or by order.

16       (b) EFFECT ON OTHER COMMISSION AUTHORITY.—  
17 Nothing in this subtitle limits the authority of the Com-  
18 mission under the Federal Power Act (16 U.S.C. 791a et  
19 seq.) or the Natural Gas Act (15 U.S.C. 717 et seq.).

**20 SEC. 1272. IMPLEMENTATION.**

21       Not later than 12 months after the date of enactment  
22 of this subtitle, the Commission shall—

23           (1) issue such regulations as may be necessary  
24           or appropriate to implement this subtitle (other than  
25           section 1265, relating to State access to books and  
26           records); and

## 5 SEC. 1273. TRANSFER OF RESOURCES.

6 All books and records that relate primarily to the  
7 functions transferred to the Commission under this sub-  
8 title shall be transferred from the Securities and Exchange  
9 Commission to the Commission.

## 10 SEC. 1274. EFFECTIVE DATE.

11       (a) IN GENERAL.—Except for section 1272 (relating  
12 to implementation), this subtitle shall take effect 12  
13 months after the date of enactment of this subtitle.

14       (b) COMPLIANCE WITH CERTAIN RULES.—If the  
15 Commission approves and makes effective any final rule-  
16 making modifying the standards of conduct governing en-  
17 tities that own, operate, or control facilities for trans-  
18 mission of electricity in interstate commerce or transpor-  
19 tation of natural gas in interstate commerce prior to the  
20 effective date of this subtitle, any action taken by a public-  
21 utility company or utility holding company to comply with  
22 the requirements of such rulemaking shall not subject  
23 such public-utility company or utility holding company to  
24 any regulatory requirement applicable to a holding com-

1 pany under the Public Utility Holding Company Act of  
2 1935 (15 U.S.C. 79 et seq.).

3 **SEC. 1275. SERVICE ALLOCATION.**

4 (a) FERC REVIEW.—In the case of non-power goods  
5 or administrative or management services provided by an  
6 associate company organized specifically for the purpose  
7 of providing such goods or services to any public utility  
8 in the same holding company system, at the election of  
9 the system or a State commission having jurisdiction over  
10 the public utility, the Commission, after the effective date  
11 of this subtitle, shall review and authorize the allocation  
12 of the costs for such goods or services to the extent rel-  
13 evant to that associate company in order to assure that  
14 each allocation is appropriate for the protection of inves-  
15 tors and consumers of such public utility.

16 (b) COST ALLOCATION.—Nothing in this section shall  
17 preclude the Commission or a State commission from exer-  
18 cising its jurisdiction under other applicable law with re-  
19 spect to the review or authorization of any costs allocated  
20 to a public utility in a holding company system located  
21 in the affected State as a result of the acquisition of non-  
22 power goods or administrative and management services  
23 by such public utility from an associate company orga-  
24 nized specifically for that purpose.

1       (c) RULES.—Not later than 6 months after the date  
2 of enactment of this Act, the Commission shall issue rules  
3 (which rules shall be effective no earlier than the effective  
4 date of this subtitle) to exempt from the requirements of  
5 this section any company in a holding company system  
6 whose public utility operations are confined substantially  
7 to a single State and any other class of transactions that  
8 the Commission finds is not relevant to the jurisdictional  
9 rates of a public utility.

10 (d) PUBLIC UTILITY.—As used in this section, the  
11 term “public utility” has the meaning given that term in  
12 section 201(e) of the Federal Power Act.

## **13 SEC. 1276. AUTHORIZATION OF APPROPRIATIONS.**

14 There are authorized to be appropriated such funds  
15 as may be necessary to carry out this subtitle.

16 SEC. 1277. CONFORMING AMENDMENTS TO THE FEDERAL  
17 POWER ACT.

(a) CONFLICT OF JURISDICTION.—Section 318 of the Federal Power Act (16 U.S.C. 825q) is repealed.

20 (b) DEFINITIONS.—(1) Section 201(g)(5) of the Fed-  
21 eral Power Act (16 U.S.C. 824(g)(5)) is amended by strik-  
22 ing “1935” and inserting “2003”.

23       (2) Section 214 of the Federal Power Act (16 U.S.C.  
24 824m) is amended by striking “1935” and inserting  
25 “2003”.

1   **Subtitle G—Market Transparency,**  
2   **Enforcement, and Consumer**  
3   **Protection**

4   **SEC. 1281. MARKET TRANSPARENCY RULES.**

5       Part II of the Federal Power Act (16 U.S.C. 824 et  
6   seq.) is amended by adding at the end the following:

7   **“SEC. 220. MARKET TRANSPARENCY RULES.**

8       “(a) IN GENERAL.—Not later than 180 days after  
9   the date of enactment of this section, the Commission  
10   shall issue rules establishing an electronic information sys-  
11   tem to provide the Commission and the public with access  
12   to such information as is necessary or appropriate to fa-  
13   cilitate price transparency and participation in markets  
14   subject to the Commission’s jurisdiction under this Act.  
15   Such systems shall provide information about the avail-  
16   ability and market price of wholesale electric energy and  
17   transmission services to the Commission, State commis-  
18   sions, buyers and sellers of wholesale electric energy, users  
19   of transmission services, and the public on a timely basis.  
20   The Commission shall have authority to obtain such infor-  
21   mation from any electric utility or transmitting utility, in-  
22   cluding any entity described in section 201(f).

23       “(b) EXEMPTIONS.—The Commission shall exempt  
24   from disclosure information it determines would, if dis-  
25   closed, be detrimental to the operation of an effective mar-

1   ket or jeopardize system security. This section shall not  
2   apply to transactions for the purchase or sale of wholesale  
3   electric energy or transmission services within the area de-  
4   scribed in section 212(k)(2)(A). In determining the infor-  
5   mation to be made available under this section and time  
6   to make such information available, the Commission shall  
7   seek to ensure that consumers and competitive markets  
8   are protected from the adverse effects of potential collu-  
9   sion or other anti-competitive behaviors that can be facili-  
10   tated by untimely public disclosure of transaction-specific  
11   information.

12       “(c) COMMODITY FUTURES TRADING COMMIS-  
13   SION.—This section shall not affect the exclusive jurisdic-  
14   tion of the Commodity Futures Trading Commission with  
15   respect to accounts, agreements, contracts, or transactions  
16   in commodities under the Commodity Exchange Act (7  
17   U.S.C. 1 et seq.). Any request for information to a des-  
18   ignated contract market, registered derivatives transaction  
19   execution facility, board of trade, exchange, or market in-  
20   volving accounts, agreements, contracts, or transactions in  
21   commodities (including natural gas, electricity and other  
22   energy commodities) within the exclusive jurisdiction of  
23   the Commodity Futures Trading Commission shall be di-  
24   rected to the Commodity Futures Trading Commission.

1       “(d) SAVINGS PROVISION.—In exercising its author-  
2 ity under this section, the Commission shall not—

3           “(1) compete with, or displace from the market  
4 place, any price publisher; or  
5           “(2) regulate price publishers or impose any re-  
6 quirements on the publication of information.”.

7 **SEC. 1282. MARKET MANIPULATION.**

8       Part II of the Federal Power Act (16 U.S.C. 824 et  
9 seq.) is amended by adding at the end the following:

10 **“SEC. 221. PROHIBITION ON FILING FALSE INFORMATION.**

11       “No person or other entity (including an entity de-  
12 scribed in section 201(f)) shall willfully and knowingly re-  
13 port any information relating to the price of electricity  
14 sold at wholesale or availability of transmission capacity,  
15 which information the person or any other entity knew to  
16 be false at the time of the reporting, to a Federal agency  
17 with intent to fraudulently affect the data being compiled  
18 by such Federal agency.

19 **“SEC. 222. PROHIBITION ON ROUND TRIP TRADING.**

20       “(a) PROHIBITION.—No person or other entity (in-  
21 cluding an entity described in section 201(f)) shall willfully  
22 and knowingly enter into any contract or other arrange-  
23 ment to execute a ‘round trip trade’ for the purchase or  
24 sale of electric energy at wholesale.

1        “(b) DEFINITION.—For the purposes of this section,  
2 the term ‘round trip trade’ means a transaction, or com-  
3 bination of transactions, in which a person or any other  
4 entity—

5            “(1) enters into a contract or other arrange-  
6 ment to purchase from, or sell to, any other person  
7 or other entity electric energy at wholesale;

8            “(2) simultaneously with entering into the con-  
9 tract or arrangement described in paragraph (1), ar-  
10 ranges a financially offsetting trade with such other  
11 person or entity for the same such electric energy,  
12 at the same location, price, quantity and terms so  
13 that, collectively, the purchase and sale transactions  
14 in themselves result in no financial gain or loss; and

15            “(3) enters into the contract or arrangement  
16 with a specific intent to fraudulently affect reported  
17 revenues, trading volumes, or prices.”.

18 **SEC. 1283. ENFORCEMENT.**

19        (a) COMPLAINTS.—Section 306 of the Federal Power  
20 Act (16 U.S.C. 825e) is amended as follows:

21            (1) By inserting “electric utility,” after “Any  
22 person.”.

23            (2) By inserting “, transmitting utility,” after  
24 “licensee” each place it appears.

1       (b) REVIEW OF COMMISSION ORDERS.—Section  
2 313(a) of the Federal Power Act (16 U.S.C. 8251) is  
3 amended by inserting “electric utility,” after “person,” in  
4 the first 2 places it appears and by striking “any person  
5 unless such person” and inserting “any entity unless such  
6 entity”.

7       (c) INVESTIGATIONS.—Section 307(a) of the Federal  
8 Power Act (16 U.S.C. 825f(a)) is amended as follows:

9               (1) By inserting “, electric utility, transmitting  
10 utility, or other entity” after “person” each time it  
11 appears.

12               (2) By striking the period at the end of the  
13 first sentence and inserting the following: “or in ob-  
14 taining information about the sale of electric energy  
15 at wholesale in interstate commerce and the trans-  
16 mission of electric energy in interstate commerce.”.

17       (d) CRIMINAL PENALTIES.—Section 316 of the Fed-  
18 eral Power Act (16 U.S.C. 825o) is amended—

19               (1) in subsection (a), by striking “\$5,000” and  
20 inserting “\$1,000,000”, and by striking “two years”  
21 and inserting “5 years”;

22               (2) in subsection (b), by striking “\$500” and  
23 inserting “\$25,000”; and

24               (3) by striking subsection (c).

1       (e) CIVIL PENALTIES.—Section 316A of the Federal  
2 Power Act (16 U.S.C. 825o–1) is amended as follows:

3                 (1) In subsections (a) and (b), by striking “sec-  
4 tion 211, 212, 213, or 214” each place it appears  
5 and inserting “Part II”.

6                 (2) In subsection (b), by striking “\$10,000”  
7 and inserting “\$1,000,000”.

8 **SEC. 1284. REFUND EFFECTIVE DATE.**

9       Section 206(b) of the Federal Power Act (16 U.S.C.  
10 824e(b)) is amended as follows:

11                 (1) By striking “the date 60 days after the fil-  
12 ing of such complaint nor later than 5 months after  
13 the expiration of such 60-day period” in the second  
14 sentence and inserting “the date of the filing of such  
15 complaint nor later than 5 months after the filing of  
16 such complaint”.

17                 (2) By striking “60 days after” in the third  
18 sentence and inserting “of”.

19                 (3) By striking “expiration of such 60-day pe-  
20 riod” in the third sentence and inserting “publica-  
21 tion date”.

22                 (4) By striking the fifth sentence and inserting  
23 the following: “If no final decision is rendered by the  
24 conclusion of the 180-day period commencing upon  
25 initiation of a proceeding pursuant to this section,

1       the Commission shall state the reasons why it has  
2       failed to do so and shall state its best estimate as  
3       to when it reasonably expects to make such deci-  
4       sion.”.

5 **SEC. 1285. REFUND AUTHORITY.**

6       Section 206 of the Federal Power Act (16 U.S.C.  
7 824e) is amended by adding the following new subsection  
8 at the end thereof:

9           “(e)(1) Except as provided in paragraph (2), if an  
10 entity described in section 201(f) voluntarily makes a  
11 short-term sale of electric energy and the sale violates  
12 Commission rules in effect at the time of the sale, such  
13 entity shall be subject to the Commission’s refund author-  
14 ity under this section with respect to such violation.

15           “(2) This section shall not apply to—

16              “(A) any entity that sells less than 8,000,000  
17 megawatt hours of electricity per year; or  
18              “(B) any electric cooperative.

19           “(3) For purposes of this subsection, the term ‘short-  
20 term sale’ means an agreement for the sale of electric en-  
21 ergy at wholesale in interstate commerce that is for a pe-  
22 riod of 31 days or less (excluding monthly contracts sub-  
23 ject to automatic renewal).

24           “(4) The Commission shall have refund authority  
25 under subsection (e)(1) with respect to a voluntary short-

1 term sale of electric energy by the Bonneville Power Ad-  
2 ministration (in this section ‘Bonneville’) only if the sale  
3 is at an unjust and unreasonable rate and, in that event,  
4 may order a refund only for short-term sales made by  
5 Bonneville at rates that are higher than the highest just  
6 and reasonable rate charged by any other entity for a  
7 short-term sale of electric energy in the same geographic  
8 market for the same, or most nearly comparable, period  
9 as the sale by Bonneville.

10       “(5) With respect to any Federal power marketing  
11 agency or the Tennessee Valley Authority, the Commission  
12 shall not assert or exercise any regulatory authority or  
13 powers under subsection (e)(1) other than the ordering of  
14 refunds to achieve a just and reasonable rate.”.

15 **SEC. 1286. SANCTITY OF CONTRACT.**

16       (a) IN GENERAL.—The Federal Energy Regulatory  
17 Commission (in this section, “the Commission”) shall have  
18 no authority to abrogate or modify any provision of an  
19 executed contract or executed contract amendment de-  
20 scribed in subsection (b) that has been entered into or  
21 taken effect, except upon a finding that failure to take  
22 such action would be contrary to the public interest.

23       (b) LIMITATION.—Except as provided in subsection  
24 (c), this section shall apply only to a contract or contract  
25 amendment—

(1) executed on or after the date of enactment  
of this Act; and

3 (2) entered into—

14 (c) EXCLUSION.—This section shall not apply to an  
15 executed contract or executed contract amendment that  
16 expressly provides for a standard of review other than the  
17 public interest standard.

18 (d) SAVINGS PROVISION.—With respect to contracts  
19 to which this section does not apply, nothing in this sec-  
20 tion alters existing law regarding the applicable standard  
21 of review for a contract subject to the jurisdiction of the  
22 Commission.

1   **SEC. 1287. CONSUMER PRIVACY AND UNFAIR TRADE PRAC-**  
2                         **TICES.**

3                 (a) **PRIVACY.**—The Federal Trade Commission may  
4 issue rules protecting the privacy of electric consumers  
5 from the disclosure of consumer information obtained in  
6 connection with the sale or delivery of electric energy to  
7 electric consumers.

8                 (b) **SLAMMING.**—The Federal Trade Commission  
9 may issue rules prohibiting the change of selection of an  
10 electric utility except with the informed consent of the  
11 electric consumer or if approved by the appropriate State  
12 regulatory authority.

13                 (c) **CRAMMING.**—The Federal Trade Commission  
14 may issue rules prohibiting the sale of goods and services  
15 to an electric consumer unless expressly authorized by law  
16 or the electric consumer.

17                 (d) **RULEMAKING.**—The Federal Trade Commission  
18 shall proceed in accordance with section 553 of title 5,  
19 United States Code, when prescribing a rule under this  
20 section.

21                 (e) **STATE AUTHORITY.**—If the Federal Trade Com-  
22 mission determines that a State's regulations provide  
23 equivalent or greater protection than the provisions of this  
24 section, such State regulations shall apply in that State  
25 in lieu of the regulations issued by the Commission under  
26 this section.

1                         (f) DEFINITIONS.—For purposes of this section:

2                         (1) STATE REGULATORY AUTHORITY.—The  
3 term “State regulatory authority” has the meaning  
4 given that term in section 3(21) of the Federal  
5 Power Act (16 U.S.C. 796(21)).

6                         (2) ELECTRIC CONSUMER AND ELECTRIC UTIL-  
7 ITY.—The terms “electric consumer” and “electric  
8 utility” have the meanings given those terms in sec-  
9 tion 3 of the Public Utility Regulatory Policies Act  
10 of 1978 (16 U.S.C. 2602).

## 11                         **Subtitle H—Merger Reform**

### 12 SEC. 1291. MERGER REVIEW REFORM AND ACCOUNT- 13 ABILITY.

14                         (a) MERGER REVIEW REFORM.—Within 180 days  
15 after the date of enactment of this Act, the Secretary of  
16 Energy, in consultation with the Federal Energy Regu-  
17 latory Commission and the Attorney General of the United  
18 States, shall prepare, and transmit to Congress each of  
19 the following:

20                         (1) A study of the extent to which the authori-  
21 ties vested in the Federal Energy Regulatory Com-  
22 mission under section 203 of the Federal Power Act  
23 are duplicative of authorities vested in—

24                         (A) other agencies of Federal and State  
25 Government; and

(B) the Federal Energy Regulatory Commission, including under sections 205 and 206 of the Federal Power Act.

10       (b) MERGER REVIEW ACCOUNTABILITY.—Not later  
11 than 1 year after the date of enactment of this Act and  
12 annually thereafter, with respect to all orders issued with-  
13 in the preceding year that impose a condition on a sale,  
14 lease, or other disposition of public utility facilities under  
15 section 203(b) of the Federal Power Act, the Federal En-  
16 ergy Regulatory Commission shall transmit a report to  
17 Congress explaining each of the following:

18 (1) The condition imposed.

1       the Commission determined that such condition was  
2       consistent with the public interest.

3 **SEC. 1292. ELECTRIC UTILITY MERGERS.**

4       (a) AMENDMENT.—Section 203(a) of the Federal  
5 Power Act (16 U.S.C. 824b(a)) is amended to read as fol-  
6 lows:

7           “(a)(1) No public utility shall, without first having  
8 secured an order of the Commission authorizing it to do  
9 so—

10           “(A) sell, lease, or otherwise dispose of the  
11 whole of its facilities subject to the jurisdiction of  
12 the Commission, or any part thereof of a value in  
13 excess of \$10,000,000;

14           “(B) merge or consolidate, directly or indi-  
15 rectly, such facilities or any part thereof with those  
16 of any other person, by any means whatsoever; or

17           “(C) purchase, acquire, or take any security  
18 with a value in excess of \$10,000,000 of any other  
19 public utility.

20           “(2) No holding company in a holding company sys-  
21 tem that includes a public utility shall purchase, acquire,  
22 or take any security with a value in excess of \$10,000,000  
23 of, or, by any means whatsoever, directly or indirectly,  
24 merge or consolidate with, a public utility or a holding  
25 company in a holding company system that includes a

1 public utility with a value in excess of \$10,000,000 with-  
2 out first having secured an order of the Commission au-  
3 thorizing it to do so.

4       “(3) Upon receipt of an application for such approval  
5 the Commission shall give reasonable notice in writing to  
6 the Governor and State commission of each of the States  
7 in which the physical property affected, or any part there-  
8 of, is situated, and to such other persons as it may deem  
9 advisable.

10       “(4) After notice and opportunity for hearing, the  
11 Commission shall approve the proposed disposition, con-  
12 solidation, acquisition, or change in control, if it finds that  
13 the proposed transaction will be consistent with the public  
14 interest. In evaluating whether a transaction will be con-  
15 sistent with the public interest, the Commission shall con-  
16 sider whether the proposed transaction—

17           “(A) will adequately protect consumer interests;  
18           “(B) will be consistent with competitive whole-  
19           sale markets;

20           “(C) will impair the financial integrity of any  
21           public utility that is a party to the transaction or an  
22           associate company of any party to the transaction;  
23           and

24           “(D) satisfies such other criteria as the Com-  
25           mission considers consistent with the public interest.

1       “(5) The Commission shall, by rule, adopt procedures  
2 for the expeditious consideration of applications for the  
3 approval of dispositions, consolidations, or acquisitions  
4 under this section. Such rules shall identify classes of  
5 transactions, or specify criteria for transactions, that nor-  
6 mally meet the standards established in paragraph (4).

7       The Commission shall provide expedited review for such  
8 transactions. The Commission shall grant or deny any  
9 other application for approval of a transaction not later  
10 than 180 days after the application is filed. If the Com-  
11 mission does not act within 180 days, such application  
12 shall be deemed granted unless the Commission finds,  
13 based on good cause, that further consideration is required  
14 to determine whether the proposed transaction meets the  
15 standards of paragraph (4) and issues an order tolling the  
16 time for acting on the application for not more than 180  
17 days, at the end of which additional period the Commis-  
18 sion shall grant or deny the application.

19       “(6) For purposes of this subsection, the terms ‘asso-  
20 ciate company’, ‘holding company’, and ‘holding company  
21 system’ have the meaning given those terms in the Public  
22 Utility Holding Company Act of 2004.”.

23       (b) EFFECTIVE DATE.—The amendments made by  
24 this section shall take effect 12 months after the date of  
25 enactment of this section.

## 1                   **Subtitle I—Definitions**

### 2   **SEC. 1295. DEFINITIONS.**

3                 (a) ELECTRIC UTILITY.—Section 3(22) of the Fed-  
4 eral Power Act (16 U.S.C. 796(22)) is amended to read  
5 as follows:

6                 “(22) ELECTRIC UTILITY.—The term ‘electric  
7 utility’ means any person or Federal or State agency  
8 (including any entity described in section 201(f))  
9 that sells electric energy; such term includes the  
10 Tennessee Valley Authority and each Federal power  
11 marketing administration.”.

12                 (b) TRANSMITTING UTILITY.—Section 3(23) of the  
13 Federal Power Act (16 U.S.C. 796(23)) is amended to  
14 read as follows:

15                 “(23) TRANSMITTING UTILITY.—The term  
16 ‘transmitting utility’ means an entity, including any  
17 entity described in section 201(f), that owns, oper-  
18 ates, or controls facilities used for the transmission  
19 of electric energy—

20                     “(A) in interstate commerce; or  
21                     “(B) for the sale of electric energy at  
22 wholesale.”.

23                 (c) ADDITIONAL DEFINITIONS.—Section 3 of the  
24 Federal Power Act (16 U.S.C. 796) is amended by adding  
25 at the end the following:

1           “(26) ELECTRIC COOPERATIVE.—The term  
2       ‘electric cooperative’ means a cooperatively owned  
3       electric utility.

4           “(27) RTO.—The term ‘Regional Transmission  
5       Organization’ or ‘RTO’ means an entity of sufficient  
6       regional scope approved by the Commission to exer-  
7       cise operational or functional control of facilities  
8       used for the transmission of electric energy in inter-  
9       state commerce and to ensure nondiscriminatory ac-  
10      cess to such facilities.

11          “(28) ISO.—The term ‘Independent System  
12       Operator’ or ‘ISO’ means an entity approved by the  
13       Commission to exercise operational or functional  
14       control of facilities used for the transmission of elec-  
15       tric energy in interstate commerce and to ensure  
16       nondiscriminatory access to such facilities.”.

17          (d) COMMISSION.—For the purposes of this title, the  
18      term “Commission” means the Federal Energy Regu-  
19      latory Commission.

20          (e) APPLICABILITY.—Section 201(f) of the Federal  
21      Power Act (16 U.S.C. 824(f)) is amended by adding after  
22      “political subdivision of a state,” the following: “an elec-  
23      tric cooperative that has financing under the Rural Elec-  
24      trification Act of 1936 (7 U.S.C. 901 et seq.) or that sells

1 less than 4,000,000 megawatt hours of electricity per  
2 year.”.

3                   **Subtitle J—Technical and**  
4                   **Conforming Amendments**

5                   **SEC. 1297. CONFORMING AMENDMENTS.**

6                   The Federal Power Act is amended as follows:

7                   (1) Section 201(b)(2) of such Act (16 U.S.C.  
8                   824(b)(2)) is amended as follows:

9                   (A) In the first sentence by striking “210,  
10                  211, and 212” and inserting “203(a)(2),  
11                  206(e), 210, 211, 211A, 212, 215, 216, 217,  
12                  218, 219, 220, 221, and 222”.

13                  (B) In the second sentence by striking  
14                  “210 or 211” and inserting “203(a)(2), 206(e),  
15                  210, 211, 211A, 212, 215, 216, 217, 218, 219,  
16                  220, 221, and 222”.

17                  (C) Section 201(b)(2) of such Act is  
18                  amended by striking “The” in the first place it  
19                  appears and inserting “Notwithstanding section  
20                  201(f), the” and in the second sentence after  
21                  “any order” by inserting “or rule”.

22                  (2) Section 201(e) of such Act is amended by  
23                  striking “210, 211, or 212” and inserting “206(e),  
24                  206(f), 210, 211, 211A, 212, 215, 216, 217, 218,  
25                  219, 220, 221, and 222”.

(A) In subsection (b), in the seventh sentence, by striking “the public utility to make”.

(B) In the first sentence of subsection (a),  
by striking “hearing had” and inserting “hear-  
ing held”.

8                   (4) Section 211(c) of such Act (16 U.S.C.  
9        824j(c)) is amended by—

10 (A) striking “(2)”;

(B) striking “(A)” and inserting “(1)”

(C) striking "(B)" and inserting "(2);

13 and

14 (D) striking “termination of modification”  
15 and inserting “termination or modification”.

20                   (6) Section 315 (c) of such Act (16 U.S.C.  
21                 825n(c)) is amended by striking “subsection” and  
22                 inserting “section”.

1                   **TITLE XIII—ENERGY TAX  
2                   INCENTIVES**

3   **SEC. 1300. SHORT TITLE; AMENDMENT OF 1986 CODE.**

4         (a) SHORT TITLE.—This title may be cited as the  
5    “Energy Tax Policy Act of 2004”.

6         (b) AMENDMENT OF 1986 CODE.—Except as other-  
7    wise expressly provided, whenever in this title an amend-  
8    ment or repeal is expressed in terms of an amendment  
9    to, or repeal of, a section or other provision, the reference  
10   shall be considered to be made to a section or other provi-  
11   sion of the Internal Revenue Code of 1986.

12                  **Subtitle A—Conservation**

13   **PART I—RESIDENTIAL AND BUSINESS PROPERTY**

14   **SEC. 1301. CREDIT FOR RESIDENTIAL ENERGY EFFICIENT  
15                   PROPERTY.**

16         (a) IN GENERAL.—Subpart A of part IV of sub-  
17    chapter A of chapter 1 (relating to nonrefundable personal  
18    credits) is amended by inserting after section 25B the fol-  
19    lowing new section:

20   **“SEC. 25C. RESIDENTIAL ENERGY EFFICIENT PROPERTY.**

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

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

4           “(2) 15 percent of the qualified photovoltaic  
5 property expenditures made by the taxpayer during  
6 such year,

7           “(3) 15 percent of the qualified wind energy  
8 property expenditures made by the taxpayer during  
9 such year, and

10          “(4) 20 percent of the qualified fuel cell prop-  
11 erty expenditures made by the taxpayer during such  
12 year.

13          “(b) LIMITATIONS.—

14          “(1) MAXIMUM CREDIT.—

15           “(A) IN GENERAL.—The credit allowed  
16 under subsection (a) shall not exceed—

17           “(i) \$2,000 for property described in  
18 paragraph (1), (2), or (3) of subsection  
19 (c), and

20           “(ii) \$500 for each 0.5 kilowatt of ca-  
21 pacity of property described in subsection  
22 (c)(4).

23          “(B) PRIOR EXPENDITURES BY TAXPAYER  
24 ON SAME RESIDENCE TAKEN INTO ACCOUNT.—  
25 In determining the amount of the credit allowed

1 to a taxpayer with respect to any dwelling unit  
2 under this section, the dollar amount under  
3 subparagraph (A)(i) with respect to each type  
4 of property described in such subparagraph  
5 shall be reduced by the credit allowed to the  
6 taxpayer under this section with respect to such  
7 property for all preceding taxable years with re-  
8 spect to such dwelling unit.

9       “(2) PROPERTY STANDARDS.—No credit shall  
10 be allowed under this section for an item of property  
11 unless—

12           “(A) the original use of such property com-  
13 mences with the taxpayer,

14           “(B) such property reasonably can be ex-  
15 pected to remain in use for at least 5 years,

16           “(C) such property is installed on or in  
17 connection with a dwelling unit located in the  
18 United States and used as a residence by the  
19 taxpayer;

20           “(D) in the case of solar water heating  
21 property, such property is certified for perform-  
22 ance by the non-profit Solar Rating and Certifi-  
23 cation Corporation or a comparable entity en-  
24 dorsed by the government of the State in which  
25 such property is installed,

1               “(E) in the case of fuel cell property, such  
2               property meets the performance and quality  
3               standards (if any) which have been prescribed  
4               by the Secretary by regulations (after consulta-  
5               tion with the Secretary of Energy), and

6               “(F) in the case of any photovoltaic prop-  
7               erty, fuel cell property, or wind energy property,  
8               such property meets appropriate fire and elec-  
9               tric code requirements.

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

11              “(1) QUALIFIED SOLAR WATER HEATING PROP-  
12              PERTY EXPENDITURE.—The term ‘qualified solar  
13              water heating property expenditure’ means an ex-  
14              penditure for property which uses solar energy to  
15              heat water for use in a dwelling unit.

16              “(2) QUALIFIED PHOTOVOLTAIC PROPERTY EX-  
17              PENDITURE.—The term ‘qualified photovoltaic prop-  
18              erty expenditure’ means an expenditure for property  
19              which uses solar energy to generate electricity for  
20              use in a dwelling unit and which is not described in  
21              paragraph (1).

22              “(3) QUALIFIED WIND ENERGY PROPERTY EX-  
23              PENDITURE.—The term ‘qualified wind energy prop-  
24              erty expenditure’ means an expenditure for property

1       which uses wind energy to generate electricity for  
2       use in a dwelling unit.

3           “(4) QUALIFIED FUEL CELL PROPERTY EX-  
4       PENDITURE.—The term ‘qualified fuel cell property  
5       expenditure’ means an expenditure for any qualified  
6       fuel cell property (as defined in section 48(c)(1)).

7           “(d) SPECIAL RULES.—For purposes of this sec-  
8       tion—

9           “(1) SOLAR PANELS.—No expenditure relating  
10       to a solar panel or other property installed as a roof  
11       (or portion thereof) shall fail to be treated as prop-  
12       erty described in paragraph (1) or (2) of subsection  
13       (c) solely because it constitutes a structural compo-  
14       nent of the structure on which it is installed.

15           “(2) SWIMMING POOLS, ETC., USED AS STOR-  
16       AGE MEDIUM.—Expenditures which are properly al-  
17       locable to a swimming pool, hot tub, or any other  
18       energy storage medium which has a function other  
19       than the function of such storage shall not be taken  
20       into account for purposes of this section.

21           “(3) DOLLAR AMOUNTS IN CASE OF JOINT OC-  
22       CUPANCY.—In the case of any dwelling unit which is  
23       jointly occupied and used during any calendar year  
24       as a residence by 2 or more individuals, the fol-  
25       lowing rules shall apply:

1                 “(A) The amount of the credit allowable  
2 under subsection (a) by reason of expenditures  
3 made during such calendar year by any of such  
4 individuals with respect to such dwelling unit  
5 shall be determined by treating all of such indi-  
6 viduals as 1 taxpayer whose taxable year is  
7 such calendar year.

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

18                 “(C) Subparagraphs (A) and (B) shall be  
19 applied separately with respect to expenditures  
20 described in paragraphs (1), (2), (3), and (4) of  
21 subsection (c).

22                 “(4) TENANT-STOCKHOLDER IN COOPERATIVE  
23 HOUSING CORPORATION.—In the case of an indi-  
24 vidual who is a tenant-stockholder (as defined in sec-  
25 tion 216) in a cooperative housing corporation (as

1 defined in such section), such individual shall be  
2 treated as having made the individual's tenant-stock-  
3 holder's proportionate share (as defined in section  
4 216(b)(3)) of any expenditures of such corporation.

5       “(5) CONDOMINIUMS.—

6           “(A) IN GENERAL.—In the case of an indi-  
7 vidual who is a member of a condominium man-  
8 agement association with respect to a condo-  
9 minium which the individual owns, such indi-  
10 vidual shall be treated as having made the indi-  
11 vidual's proportionate share of any expenditures  
12 of such association.

13           “(B) CONDOMINIUM MANAGEMENT ASSO-  
14 CIATION.—For purposes of this paragraph, the  
15 term ‘condominium management association’  
16 means an organization which meets the require-  
17 ments of paragraph (1) of section 528(c) (other  
18 than subparagraph (E) thereof) with respect to  
19 a condominium project substantially all of the  
20 units of which are used as residences.

21       “(6) ALLOCATION IN CERTAIN CASES.—Except  
22 in the case of qualified wind energy property expend-  
23 itures, if less than 80 percent of the use of an item  
24 is for nonbusiness purposes, only that portion of the  
25 expenditures for such item which is properly allo-

1       cable to use for nonbusiness purposes shall be taken  
2       into account.

3           “(7) WHEN EXPENDITURE MADE; AMOUNT OF  
4       EXPENDITURE.—

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

9           “(B) EXPENDITURES PART OF BUILDING  
10      CONSTRUCTION.—In the case of an expenditure  
11       in connection with the construction or recon-  
12       struction of a structure, such expenditure shall  
13       be treated as made when the original use of the  
14       constructed or reconstructed structure by the  
15       taxpayer begins.

16           “(C) AMOUNT.—The amount of any ex-  
17       penditure shall be the cost thereof.

18           “(8) PROPERTY FINANCED BY SUBSIDIZED EN-  
19       ERGY FINANCING.—For purposes of determining the  
20       amount of expenditures made by any individual with  
21       respect to any dwelling unit, there shall not be taken  
22       into account expenditures which are made from sub-  
23       sidized energy financing (as defined in section  
24       48(a)(4)(C)).

1           “(9) DENIAL OF DEPRECIATION ON WIND EN-  
2         ERGY PROPERTY FOR WHICH CREDIT ALLOWED.—

3         No deduction shall be allowed under section 167 for  
4         property which uses wind energy to generate elec-  
5         tricity if the taxpayer is allowed a credit under this  
6         section with respect to such property.

7           “(e) BASIS ADJUSTMENTS.—For purposes of this  
8         subtitle, if a credit is allowed under this section for any  
9         expenditure with respect to any property, the increase in  
10        the basis of such property which would (but for this sub-  
11        section) result from such expenditure shall be reduced by  
12        the amount of the credit so allowed.

13           “(f) TERMINATION.—The credit allowed under this  
14         section shall not apply to taxable years beginning after  
15         December 31, 2006 (December 31, 2008, with respect to  
16         qualified photovoltaic property expenditures).”.

17           (b) CONFORMING AMENDMENTS.—

18           (1) Section 1016(a) is amended by striking  
19         “and” at the end of paragraph (27), by striking the  
20         period at the end of paragraph (28) and inserting “,  
21         and”, and by adding at the end the following new  
22         paragraph:

23           “(29) to the extent provided in section 25C(e),  
24         in the case of amounts with respect to which a credit  
25         has been allowed under section 25C.”.

“Sec. 25C. Residential energy efficient property.”.

5       (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to taxable years ending after De-  
7 cember 31, 2003.

8 SEC. 1302. EXTENSION AND EXPANSION OF CREDIT FOR  
9 ELECTRICITY PRODUCED FROM CERTAIN RE-  
10 NEWABLE RESOURCES.

11       (a) EXPANSION OF QUALIFIED ENERGY RE-  
12 SOURCES.—Subsection (c) of section 45 (relating to elec-  
13 tricity produced from certain renewable resources) is  
14 amended to read as follows:

15        "(c) QUALIFIED ENERGY RESOURCES.—For pur-  
16 poses of this section—

17               “(1) IN GENERAL.—The term ‘qualified energy  
18               resources’ means—

19                         “(A) wind,

20 “(B) closed-loop biomass,

21 "(C) open-loop biomass,

22 “(D) geothermal energy,

23 “(E) solar energy,

24 “(F) small irrigation power, and

25 " (G) municipal solid waste.

1           “(2) CLOSED-LOOP BIOMASS.—The term  
2       ‘closed-loop biomass’ means any organic material  
3       from a plant which is planted exclusively for pur-  
4       poses of being used at a qualified facility to produce  
5       electricity.

6           “(3) OPEN-LOOP BIOMASS.—

7           “(A) IN GENERAL.—The term ‘open-loop  
8       biomass’ means—

9                  “(i) any agricultural livestock waste  
10       nutrients, or

11                  “(ii) any solid, nonhazardous, cel-  
12       lulosic waste material which is segregated  
13       from other waste materials and which is  
14       derived from—

15                  “(I) any of the following forest-  
16       related resources: mill and harvesting  
17       residues, precommercial thinnings,  
18       slash, and brush,

19                  “(II) solid wood waste materials,  
20       including waste pallets, crates,  
21       dunnage, manufacturing and con-  
22       struction wood wastes (other than  
23       pressure-treated, chemically-treated,  
24       or painted wood wastes), and land-  
25       scape or right-of-way tree trimmings,

1                   but not including municipal solid  
2                   waste, gas derived from the bio-  
3                   degradation of solid waste, or paper  
4                   which is commonly recycled, or

5                   “(III) agriculture sources, includ-  
6                   ing orchard tree crops, vineyard,  
7                   grain, legumes, sugar, and other crop  
8                   by-products or residues.

9                   Such term shall not include closed-loop biomass.

10                  “(B) AGRICULTURAL LIVESTOCK WASTE  
11                  NUTRIENTS.—

12                  “(i) IN GENERAL.—The term ‘agricul-  
13                  tural livestock waste nutrients’ means agri-  
14                  cultural livestock manure and litter, includ-  
15                  ing wood shavings, straw, rice hulls, and  
16                  other bedding material for the disposition  
17                  of manure.

18                  “(ii) AGRICULTURAL LIVESTOCK.—  
19                  The term ‘agricultural livestock’ includes  
20                  bovine, swine, poultry, and sheep.

21                  “(4) GEOTHERMAL ENERGY.—The term ‘geo-  
22                  thermal energy’ means energy derived from a geo-  
23                  thermal deposit (within the meaning of section  
24                  613(e)(2)).

1           “(5) SMALL IRRIGATION POWER.—The term  
2       ‘small irrigation power’ means power—

3               “(A) generated without any dam or im-  
4       poundment of water through an irrigation sys-  
5       tem canal or ditch, and

6               “(B) the nameplate capacity rating of  
7       which is not less than 150 kilowatts but is less  
8       than 5 megawatts.

9           “(6) MUNICIPAL SOLID WASTE.—The term  
10      ‘municipal solid waste’ has the meaning given the  
11      term ‘solid waste’ under section 2(27) of the Solid  
12      Waste Disposal Act (42 U.S.C. 6903).”.

13           (b) EXTENSION AND EXPANSION OF QUALIFIED FA-  
14      CILITIES.—

15               (1) IN GENERAL.—Section 45 is amended by  
16       redesignating subsection (d) as subsection (e) and by  
17       inserting after subsection (c) the following new sub-  
18       section:

19               “(d) QUALIFIED FACILITIES.—For purposes of this  
20      section—

21               “(1) WIND FACILITY.—In the case of a facility  
22       using wind to produce electricity, the term ‘qualified  
23       facility’ means any facility owned by the taxpayer  
24       which is originally placed in service after December  
25       31, 1993, and before January 1, 2007.

1           “(2) CLOSED-LOOP BIOMASS FACILITY.—

2               “(A) IN GENERAL.—In the case of a facil-  
3               ity using closed-loop biomass to produce elec-  
4               tricity, the term ‘qualified facility’ means any  
5               facility—

6                   “(i) owned by the taxpayer which is  
7               originally placed in service after December  
8               31, 1992, and before January 1, 2007, or

9                   “(ii) owned by the taxpayer which be-  
10               fore January 1, 2007, is originally placed  
11               in service and modified to use closed-loop  
12               biomass to co-fire with coal, with other bio-  
13               mass, or with both, but only if the modi-  
14               fication is approved under the Biomass  
15               Power for Rural Development Programs or  
16               is part of a pilot project of the Commodity  
17               Credit Corporation as described in 65 Fed.  
18               Reg. 63052.

19               “(B) SPECIAL RULES.—In the case of a  
20               qualified facility described in subparagraph  
21               (A)(ii)—

22                   “(i) the 10-year period referred to in  
23               subsection (a) shall be treated as beginning  
24               no earlier than the date of the enactment  
25               of the Energy Tax Policy Act of 2004,

1                 “(ii) the amount of the credit deter-  
2                 mined under subsection (a) with respect to  
3                 the facility shall be an amount equal to the  
4                 amount determined without regard to this  
5                 clause multiplied by the ratio of the ther-  
6                 mal content of the closed-loop biomass  
7                 used in such facility to the thermal content  
8                 of all fuels used in such facility, and

9                 “(iii) if the owner of such facility is  
10                 not the producer of the electricity, the per-  
11                 son eligible for the credit allowable under  
12                 subsection (a) shall be the lessee or the op-  
13                 erator of such facility.

14                 “(3) OPEN-LOOP BIOMASS FACILITIES.—

15                 “(A) IN GENERAL.—In the case of a facil-  
16                 ity using open-loop biomass to produce elec-  
17                 tricity, the term ‘qualified facility’ means any  
18                 facility owned by the taxpayer which—

19                 “(i) in the case of a facility using ag-  
20                 ricultural livestock waste nutrients—

21                 “(I) is originally placed in service  
22                 after the date of the enactment of the  
23                 Energy Tax Policy Act of 2004 and  
24                 before January 1, 2007, and

1                         “(II) the nameplate capacity rat-  
2                         ing of which is not less than 150 kilo-  
3                         watts, and

4                         “(ii) in the case of any other facility,  
5                         is originally placed in service before Janu-  
6                         ary 1, 2007.

7                         “(B) CREDIT ELIGIBILITY.—In the case of  
8                         any facility described in subparagraph (A), if  
9                         the owner of such facility is not the producer of  
10                         the electricity, the person eligible for the credit  
11                         allowable under subsection (a) shall be the les-  
12                         see or the operator of such facility.

13                         “(4) GEOTHERMAL OR SOLAR ENERGY FACIL-  
14                         ITY.—In the case of a facility using geothermal or  
15                         solar energy to produce electricity, the term ‘quali-  
16                         fied facility’ means any facility owned by the tax-  
17                         payer which is originally placed in service after the  
18                         date of the enactment of the Energy Tax Policy Act  
19                         of 2004 and before January 1, 2007. Such term  
20                         shall not include any property described in section  
21                         48(a)(3) the basis of which is taken into account by  
22                         the taxpayer for purposes of determining the energy  
23                         credit under section 48.

24                         “(5) SMALL IRRIGATION POWER FACILITY.—In  
25                         the case of a facility using small irrigation power to

1 produce electricity, the term ‘qualified facility’  
2 means any facility owned by the taxpayer which is  
3 originally placed in service after the date of the en-  
4 actment of the Energy Tax Policy Act of 2004 and  
5 before January 1, 2007.

6 “(6) LANDFILL GAS FACILITIES.—In the case  
7 of a facility producing electricity from gas derived  
8 from the biodegradation of municipal solid waste,  
9 the term ‘qualified facility’ means any facility owned  
10 by the taxpayer which is originally placed in service  
11 after the date of the enactment of the Energy Tax  
12 Policy Act of 2004 and before January 1, 2007.

13 “(7) TRASH COMBUSTION FACILITIES.—In the  
14 case of a facility which burns municipal solid waste  
15 to produce electricity, the term ‘qualified facility’  
16 means any facility owned by the taxpayer which is  
17 originally placed in service after the date of the en-  
18 actment of the Energy Tax Policy Act of 2004 and  
19 before January 1, 2007.”.

20 (2) CONFORMING AMENDMENT.—Section 45(e),  
21 as so redesignated, is amended by striking “sub-  
22 section (c)(3)(A)” in paragraph (7)(A)(i) and insert-  
23 ing “subsection (d)(1)”.

24 (c) SPECIAL CREDIT RATE AND PERIOD FOR ELEC-  
25 TRICITY PRODUCED AND SOLD AFTER ENACTMENT

1 DATE.—Section 45(b) is amended by adding at the end  
2 the following new paragraph:

3                 “(4) CREDIT RATE AND PERIOD FOR ELEC-  
4                 TRICITY PRODUCED AND SOLD FROM CERTAIN FA-  
5                 CILITIES.—

6                 “(A) CREDIT RATE.—In the case of elec-  
7                 tricity produced and sold in any calendar year  
8                 after 2003 at any qualified facility described in  
9                 paragraph (3), (5), (6), or (7) of subsection (d),  
10                 the amount in effect under subsection (a)(1) for  
11                 such calendar year (determined before the ap-  
12                 plication of the last sentence of paragraph (2)  
13                 of this subsection) shall be reduced by one-  
14                 third.

15                 “(B) CREDIT PERIOD.—

16                 “(i) IN GENERAL.—Except as pro-  
17                 vided in clause (ii), in the case of any facil-  
18                 ity described in paragraph (3), (4), (5),  
19                 (6), or (7) of subsection (d), the 5-year pe-  
20                 riod beginning on the date the facility was  
21                 originally placed in service shall be sub-  
22                 stituted for the 10-year period in sub-  
23                 section (a)(2)(A)(ii).

24                 “(ii) CERTAIN OPEN-LOOP BIOMASS  
25                 FACILITIES.—In the case of any facility de-

7       (d) COORDINATION WITH OTHER CREDITS.—Section  
8 45(e), as so redesignated, is amended by adding at the  
9 end the following new paragraph:

10            "(8) COORDINATION WITH OTHER CREDITS.—

11 The term ‘qualified facility’ shall not include—

12                   “(A) any property with respect to which a  
13 credit is allowed under section 25C, and

14                         “(B) any facility the production from  
15                         which is allowed as a credit under section 45K,  
16                         for the taxable year or any prior taxable year.”.

17 (e) COORDINATION WITH SECTION 48.—Section  
18 48(a)(3) (defining energy property) is amended by adding  
19 at the end the following new sentence: “Such term shall  
20 not include any property which is part of a facility the  
21 production from which is allowed as a credit under section  
22 45 for the taxable year or any prior taxable year.”.

23 (f) ELIMINATION OF CERTAIN CREDIT REDUC-  
24 TIONS.—Section 45(b)(3) (relating to credit reduced for

1 grants, tax-exempt bonds, subsidized energy financing,  
2 and other credits) is amended—

3                   (1) by inserting “the lesser of ½ or” before “a  
4 fraction” in the matter preceding subparagraph (A),  
5 and

6                   (2) by adding at the end the following new sen-  
7 tence: “This paragraph shall not apply with respect  
8 to any facility described in subsection (d)(2)(A)(ii).”.

9 (g) EFFECTIVE DATES.—

10                  (1) IN GENERAL.—Except as otherwise pro-  
11 vided in this subsection, the amendments made by  
12 this section shall apply to electricity produced and  
13 sold after the date of the enactment of this Act, in  
14 taxable years ending after such date.

15                  (2) CERTAIN BIOMASS FACILITIES.—With re-  
16 spect to any facility described in section  
17 45(d)(3)(A)(ii) of the Internal Revenue Code of  
18 1986, as added by subsection (b)(1), which is placed  
19 in service before the date of the enactment of this  
20 Act, the amendments made by this section shall  
21 apply to electricity produced and sold after Decem-  
22 ber 31, 2003, in taxable years ending after such  
23 date.

24                  (3) CREDIT RATE AND PERIOD FOR NEW FA-  
25 CILITIES.—The amendments made by subsection (c)

1 shall apply to electricity produced and sold after De-  
2 cember 31, 2003, in taxable years ending after such  
3 date.

4 (4) NONAPPLICATION OF AMENDMENTS TO  
5 PREEFFECTIVE DATE POULTRY WASTE FACILI-  
6 TIES.—The amendments made by this section shall  
7 not apply with respect to any poultry waste facility  
8 (within the meaning of section 45(c)(3)(C), as in ef-  
9 fect on the day before the date of the enactment of  
10 this Act) placed in service before January 1, 2004.

11 (h) GAO STUDY.—The Comptroller General of the  
12 United States shall conduct a study on the market viabil-  
13 ity of producing electricity from resources with respect to  
14 which credit is allowed under section 45 of the Internal  
15 Revenue Code of 1986 but without such credit. In the case  
16 of open-loop biomass and municipal solid waste resources,  
17 the study should take into account savings associated with  
18 not having to dispose of such resources. In conducting  
19 such study, the Comptroller shall estimate the dollar value  
20 of the environmental impact of producing electricity from  
21 such resources relative to producing electricity from fossil  
22 fuels using the latest generation of technology. Not later  
23 than June 30, 2006, the Comptroller shall report on such  
24 study to the Committee on Ways and Means of the House

1 of Representatives and the Committee on Finance of the  
2 Senate.

3 **SEC. 1303. CREDIT FOR BUSINESS INSTALLATION OF**  
4 **QUALIFIED FUEL CELLS.**

5 (a) IN GENERAL.—Section 48(a)(3)(A) (defining en-  
6 ergy property) is amended by striking “or” at the end of  
7 clause (i), by adding “or” at the end of clause (ii), and  
8 by inserting after clause (ii) the following new clause:

9 “(iii) qualified fuel cell property.”.

10 (b) QUALIFIED FUEL CELL PROPERTY.—Section 48  
11 (relating to energy credit; reforestation credit) is amended  
12 by adding at the end the following new subsection:

13 “(c) QUALIFIED FUEL CELL PROPERTY.—For pur-  
14 poses of subsection (a)(3)(A)(iii)—

15 “(1) IN GENERAL.—The term ‘qualified fuel  
16 cell property’ means a fuel cell power plant which  
17 generates at least 0.5 kilowatt of electricity using an  
18 electrochemical process.

19 “(2) LIMITATION.—The energy credit with re-  
20 spect to any qualified fuel cell property shall not ex-  
21 ceed an amount equal to \$500 for each 0.5 kilowatt  
22 of capacity of such property.

23 “(3) FUEL CELL POWER PLANT.—The term  
24 ‘fuel cell power plant’ means an integrated system,  
25 comprised of a fuel cell stack assembly and associ-

1       ated balance of plant components, which converts a  
2       fuel into electricity using electrochemical means.

3               “(4) TERMINATION.—The term ‘qualified fuel  
4       cell property’ shall not include any property placed  
5       in service after December 31, 2006.”.

6               (c) ENERGY PERCENTAGE.—Subparagraph (A) of  
7       section 48(a)(2) (relating to energy percentage) is amend-  
8       ed to read as follows:

9                       “(A) IN GENERAL.—The energy percent-  
10       age is—

11                       “(i) in the case of qualified fuel cell  
12       property, 20 percent, and

13                       “(ii) in the case of any other energy  
14       property, 10 percent.”.

15               (d) CONFORMING AMENDMENT.—Section 48(a)(1) is  
16       amended by inserting “except as provided in subsection  
17       (c)(2),” before “the energy”.

18               (e) EFFECTIVE DATE.—The amendments made by  
19       this section shall apply to periods after December 31,  
20       2003, under rules similar to the rules of section 48(m)  
21       of the Internal Revenue Code of 1986 (as in effect on the  
22       day before the date of the enactment of the Revenue Rec-  
23       onciliation Act of 1990).

1   **SEC. 1304. CREDIT FOR ENERGY EFFICIENCY IMPROVE-**  
2                         **MENTS TO EXISTING HOMES.**

3       (a) IN GENERAL.—Subpart A of part IV of sub-  
4 chapter A of chapter 1 (relating to nonrefundable personal  
5 credits), as amended by this Act, is amended by inserting  
6 after section 25C the following new section:

7   **“SEC. 25D. ENERGY EFFICIENCY IMPROVEMENTS TO EXIST-**  
8                         **ING HOMES.**

9       “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
10 dividual, there shall be allowed as a credit against the tax  
11 imposed by this chapter for the taxable year an amount  
12 equal to 20 percent of the amount paid or incurred by  
13 the taxpayer for qualified energy efficiency improvements  
14 installed during such taxable year.

15      “(b) LIMITATIONS.—

16       “(1) MAXIMUM CREDIT.—The credit allowed by  
17 this section with respect to a dwelling unit shall not  
18 exceed \$2,000.

19       “(2) PRIOR CREDIT AMOUNTS FOR TAXPAYER  
20 ON SAME DWELLING TAKEN INTO ACCOUNT.—If a  
21 credit was allowed to the taxpayer under subsection  
22 (a) with respect to a dwelling unit in 1 or more prior  
23 taxable years, the amount of the credit otherwise al-  
24 lowable for the taxable year with respect to that  
25 dwelling unit shall be reduced by the sum of the  
26 credits allowed under subsection (a) to the taxpayer

1       with respect to the dwelling unit for all prior taxable  
2       years.

3       “(c) QUALIFIED ENERGY EFFICIENCY IMPROVE-  
4       MENTS.—For purposes of this section, the term ‘qualified  
5       energy efficiency improvements’ means any energy effi-  
6       cient building envelope component which meets the pre-  
7       scriptive criteria for such component established by the  
8       2000 International Energy Conservation Code, as such  
9       Code (including supplements) is in effect on the date of  
10      the enactment of this section (or, in the case of a metal  
11      roof with appropriate pigmented coatings which meet the  
12      Energy Star program requirements), if—

13           “(1) such component is installed in or on a  
14      dwelling unit—

15           “(A) located in the United States,  
16           “(B) owned and used by the taxpayer as  
17      the taxpayer’s principal residence (within the  
18      meaning of section 121), and

19           “(C) which has not been treated as a  
20      qualified new energy efficient home for pur-  
21      poses of any credit allowed under section 45G,

22           “(2) the original use of such component com-  
23      mences with the taxpayer, and

24           “(3) such component reasonably can be ex-  
25      pected to remain in use for at least 5 years.

1 If the aggregate cost of such components with respect to  
2 any dwelling unit exceeds \$1,000, such components shall  
3 be treated as qualified energy efficiency improvements  
4 only if such components are also certified in accordance  
5 with subsection (d) as meeting such prescriptive criteria.

6       “(d) CERTIFICATION.—The certification described in  
7 subsection (c) shall be—

8           “(1) determined on the basis of the technical  
9 specifications or applicable ratings (including prod-  
10 uct labeling requirements) for the measurement of  
11 energy efficiency (based upon energy use or building  
12 envelope component performance) for the energy ef-  
13 ficient building envelope component,

14           “(2) provided by a local building regulatory au-  
15 thority, a utility, a manufactured home production  
16 inspection primary inspection agency (IPIA), or an  
17 accredited home energy rating system provider who  
18 is accredited by or otherwise authorized to use ap-  
19 proved energy performance measurement methods by  
20 the Residential Energy Services Network  
21 (RESNET), and

22           “(3) made in writing in a manner which speci-  
23 fies in readily verifiable fashion the energy efficient  
24 building envelope components installed and their re-  
25 spective energy efficiency levels.

1       “(e) DEFINITIONS AND SPECIAL RULES.—For pur-  
2 poses of this section—

3           “(1) BUILDING ENVELOPE COMPONENT.—The  
4 term ‘building envelope component’ means—

5              “(A) any insulation material or system  
6 which is specifically and primarily designed to  
7 reduce the heat loss or gain of a dwelling unit  
8 when installed in or on such dwelling unit,

9              “(B) exterior windows (including sky-  
10 lights),

11              “(C) exterior doors, and

12              “(D) any metal roof installed on a dwelling  
13 unit, but only if such roof has appropriate pig-  
14 mented coatings which are specifically and pri-  
15 marily designed to reduce the heat gain of such  
16 dwelling unit.

17           “(2) MANUFACTURED HOMES INCLUDED.—The  
18 term ‘dwelling unit’ includes a manufactured home  
19 which conforms to Federal Manufactured Home  
20 Construction and Safety Standards (section 3280 of  
21 title 24, Code of Federal Regulations).

22           “(3) APPLICATION OF RULES.—Rules similar to  
23 the rules under paragraphs (3), (4), and (5) of sec-  
24 tion 25C(d) shall apply.

1       “(f) BASIS ADJUSTMENT.—For purposes of this sub-  
2 title, if a credit is allowed under this section for any ex-  
3 penditure with respect to any property, the increase in the  
4 basis of such property which would (but for this sub-  
5 section) result from such expenditure shall be reduced by  
6 the amount of the credit so allowed.

7       “(g) APPLICATION OF SECTION.—This section shall  
8 apply to qualified energy efficiency improvements installed  
9 after December 31, 2003, and before January 1, 2007.”.

10      (b) CONFORMING AMENDMENTS.—

11        (1) Subsection (a) of section 1016, as amended  
12 by this Act, is amended by striking “and” at the end  
13 of paragraph (28), by striking the period at the end  
14 of paragraph (29) and inserting “, and”, and by  
15 adding at the end the following new paragraph:

16        “(30) to the extent provided in section 25D(f),  
17 in the case of amounts with respect to which a credit  
18 has been allowed under section 25D.”.

19        (2) The table of sections for subpart A of part  
20 IV of subchapter A of chapter 1, as amended by this  
21 Act, is amended by inserting after the item relating  
22 to section 25C the following new item:

“Sec. 25D. Energy efficiency improvements to existing homes.”.

23      (c) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to taxable years ending after De-  
25 cember 31, 2003.

1 **SEC. 1305. CREDIT FOR CONSTRUCTION OF NEW ENERGY**2 **EFFICIENT HOMES.**

3 (a) IN GENERAL.—Subpart D of part IV of sub-  
4 chapter A of chapter 1 (relating to business related cred-  
5 its) is amended by adding at the end the following new  
6 section:

7 **“SEC. 45G. NEW ENERGY EFFICIENT HOME CREDIT.**

8 “(a) IN GENERAL.—For purposes of section 38, in  
9 the case of an eligible contractor with respect to a quali-  
10 fied new energy efficient home, the credit determined  
11 under this section for the taxable year with respect to such  
12 home is an amount equal to the aggregate adjusted bases  
13 of all energy efficient property installed in such home dur-  
14 ing construction of such home.

15 “(b) LIMITATIONS.—

16 “(1) MAXIMUM CREDIT.—

17 “(A) IN GENERAL.—The credit allowed by  
18 this section with respect to a dwelling unit shall  
19 not exceed—

20 “(i) in the case of a dwelling unit de-  
21 scribed in clause (i) or (iii) of subsection  
22 (c)(3)(D), \$1,000, and

23 “(ii) in the case of a dwelling unit de-  
24 scribed in subsection (c)(3)(D)(ii), \$2,000.

25 “(B) PRIOR CREDIT AMOUNTS ON SAME  
26 DWELLING UNIT TAKEN INTO ACCOUNT.—If a

1 credit was allowed under subsection (a) with re-  
2 spect to a dwelling unit in 1 or more prior tax-  
3 able years, the amount of the credit otherwise  
4 allowable for the taxable year with respect to  
5 such dwelling unit shall be reduced by the sum  
6 of the credits allowed under subsection (a) with  
7 respect to the dwelling unit for all prior taxable  
8 years.

9       “(2) COORDINATION WITH CERTAIN CREDITS.—

10      For purposes of this section—

11           “(A) the basis of any property referred to  
12       in subsection (a) shall be reduced by that por-  
13       tion of the basis of any property which is attrib-  
14       utable to qualified rehabilitation expenditures  
15       (as defined in section 47(c)(2)) or to the energy  
16       percentage of energy property (as determined  
17       under section 48(a)), and

18           “(B) expenditures taken into account  
19       under section 47 or 48(a) shall not be taken  
20       into account under this section.

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

22              “(1) ELIGIBLE CONTRACTOR.—The term ‘eli-  
23       gible contractor’ means—

24              “(A) the person who constructed the quali-  
25       fied new energy efficient home, or

1               “(B) in the case of a qualified new energy  
2               efficient home which is a manufactured home,  
3               the manufactured home producer of such home.

4               If more than 1 person is described in subparagraph  
5               (A) or (B) with respect to any qualified new energy  
6               efficient home, such term means the person des-  
7               ignated as such by the owner of such home.

8               “(2) ENERGY EFFICIENT PROPERTY.—The  
9               term ‘energy efficient property’ means any energy  
10               efficient building envelope component, and any en-  
11               ergy efficient heating or cooling equipment or sys-  
12               tem, which can, individually or in combination with  
13               other components, result in a dwelling unit meeting  
14               the requirements of this section.

15               “(3) QUALIFIED NEW ENERGY EFFICIENT  
16               HOME.—The term ‘qualified new energy efficient  
17               home’ means a dwelling unit—

18               “(A) located in the United States,  
19               “(B) the construction of which is substan-  
20               tially completed after December 31, 2003,

21               “(C) the original use of which, after such  
22               construction, is reasonably expected to be as a  
23               residence by the person who acquires such  
24               dwelling unit from the eligible contractor,

25               “(D) which is—

1                 “(i) certified to have a level of annual  
2                 heating and cooling energy consumption  
3                 which is at least 30 percent below the an-  
4                 nual level of heating and cooling energy  
5                 consumption of a comparable dwelling unit  
6                 constructed in accordance with the stand-  
7                 ards of chapter 4 of the 2000 International  
8                 Energy Conservation Code, as such Code  
9                 (including supplements) is in effect on the  
10                 date of the enactment of this section, and  
11                 to have building envelope component im-  
12                 provements account for at least  $\frac{1}{3}$  of such  
13                 30 percent,

14                 “(ii) certified to have a level of annual  
15                 heating and cooling energy consumption  
16                 which is at least 50 percent below such an-  
17                 nual level and to have building envelope  
18                 component improvements account for at  
19                 least  $\frac{1}{5}$  of such 50 percent, or

20                 “(iii) a manufactured home which—

21                         “(I) conforms to Federal Manu-  
22                 factured Home Construction and  
23                 Safety Standards (section 3280 of  
24                 title 24, Code of Federal Regulations),  
25                 and

1                 “(II) meets the applicable stand-  
2                 ards required by the Administrator of  
3                 the Environmental Protection Agency  
4                 under the Energy Star Labeled  
5                 Homes program.

6                 “(4) CONSTRUCTION.—The term ‘construction’  
7                 includes substantial reconstruction and rehabilita-  
8                 tion.

9                 “(5) ACQUIRE.—The term ‘acquire’ includes  
10                 purchase and, in the case of reconstruction and re-  
11                 habilitation, such term includes a binding written  
12                 contract for such reconstruction or rehabilitation.

13                 “(6) BUILDING ENVELOPE COMPONENT.—The  
14                 term ‘building envelope component’ means—

15                 “(A) any insulation material or system  
16                 which is specifically and primarily designed to  
17                 reduce the heat loss or gain of a dwelling unit  
18                 when installed in or on such dwelling unit,

19                 “(B) exterior windows (including sky-  
20                 lights),

21                 “(C) exterior doors, and

22                 “(D) any metal roof installed on a dwelling  
23                 unit, but only if such roof has appropriate pig-  
24                 mented coatings which—

1                   “(i) are specifically and primarily de-  
2                   signed to reduce the heat gain of such  
3                   dwelling unit, and

4                   “(ii) meet the Energy Star program  
5                   requirements.

6         “(d) CERTIFICATION.—

7                   “(1) METHOD OF CERTIFICATION.—A certifi-  
8                   cation described in subsection (c)(3)(D) shall be de-  
9                   termined in accordance with guidance prescribed by  
10                  the Secretary. Such guidance shall specify proce-  
11                  dures and methods for calculating energy and cost  
12                  savings.

13                  “(2) FORM.—A certification described in sub-  
14                  section (c)(3)(D) shall be made in writing—

15                  “(A) in a manner which specifies in readily  
16                  verifiable fashion the energy efficient building  
17                  envelope components and energy efficient heat-  
18                  ing or cooling equipment installed and their re-  
19                  spective rated energy efficiency performance,  
20                  and

21                  “(B) in the case of a qualified new energy  
22                  efficient home which is a manufactured home,  
23                  accompanied by such documentation as required  
24                  by the Administrator of the Environmental Pro-

1           tection Agency under the Energy Star Labeled  
2           Homes program.

3        “(e) BASIS ADJUSTMENT.—For purposes of this sub-  
4 title, if a credit is determined under this section for any  
5 expenditure with respect to any property, the increase in  
6 the basis of such property which would (but for this sub-  
7 section) result from such expenditure shall be reduced by  
8 the amount of the credit so determined.

9        “(f) APPLICATION OF SECTION.—Subsection (a) shall  
10 apply to qualified new energy efficient homes acquired  
11 during the period beginning on January 1, 2004, and end-  
12 ing on December 31, 2006.”.

13       (b) CREDIT MADE PART OF GENERAL BUSINESS  
14 CREDIT.—Section 38(b) (relating to current year business  
15 credit) is amended by striking “plus” at the end of para-  
16 graph (14), by striking the period at the end of paragraph  
17 (15) and inserting “, plus”, and by adding at the end the  
18 following new paragraph:

19       “(16) the new energy efficient home credit de-  
20 termined under section 45G(a).”.

21       (c) BASIS ADJUSTMENT.—Subsection (a) of section  
22 1016, as amended by this Act, is amended by striking  
23 “and” at the end of paragraph (29), by striking the period  
24 at the end of paragraph (30) and inserting “, and”, and  
25 by adding at the end the following new paragraph:

1               “(31) to the extent provided in section 45G(e),  
2       in the case of amounts with respect to which a credit  
3       has been allowed under section 45G.”.

4               (d) LIMITATION ON CARRYBACK.—

5               (1) IN GENERAL.—Subsection (d) of section 39  
6       is amended to read as follows:

7               “(d) TRANSITIONAL RULE.—No portion of the un-  
8       used business credit for any taxable year which is attrib-  
9       utable to a credit specified in section 38(b) or any portion  
10      thereof may be carried back to any taxable year before  
11      the first taxable year for which such specified credit or  
12      such portion is allowable (without regard to subsection  
13      (a)).”.

14               (2) EFFECTIVE DATE.—The amendment made  
15       by paragraph (1) shall apply with respect to taxable  
16       years ending after December 31, 2002.

17               (e) DEDUCTION FOR CERTAIN UNUSED BUSINESS  
18       CREDITS.—Section 196(c) (defining qualified business  
19       credits) is amended by striking “and” at the end of para-  
20      graph (10), by striking the period at the end of paragraph  
21      (11) and inserting “, and”, and by adding after paragraph  
22      (11) the following new paragraph:

23               “(12) the new energy efficient home credit de-  
24       termined under section 45G(a).”.

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 new item:

“Sec. 45G. New energy efficient home credit.”.

4       (g) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to taxable years ending after De-  
6 cember 31, 2003.

7 **SEC. 1306. ENERGY CREDIT FOR COMBINED HEAT AND**  
8 **POWER SYSTEM PROPERTY.**

9       (a) IN GENERAL.—Section 48(a)(3)(A) (defining en-  
10 ergy property), as amended by this Act, is amended by  
11 striking “or” at the end of clause (ii), by adding “or” at  
12 the end of clause (iii), and by inserting after clause (iii)  
13 the following new clause:

14                     “(iv) combined heat and power system  
15                     property.”.

16       (b) COMBINED HEAT AND POWER SYSTEM PROP-  
17 ERTY.—Section 48 (relating to energy credit; reforestation  
18 credit), as amended by this Act, is amended by adding  
19 at the end the following new subsection:

20                     “(d) COMBINED HEAT AND POWER SYSTEM PROP-  
21 ERTY.—For purposes of subsection (a)(3)(A)(iv)—

22                     “(1) COMBINED HEAT AND POWER SYSTEM  
23                     PROPERTY.—The term ‘combined heat and power  
24                     system property’ means property comprising a sys-  
25                     tem—

1               “(A) which uses the same energy source  
2               for the simultaneous or sequential generation of  
3               electrical power, mechanical shaft power, or  
4               both, in combination with the generation of  
5               steam or other forms of useful thermal energy  
6               (including heating and cooling applications),

7               “(B) which has an electrical capacity of  
8               not more than 15 megawatts or a mechanical  
9               energy capacity of not more than 2,000 horse-  
10              power or an equivalent combination of electrical  
11              and mechanical energy capacities,

12              “(C) which produces—

13               “(i) at least 20 percent of its total  
14               useful energy in the form of thermal en-  
15               ergy which is not used to produce electrical  
16               or mechanical power (or combination  
17               thereof), and

18               “(ii) at least 20 percent of its total  
19               useful energy in the form of electrical or  
20               mechanical power (or combination thereof),

21               “(D) the energy efficiency percentage of  
22               which exceeds 60 percent, and

23               “(E) which is placed in service before Jan-  
24               uary 1, 2007.

25               “(2) SPECIAL RULES.—

1                 “(A) ENERGY EFFICIENCY PERCENT-  
2                 AGE.—For purposes of this subsection, the en-  
3                 ergy efficiency percentage of a system is the  
4                 fraction—

5                 “(i) the numerator of which is the  
6                 total useful electrical, thermal, and me-  
7                 chanical power produced by the system at  
8                 normal operating rates, and expected to be  
9                 consumed in its normal application, and

10                 “(ii) the denominator of which is the  
11                 lower heating value of the fuel sources for  
12                 the system.

13                 “(B) DETERMINATIONS MADE ON BTU  
14                 BASIS.—The energy efficiency percentage and  
15                 the percentages under paragraph (1)(C) shall  
16                 be determined on a Btu basis.

17                 “(C) INPUT AND OUTPUT PROPERTY NOT  
18                 INCLUDED.—The term ‘combined heat and  
19                 power system property’ does not include prop-  
20                 erty used to transport the energy source to the  
21                 facility or to distribute energy produced by the  
22                 facility.

23                 “(D) PUBLIC UTILITY PROPERTY.—

24                 “(i) ACCOUNTING RULE FOR PUBLIC  
25                 UTILITY PROPERTY.—If the combined heat

1           and power system property is public utility  
2           property (as defined in section 168(i)(10)),  
3           the taxpayer may only claim the credit  
4           under subsection (a) if, with respect to  
5           such property, the taxpayer uses a normal-  
6           ization method of accounting.

7                 “(ii) CERTAIN EXCEPTION NOT TO  
8                 APPLY.—The matter in subsection (a)(3)  
9                 which follows subparagraph (D) thereof  
10                shall not apply to combined heat and  
11                power system property.

12               “(3) SYSTEMS USING BAGASSE.—If a system is  
13                designed to use bagasse for at least 90 percent of  
14                the energy source—

15                 “(A) paragraph (1)(D) shall not apply, but  
16                 “(B) the amount of credit determined  
17                under subsection (a) with respect to such sys-  
18                tem shall not exceed the amount which bears  
19                the same ratio to such amount of credit (deter-  
20                mined without regard to this paragraph) as the  
21                energy efficiency percentage of such system  
22                bears to 60 percent.”.

23               (c) EFFECTIVE DATE.—The amendments made by  
24                this subsection shall apply to periods after December 31,  
25                2003, in taxable years ending after such date, under rules

1 similar to the rules of section 48(m) of the Internal Rev-  
2 enue Code of 1986 (as in effect on the day before the date  
3 of the enactment of the Revenue Reconciliation Act of  
4 1990).

5 **SEC. 1307. CREDIT FOR ENERGY EFFICIENT APPLIANCES.**

6 (a) IN GENERAL.—Subpart D of part IV of sub-  
7 chapter A of chapter 1 (relating to business-related cred-  
8 its), as amended by this Act, is amended by adding at  
9 the end the following new section:

10 **“SEC. 45H. ENERGY EFFICIENT APPLIANCE CREDIT.**

11 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-  
12 tion 38, the energy efficient appliance credit determined  
13 under this section for the taxable year is an amount equal  
14 to the sum of—

15 “(1) the tier I appliance amount, and

16 “(2) the tier II appliance amount,

17 with respect to qualified energy efficient appliances pro-  
18 duced by the taxpayer during the calendar year ending  
19 with or within the taxable year.

20 “(b) APPLIANCE AMOUNTS.—For purposes of sub-  
21 section (a)—

22 “(1) TIER I APPLIANCE AMOUNT.—The tier I  
23 appliance amount is equal to—

24 “(A) \$100, multiplied by

1               “(B) an amount (rounded to the nearest  
2               whole number) equal to the applicable percent-  
3               age of the eligible production.

4               “(2) TIER II APPLIANCE AMOUNT.—The tier II  
5               appliance amount is equal to \$150, multiplied by an  
6               amount equal to the eligible production reduced by  
7               the amount determined under paragraph (1)(B).

8               “(3) APPLICABLE PERCENTAGE.—The applica-  
9               ble percentage is the percentage determined by di-  
10               viding the tier I appliances produced by the taxpayer  
11               during the calendar year by the sum of the tier I  
12               and tier II appliances so produced.

13               “(4) ELIGIBLE PRODUCTION.—The eligible pro-  
14               duction of qualified energy efficient appliances by  
15               the taxpayer for any calendar year is the excess of—

16               “(A) the number of such appliances which  
17               are produced by the taxpayer during such cal-  
18               endar year, over

19               “(B) 110 percent of the average annual  
20               number of such appliances which were produced  
21               by the taxpayer (or any predecessor) during the  
22               preceding 3-calendar year period.

23               “(c) QUALIFIED ENERGY EFFICIENT APPLIANCE.—  
24               For purposes of this section—

1           “(1) IN GENERAL.—The term ‘qualified energy  
2 efficient appliance’ means any tier I appliance or tier  
3 II appliance which is produced in the United States.

4           “(2) TIER I APPLIANCE.—The term ‘tier I ap-  
5 pliance’ means—

6                 “(A) a clothes washer which is produced  
7 with at least a 1.50 MEF, and

8                 “(B) a refrigerator which consumes at  
9 least 15 percent (20 percent in the case of a re-  
10 frigerator produced after 2006) less kilowatt  
11 hours per year than the energy conservation  
12 standards for refrigerators promulgated by the  
13 Department of Energy and effective on July 1,  
14 2001.

15           “(3) TIER II APPLIANCE.—The term ‘tier II ap-  
16 pliance’ means a refrigerator produced before 2007  
17 which consumes at least 20 percent less kilowatt  
18 hours per year than the energy conservation stand-  
19 ards described in paragraph (2)(B).

20           “(4) CLOTHES WASHER.—The term ‘clothes  
21 washer’ means a residential clothes washer, includ-  
22 ing a residential style coin operated washer.

23           “(5) REFRIGERATOR.—The term ‘refrigerator’  
24 means an automatic defrost refrigerator-freezer

1       which has an internal volume of at least 16.5 cubic  
2       feet.

3           “(6) MEF.—The term ‘MEF’ means Modified  
4       Energy Factor (as determined by the Secretary of  
5       Energy).

6           “(7) PRODUCED.—The term ‘produced’ in-  
7       cludes manufactured.

8       “(d) LIMITATION ON MAXIMUM CREDIT.—

9           “(1) IN GENERAL.—The amount of credit al-  
10       lowed under subsection (a) with respect to a tax-  
11       payer for any taxable year shall not exceed  
12       \$60,000,000, reduced by the amount of the credit  
13       allowed under subsection (a) to the taxpayer (or any  
14       predecessor) for any prior taxable year.

15           “(2) LIMITATION BASED ON GROSS RE-  
16       CEIPTS.—The credit allowed under subsection (a)  
17       with respect to a taxpayer for the taxable year shall  
18       not exceed an amount equal to 2 percent of the aver-  
19       age annual gross receipts of the taxpayer for the 3  
20       taxable years preceding the taxable year for which  
21       the credit is determined.

22           “(3) GROSS RECEIPTS.—For purposes of this  
23       subsection, the rules of paragraphs (2) and (3) of  
24       section 448(e) shall apply.

1       “(e) SPECIAL RULES.—For purposes of this sec-  
2 tion—

3           “(1) IN GENERAL.—Rules similar to the rules  
4 of subsections (c), (d), and (e) of section 52 shall  
5 apply.

6           “(2) CONTROLLED GROUPS.—

7           “(A) IN GENERAL.—All persons treated as  
8 a single employer under subsection (a) or (b) of  
9 section 52 or subsection (m) or (o) of section  
10 414 shall be treated as a single manufacturer.

11           “(B) INCLUSION OF FOREIGN CORPORA-  
12 TIONS.—For purposes of subparagraph (A), in  
13 applying subsections (a) and (b) of section 52  
14 to this section, section 1563 shall be applied  
15 without regard to subsection (b)(2)(C) thereof.

16           “(f) VERIFICATION.—The taxpayer shall submit such  
17 information or certification as the Secretary, after con-  
18 sultation with the Secretary of Energy, determines nec-  
19 essary to claim the credit amount under subsection (a).

20           “(g) TERMINATION.—This section shall not apply  
21 with respect to appliances produced after December 31,  
22 2007.”.

23           (b) CREDIT MADE PART OF GENERAL BUSINESS  
24 CREDIT.—Section 38(b) (relating to current year business  
25 credit), as amended by this Act, is amended by striking

1 "plus" at the end of paragraph (15), by striking the period  
2 at the end of paragraph (16) and inserting ", plus", and  
3 by adding at the end the following new paragraph:

4            "(17) the energy efficient appliance credit de-  
5            termined under section 45H(a).".

6            (c) CLERICAL AMENDMENT.—The table of sections  
7 for subpart D of part IV of subchapter A of chapter 1,  
8 as amended by this Act, is amended by adding at the end  
9 the following new item:

"Sec. 45H. Energy efficient appliance credit.".

10          (d) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to appliances produced after De-  
12 cember 31, 2003, in taxable years ending after such date.

13 **SEC. 1308. ENERGY EFFICIENT COMMERCIAL BUILDINGS**  
14            **DEDUCTION.**

15          (a) IN GENERAL.—Part VI of subchapter B of chap-  
16 ter 1 (relating to itemized deductions for individuals and  
17 corporations) is amended by inserting after section 179A  
18 the following new section:

19 **"SEC. 179B. ENERGY EFFICIENT COMMERCIAL BUILDINGS**  
20            **DEDUCTION.**

21          "(a) IN GENERAL.—There shall be allowed as a de-  
22 duction an amount equal to the cost of energy efficient  
23 commercial building property placed in service during the  
24 taxable year.

1       “(b) MAXIMUM AMOUNT OF DEDUCTION.—The de-  
2 duction under subsection (a) with respect to any building  
3 for the taxable year and all prior taxable years shall not  
4 exceed an amount equal to the product of—

5           “(1) \$1.50, and

6           “(2) the square footage of the building.

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

8           “(1) ENERGY EFFICIENT COMMERCIAL BUILD-  
9 ING PROPERTY.—The term ‘energy efficient commer-  
10 cial building property’ means property—

11           “(A) which is installed on or in a build-  
12 ing—

13           “(i) which is located in the United  
14 States, and

15           “(ii) which is the type of structure to  
16 which the Standard 90.1–2001 is applica-  
17 ble,

18           “(B) which is installed as part of—

19           “(i) the lighting systems,

20           “(ii) the heating, cooling, ventilation,  
21 and hot water systems, or

22           “(iii) the building envelope, and

23           “(C) which is certified in accordance with  
24 subsection (d)(4) as being installed as part of  
25 a plan designed to reduce the total annual en-

1           ergy and power costs with respect to the light-  
2           ing systems, heating, cooling, ventilation, and  
3           hot water systems of the building by 50 percent  
4           or more in comparison to a reference building  
5           which meets the minimum requirements of  
6           Standard 90.1–2001 using methods of calcula-  
7           tion under subsection (d)(2).

8           “(2) STANDARD 90.1–2001.—The term ‘Stand-  
9           ard 90.1–2001’ means Standard 90.1–2001 of the  
10          American Society of Heating, Refrigerating, and Air  
11          Conditioning Engineers and the Illuminating Engi-  
12          neering Society of North America (as in effect on  
13          April 2, 2003).

14          “(d) SPECIAL RULES.—

15          “(1) PARTIAL ALLOWANCE.—

16           “(A) IN GENERAL.—Except as provided in  
17           subsection (f), in the case of a building placed  
18           in service on or before the date of the enact-  
19           ment of this section, if—

20           “(i) the requirement of subsection  
21           (c)(1)(C) is not met, but

22           “(ii) there is a certification in accord-  
23           ance with subsection (d)(4) that any sys-  
24           tem referred to in subsection (c)(1)(B) sat-  
25           isfies the energy-savings targets estab-

lished by the Secretary under subparagraph (B) with respect to such system, then the requirement of subsection (c)(1)(C) shall be treated as met with respect to such system, and the deduction under subsection (a) shall be allowed with respect to energy efficient commercial building property installed as part of such system and as part of a plan to meet such targets, except that subsection (b) shall be applied to such property by substituting ‘\$.50’ for ‘\$1.50’.

12                 “(B) REGULATIONS.—The Secretary, after  
13                 consultation with the Secretary of Energy, shall  
14                 establish a target for each system described in  
15                 subsection (c)(1)(B) which, if such targets were  
16                 met for all such systems, the building would  
17                 meet the requirements of subsection (c)(1)(C).

18           “(2) METHODS OF CALCULATION.—The Sec-  
19         retary, after consultation with the Secretary of En-  
20         ergy, shall promulgate regulations which describe in  
21         detail methods for calculating and verifying energy  
22         and power cost for purposes of this section.

23               “(3) NOTICE TO OWNER.—Each certification  
24               required under this section shall include an expla-  
25               nation to the building owner regarding the energy

1 efficiency features of the building and its projected  
2 annual energy costs.

3 “(4) CERTIFICATION.—

4 “(A) IN GENERAL.—The Secretary shall  
5 prescribe the manner and method for the mak-  
6 ing of certifications under this section.

7 “(B) PROCEDURES.—The Secretary shall  
8 include as part of the certification process pro-  
9 cedures for inspection and testing by qualified  
10 individuals described in subparagraph (C) to  
11 ensure compliance of buildings with energy-sav-  
12 ings plans and targets. Such procedures shall  
13 be—

14 “(i) comparable, given the difference  
15 between commercial and residential build-  
16 ings, to the requirements in the Mortgage  
17 Industry National Accreditation Proce-  
18 dures for Home Energy Rating Systems,  
19 and

20 “(ii) fuel neutral such that the same  
21 energy efficiency measures allow a building  
22 to be eligible for the deduction under this  
23 section regardless of whether such building  
24 uses a gas or oil furnace or boiler, an elec-  
25 tric heat pump, or other fuel source.

1                 “(C) QUALIFIED INDIVIDUALS.—Individuals  
2                 qualified to determine compliance shall be  
3                 only those individuals who are recognized by an  
4                 organization certified by the Secretary for such  
5                 purposes.

6                 “(e) BASIS REDUCTION.—For purposes of this sub-  
7     title, if a deduction is allowed under this section with re-  
8     spect to any energy efficient commercial building property,  
9     the basis of such property shall be reduced by the amount  
10    of the deduction so allowed.

11                 “(f) INTERIM RULES FOR LIGHTING SYSTEMS.—  
12     Until such time as the Secretary issues final regulations  
13     under subsection (d)(1)(B) with respect to property which  
14     is part of a lighting system—

15                 “(1) IN GENERAL.—The lighting system target  
16     under subsection (d)(1)(A)(ii) shall be a reduction in  
17     lighting power density of 25 percent (50 percent in  
18     the case of a warehouse) of the minimum require-  
19     ments in Table 9.3.1.1 or Table 9.3.1.2 (not includ-  
20     ing additional interior lighting power allowances) of  
21     Standard 90.1–2001.

22                 “(2) REDUCTION IN DEDUCTION IF REDUCTION  
23     LESS THAN 40 PERCENT.—

24                 “(A) IN GENERAL.—If, with respect to the  
25     lighting system of any building other than a

1           warehouse, the reduction in lighting power den-  
2           sity of the lighting system is not at least 40  
3           percent, only the applicable percentage of the  
4           amount of deduction otherwise allowable under  
5           this section with respect to such property shall  
6           be allowed.

7                 “(B) APPLICABLE PERCENTAGE.—For  
8                 purposes of subparagraph (A), the applicable  
9                 percentage is the number of percentage points  
10                 (not greater than 100) equal to the sum of—

11                     “(i) 50, and

12                     “(ii) the amount which bears the same  
13                 ratio to 50 as the excess of the reduction  
14                 of lighting power density of the lighting  
15                 system over 25 percentage points bears to  
16                 15.

17                 “(C) EXCEPTIONS.—This subsection shall  
18                 not apply to any system—

19                     “(i) the controls and circuiting of  
20                 which do not comply fully with the manda-  
21                 tory and prescriptive requirements of  
22                 Standard 90.1–2001 and which do not in-  
23                 clude provision for bilevel switching in all  
24                 occupancies except hotel and motel guest

1                   rooms, store rooms, restrooms, and public  
2                   lobbies, or

3                   “(ii) which does not meet the min-  
4                   imum requirements for calculated lighting  
5                   levels as set forth in the Illuminating Engi-  
6                   neering Society of North America Lighting  
7                   Handbook, Performance and Application,  
8                   Ninth Edition, 2000.

9                 “(g) REGULATIONS.—The Secretary shall promul-  
10                  gate such regulations as necessary—

11                 “(1) to take into account new technologies re-  
12                  garding energy efficiency and renewable energy for  
13                  purposes of determining energy efficiency and sav-  
14                  ings under this section, and

15                 “(2) to provide for a recapture of the deduction  
16                  allowed under this section if the plan described in  
17                  subsection (c)(1)(C) or (d)(1)(A) is not fully imple-  
18                  mented.

19                 “(h) TERMINATION.—This section shall not apply  
20                  with respect to property placed in service after December  
21                  31, 2007.”.

22                 (b) CONFORMING AMENDMENTS.—

23                 (1) Section 1016(a), as amended by this sec-  
24                  tion, is amended by striking “and” at the end of  
25                  paragraph (30), by striking the period at the end of

1       paragraph (31) and inserting “, and”, and by add-  
2       ing at the end the following new paragraph:

3                 “(32) to the extent provided in section  
4                 179B(e).”.

5                 (2) Section 1245(a) is amended by inserting  
6                 “179B,” after “179A,” both places it appears in  
7                 paragraphs (2)(C) and (3)(C).

8                 (3) Section 1250(b)(3) is amended by inserting  
9                 before the period at the end of the first sentence “or  
10                 by section 179B”.

11                 (4) Section 263(a)(1) is amended by striking  
12                 “or” at the end of subparagraph (G), by striking the  
13                 period at the end of subparagraph (H) and inserting  
14                 “, or”, and by inserting after subparagraph (H) the  
15                 following new subparagraph:

16                 “(I) expenditures for which a deduction is  
17                 allowed under section 179B.”.

18                 (5) Section 312(k)(3)(B) is amended by strik-  
19                 ing “or 179A” each place it appears in the heading  
20                 and text and inserting “, 179A, or 179B”.

21                 (c) CLERICAL AMENDMENT.—The table of sections  
22         for part VI of subchapter B of chapter 1 is amended by  
23         inserting after section 179A the following new item:

“Sec. 179B. Energy efficient commercial buildings deduction.”.

24                 (d) EFFECTIVE DATE.—The amendments made by  
25         this section shall apply to property placed in service after

1 the date of the enactment of this Act in taxable years end-  
2 ing after such date.

3 **SEC. 1309. THREE-YEAR APPLICABLE RECOVERY PERIOD**  
4 **FOR DEPRECIATION OF QUALIFIED ENERGY**  
5 **MANAGEMENT DEVICES.**

6 (a) IN GENERAL.—Section 168(e)(3)(A) (defining 3-  
7 year property) is amended by striking “and” at the end  
8 of clause (ii), by striking the period at the end of clause  
9 (iii) and inserting “, and”, and by adding at the end the  
10 following new clause:

11 “(iv) any qualified energy manage-  
12 ment device.”.

13 (b) DEFINITION OF QUALIFIED ENERGY MANAGE-  
14 MENT DEVICE.—Section 168(i) (relating to definitions  
15 and special rules) is amended by inserting at the end the  
16 following new paragraph:

17 “(15) QUALIFIED ENERGY MANAGEMENT DE-  
18 VICE.—

19 (A) IN GENERAL.—The term ‘qualified  
20 energy management device’ means any energy  
21 management device which is placed in service  
22 before January 1, 2008, by a taxpayer who is  
23 a supplier of electric energy or a provider of  
24 electric energy services.

1                 “(B) ENERGY MANAGEMENT DEVICE.—

2                 For purposes of subparagraph (A), the term  
3                 ‘energy management device’ means any meter  
4                 or metering device which is used by the tax-  
5                 payer—

6                         “(i) to measure and record electricity  
7                 usage data on a time-differentiated basis  
8                 in at least 4 separate time segments per  
9                 day, and

10                         “(ii) to provide such data on at least  
11                 a monthly basis to both consumers and the  
12                 taxpayer.”.

13                 (c) ALTERNATIVE SYSTEM.—The table contained in  
14 section 168(g)(3)(B) is amended by inserting after the  
15 item relating to subparagraph (A)(iii) the following:

“(A) (iv) ..... 20”.

16                 (d) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to property placed in service after  
18 the date of the enactment of this Act, in taxable years  
19 ending after such date.

20 **SEC. 1310. CREDIT FOR PRODUCTION FROM ADVANCED NU-**  
21                 **CLEAR POWER FACILITIES.**

22                 (a) IN GENERAL.—Subpart D of part IV of sub-  
23 chapter A of chapter 1 (relating to business related cred-  
24 its), as amended by this Act, is amended by adding after  
25 section 45K the following new section:

1   **“SEC. 45L. CREDIT FOR PRODUCTION FROM ADVANCED NU-**2                   **CLEAR POWER FACILITIES.**

3         “(a) GENERAL RULE.—For purposes of section 38,  
4     the advanced nuclear power facility production credit of  
5     any taxpayer for any taxable year is equal to the product  
6     of—

7                 “(1) 1.8 cents, multiplied by

8                 “(2) the kilowatt hours of electricity—

9                         “(A) produced by the taxpayer at an ad-  
10         vanced nuclear power facility during the 8-year  
11         period beginning on the date the facility was  
12         originally placed in service, and

13                 “(B) sold by the taxpayer to an unrelated  
14         person during the taxable year.

15         “(b) NATIONAL LIMITATION.—

16                 “(1) IN GENERAL.—The amount of credit  
17         which would (but for this subsection and subsection  
18         (c)) be allowed with respect to any facility for any  
19         taxable year shall not exceed the amount which  
20         bears the same ratio to such amount of credit as—

21                 “(A) the national megawatt capacity limi-  
22         tation allocated to the facility, bears to

23                 “(B) the total megawatt nameplate capac-  
24         ity of such facility.

1           “(2) AMOUNT OF NATIONAL LIMITATION.—The  
2       national megawatt capacity limitation shall be 6,000  
3       megawatts.

4           “(3) ALLOCATION OF LIMITATION.—The Sec-  
5       retary shall allocate the national megawatt capacity  
6       limitation in such manner as the Secretary may pre-  
7       scribe.

8           “(4) REGULATIONS.—Not later than 6 months  
9       after the date of the enactment of this section, the  
10      Secretary shall prescribe such regulations as may be  
11      necessary or appropriate to carry out the purposes  
12      of this subsection. Such regulations shall provide a  
13      certification process under which the Secretary, after  
14      consultation with the Secretary of Energy, shall ap-  
15      prove and allocate the national megawatt capacity  
16      limitation.

17           “(c) OTHER LIMITATIONS.—

18           “(1) ANNUAL LIMITATION.—The amount of the  
19       credit allowable under subsection (a) (after the ap-  
20       plication of subsection (b)) for any taxable year with  
21       respect to any facility shall not exceed an amount  
22       which bears the same ratio to \$125,000,000 as—

23                  “(A) the national megawatt capacity limi-  
24       tation allocated under subsection (b) to the fa-  
25       cility, bears to

1               “(B) 1,000.

2               “(2) OTHER LIMITATIONS.—Rules similar to  
3               the rules of section 45(b) shall apply for purposes of  
4               this section, except that paragraph (2) thereof shall  
5               not apply to the 1.8 cents under subsection (a)(1).

6               “(d) ADVANCED NUCLEAR POWER FACILITY.—For  
7               purposes of this section—

8               “(1) IN GENERAL.—The term ‘advanced nu-  
9               clear power facility’ means any advanced nuclear fa-  
10               cility—

11               “(A) which is owned by the taxpayer and  
12               which uses nuclear energy to produce elec-  
13               tricity, and

14               “(B) which is placed in service after the  
15               date of the enactment of this paragraph and be-  
16               fore January 1, 2021.

17               “(2) ADVANCED NUCLEAR FACILITY.—For pur-  
18               poses of paragraph (1), the term ‘advanced nuclear  
19               facility’ means any nuclear facility the reactor design  
20               for which is approved after the date of the enact-  
21               ment of this paragraph by the Nuclear Regulatory  
22               Commission (and such design or a substantially  
23               similar design of comparable capacity was not ap-  
24               proved on or before such date).

1       “(e) OTHER RULES TO APPLY.—Rules similar to the  
2 rules of paragraphs (1), (2), (3), (4), and (5) of section  
3 45(e) shall apply for purposes of this section.”.

9           “(22) the advanced nuclear power facility pro-  
10          duction credit determined under section 45L(a).”.

11       (c) CLERICAL AMENDMENT.—The table of sections  
12 for subpart D of part IV of subchapter A of chapter 1,  
13 as amended by this Act, is amended by adding at the end  
14 the following:

“Sec. 45L. Credit for production from advanced nuclear power facilities.”.

15 (d) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to production in taxable years be-  
17 ginning after December 31, 2003.

## **PART II—FUELS AND ALTERNATIVE MOTOR VEHICLES**

20 SEC. 1311. REPEAL OF 4.3-CENT MOTOR FUEL EXCISE  
21 TAXES ON RAILROADS AND INLAND WATER-  
22 WAY TRANSPORTATION WHICH REMAIN IN  
23 GENERAL FUND.

24 (a) TAXES ON TRAINS.—

1                             (1) IN GENERAL.—Subparagraph (A) of section  
2                             4041(a)(1) is amended by striking “or a diesel-pow-  
3                             ered train” each place it appears and by striking “or  
4                             train”.

5                             (2) CONFORMING AMENDMENTS.—

6                             (A) Subparagraph (C) of section  
7                             4041(a)(1) is amended by striking clause (ii)  
8                             and by redesignating clause (iii) as clause (ii).

9                             (B) Subparagraph (C) of section  
10                            4041(b)(1) is amended by striking all that fol-  
11                            lows “section 6421(e)(2)” and inserting a pe-  
12                            riod.

13                            (C) Subsection (d) of section 4041 is  
14                            amended by redesignating paragraph (3) as  
15                            paragraph (4) and by inserting after paragraph  
16                            (2) the following new paragraph:

17                            “(3) DIESEL FUEL USED IN TRAINS.—There is  
18                            hereby imposed a tax of 0.1 cent per gallon on any  
19                            liquid other than gasoline (as defined in section  
20                            4083)—

21                            “(A) sold by any person to an owner, les-  
22                            see, or other operator of a diesel-powered train  
23                            for use as a fuel in such train, or

1                 “(B) used by any person as a fuel in a die-  
2                 sel-powered train unless there was a taxable  
3                 sale of such fuel under subparagraph (A).

4                 No tax shall be imposed by this paragraph on the  
5                 sale or use of any liquid if tax was imposed on such  
6                 liquid under section 4081.”.

7                 (D) Subsection (f) of section 4082 is  
8                 amended by striking “section 4041(a)(1)” and  
9                 inserting “subsections (d)(3) and (a)(1) of sec-  
10                 tion 4041, respectively”.

11                 (E) Paragraph (3) of section 4083(a) is  
12                 amended by striking “or a diesel-powered  
13                 train”.

14                 (F) Paragraph (3) of section 6421(f) is  
15                 amended to read as follows:

16                 “(3) GASOLINE USED IN TRAINS.—In the case  
17                 of gasoline used as a fuel in a train, this section  
18                 shall not apply with respect to the Leaking Under-  
19                 ground Storage Tank Trust Fund financing rate  
20                 under section 4081.”.

21                 (G) Paragraph (3) of section 6427(l) is  
22                 amended to read as follows:

23                 “(3) REFUND OF CERTAIN TAXES ON FUEL  
24                 USED IN DIESEL-POWERED TRAINS.—For purposes  
25                 of this subsection, the term ‘nontaxable use’ includes

1       fuel used in a diesel-powered train. The preceding  
2       sentence shall not apply to the tax imposed by sec-  
3       tion 4041(d) and the Leaking Underground Storage  
4       Tank Trust Fund financing rate under section 4081  
5       except with respect to fuel sold for exclusive use by  
6       a State or any political subdivision thereof.”.

7       (b) FUEL USED ON INLAND WATERWAYS.—

8              (1) IN GENERAL.—Paragraph (1) of section  
9       4042(b) is amended by adding “and” at the end of  
10      subparagraph (A), by striking “, and” at the end of  
11      subparagraph (B) and inserting a period, and by  
12      striking subparagraph (C).

13              (2) CONFORMING AMENDMENT.—Paragraph (2)  
14      of section 4042(b) is amended by striking subpara-  
15      graph (C).

16       (c) EFFECTIVE DATE.—The amendments made by  
17      this section shall take effect on January 1, 2004.

18 **SEC. 1312. REDUCED MOTOR FUEL EXCISE TAX ON CER-**

19 **TAIN MIXTURES OF DIESEL FUEL.**

20       (a) IN GENERAL.—Paragraph (2) of section 4081(a)  
21      is amended by adding at the end the following:

22              “(C) DIESEL-WATER FUEL EMULSION.—In  
23      the case of diesel-water fuel emulsion at least  
24      14 percent of which is water and with respect  
25      to which the emulsion additive is registered by

1           a United States manufacturer with the Envi-  
2           ronmental Protection Agency pursuant to sec-  
3           tion 211 of the Clean Air Act (as in effect on  
4           March 31, 2003), subparagraph (A)(iii) shall be  
5           applied by substituting ‘19.7 cents’ for ‘24.3  
6           cents’.”.

7       (b) SPECIAL RULES FOR DIESEL-WATER FUEL  
8 EMULSIONS.—

9           (1) REFUNDS FOR TAX-PAID PURCHASES.—Sec-  
10          tion 6427 is amended by redesignating subsections  
11          (m) through (p) as subsections (n) through (q), re-  
12          spectively, and by inserting after subsection (l) the  
13          following new subsection:

14       “(m) DIESEL FUEL USED TO PRODUCE EMUL-  
15 SION.—

16           “(1) IN GENERAL.—Except as provided in sub-  
17          section (k), if any diesel fuel on which tax was im-  
18          posed by section 4081 at the regular tax rate is used  
19          by any person in producing an emulsion described in  
20          section 4081(a)(2)(C) which is sold or used in such  
21          person’s trade or business, the Secretary shall pay  
22          (without interest) to such person an amount equal to  
23          the excess of the regular tax rate over the incentive  
24          tax rate with respect to such fuel.

1           “(2) DEFINITIONS.—For purposes of paragraph

2           (1)—

3           “(A) REGULAR TAX RATE.—The term ‘reg-  
4           ular tax rate’ means the aggregate rate of tax  
5           imposed by section 4081 determined without re-  
6           gard to section 4081(a)(2)(C).

7           “(B) INCENTIVE TAX RATE.—The term  
8           ‘incentive tax rate’ means the aggregate rate of  
9           tax imposed by section 4081 determined with  
10          regard to section 4081(a)(2)(C).”.

11          (2) LATER SEPARATION OF FUEL.—

12           (A) IN GENERAL.—Section 4081 (relating  
13          to imposition of tax) is amended by redesign-  
14          inating subsections (d) and (e) as subsections  
15          (e) and (f), respectively, and by inserting after  
16          subsection (c) the following new subsection:

17           “(d) LATER SEPARATION OF FUEL FROM DIESEL-  
18          WATER FUEL EMULSION.—If any person separates the  
19          taxable fuel from a diesel-water fuel emulsion on which  
20          tax was imposed under subsection (a) at a rate determined  
21          under subsection (a)(2)(C) (or with respect to which a  
22          credit or payment was allowed or made by reason of sec-  
23          tion 6427), such person shall be treated as the refiner of  
24          such taxable fuel. The amount of tax imposed on any re-  
25          moval of such fuel by such person shall be reduced by the

- 1 amount of tax imposed (and not credited or refunded) on
- 2 any prior removal or entry of such fuel.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 2004.

## **9 SEC. 1313. SMALL ETHANOL PRODUCER CREDIT.**

10       (a) ALLOCATION OF ALCOHOL FUELS CREDIT TO  
11 PATRONS OF A COOPERATIVE.—Section 40(g) (relating to  
12 definitions and special rules for eligible small ethanol pro-  
13 ducer credit) is amended by adding at the end the fol-  
14 lowing new paragraph:

15           “(6) ALLOCATION OF SMALL ETHANOL PRO-  
16         DUCTER CREDIT TO PATRONS OF COOPERATIVE.—

17                   “(A) ELECTION TO ALLOCATE.—

18                         “(i) IN GENERAL.—In the case of a  
19                         cooperative organization described in sec-  
20                         tion 1381(a), any portion of the credit de-  
21                         termined under subsection (a)(3) for the  
22                         taxable year may, at the election of the or-  
23                         ganization, be apportioned pro rata among  
24                         patrons of the organization on the basis of

1                   the quantity or value of business done with  
2                   or for such patrons for the taxable year.

3                   “(ii) FORM AND EFFECT OF ELEC-  
4                   TION.—An election under clause (i) for any  
5                   taxable year shall be made on a timely  
6                   filed return for such year. Such election,  
7                   once made, shall be irrevocable for such  
8                   taxable year.

9                   “(B) TREATMENT OF ORGANIZATIONS AND  
10                  PATRONS.—The amount of the credit appor-  
11                  tioned to patrons under subparagraph (A)—

12                  “(i) shall not be included in the  
13                  amount determined under subsection (a)  
14                  with respect to the organization for the  
15                  taxable year, and

16                  “(ii) shall be included in the amount  
17                  determined under subsection (a) for the  
18                  taxable year of each patron for which the  
19                  patronage dividends for the taxable year  
20                  described in subparagraph (A) are included  
21                  in gross income.

22                  “(C) SPECIAL RULE.—If the amount of a  
23                  credit which has been apportioned to any pa-  
24                  tron under this paragraph is decreased for any  
25                  reason—

1                   “(i) such amount shall not increase  
2                   the tax imposed on such patron, and

3                   “(ii) the tax imposed by this chapter  
4                   on such organization shall be increased by  
5                   such amount.

6                   The increase under clause (ii) shall not be  
7                   treated as tax imposed by this chapter for pur-  
8                   poses of determining the amount of any credit  
9                   under this chapter or for purposes of section  
10                  55.”.

11                 (b) DEFINITION OF SMALL ETHANOL PRODUCER.—  
12 Section 40(g) (relating to definitions and special rules for  
13 eligible small ethanol producer credit) is amended by strik-  
14 ing “30,000,000” each place it appears and inserting  
15 “60,000,000”.

16                 (c) CONFORMING AMENDMENT.—Section 1388 (re-  
17 lating to definitions and special rules for cooperative orga-  
18 nizations) is amended by adding at the end the following  
19 new subsection:

20                 “(k) CROSS REFERENCE.—For provisions relating to  
21 the apportionment of the alcohol fuels credit between coop-  
22 erative organizations and their patrons, see section  
23 40(g)(6).”.

1       (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2003.

4 **SEC. 1314. INCENTIVES FOR BIODIESEL.**

5       (a) IN GENERAL.—Subpart D of part IV of sub-  
6 chapter A of chapter 1 (relating to business related cred-  
7 its) is amended by inserting after section 40 the following  
8 new section:

9 **“SEC. 40A. BIODIESEL USED AS FUEL.**

10       “(a) GENERAL RULE.—For purposes of section 38,  
11 the biodiesel fuels credit determined under this section for  
12 the taxable year is an amount equal to the sum of—  
13           “(1) the biodiesel mixture credit, plus  
14           “(2) the biodiesel credit.

15       “(b) DEFINITION OF BIODIESEL MIXTURE CREDIT  
16 AND BIODIESEL CREDIT.—For purposes of this section—  
17           “(1) BIODIESEL MIXTURE CREDIT.—

18           “(A) IN GENERAL.—The biodiesel mixture  
19 credit of any taxpayer for any taxable year is  
20 50 cents for each gallon of biodiesel used by the  
21 taxpayer in the production of a qualified bio-  
22 diesel mixture.

23           “(B) QUALIFIED BIODIESEL MIXTURE.—  
24 The term ‘qualified biodiesel mixture’ means a

1 mixture of biodiesel and a taxable fuel (within  
2 the meaning of section 4083(a)(1)) which—

3 “(i) is sold by the taxpayer producing  
4 such mixture to any person for use as a  
5 fuel, or

6 “(ii) is used as a fuel by the taxpayer  
7 producing such mixture.

8 “(C) SALE OR USE MUST BE IN TRADE OR  
9 BUSINESS, ETC.—Biodiesel used in the produc-  
10 tion of a qualified biodiesel mixture shall be  
11 taken into account—

12 “(i) only if the sale or use described  
13 in subparagraph (B) is in a trade or busi-  
14 ness of the taxpayer, and

15 “(ii) for the taxable year in which  
16 such sale or use occurs.

17 “(D) CASUAL OFF-FARM PRODUCTION NOT  
18 ELIGIBLE.—No credit shall be allowed under  
19 this section with respect to any casual off-farm  
20 production of a qualified biodiesel mixture.

21 “(2) BIODIESEL CREDIT.—

22 “(A) IN GENERAL.—The biodiesel credit of  
23 any taxpayer for any taxable year is 50 cents  
24 for each gallon of biodiesel which is not in a  
25 mixture and which during the taxable year—

1                 “(i) is used by the taxpayer as a fuel  
2                          in a trade or business, or

3                 “(ii) is sold by the taxpayer at retail  
4                          to a person and placed in the fuel tank of  
5                          such person’s vehicle.

6                 “(B) USER CREDIT NOT TO APPLY TO BIO-  
7                          DIESEL SOLD AT RETAIL.—No credit shall be  
8                          allowed under subparagraph (A)(i) with respect  
9                          to any biodiesel which was sold in a retail sale  
10                         described in subparagraph (A)(ii).

11                 “(3) CREDIT FOR AGRI-BIODIESEL.—In the  
12                          case of any biodiesel which is agri-biodiesel, para-  
13                          graphs (1)(A) and (2)(A) shall be applied by sub-  
14                          stituting ‘\$1.00’ for ‘50 cents’.

15                 “(4) CERTIFICATION FOR BIODIESEL.—No  
16                          credit shall be allowed under this section unless the  
17                          taxpayer obtains a certification (in such form and  
18                          manner as prescribed by the Secretary) from the  
19                          producer of the biodiesel which identifies the product  
20                          produced and the percentage of biodiesel and agri-  
21                          biodiesel in the product.

22                 “(c) COORDINATION WITH CREDIT AGAINST EXCISE  
23                          TAX.—The amount of the credit determined under this  
24                          section with respect to any biodiesel shall be properly re-  
25                          duced to take into account any benefit provided with re-

1 spect to such biodiesel solely by reason of the application  
2 of section 6426.

3       “(d) DEFINITIONS AND SPECIAL RULES.—For pur-  
4 poses of this section—

5           “(1) BIODIESEL.—The term ‘biodiesel’ means  
6 the monoalkyl esters of long chain fatty acids de-  
7 rived from plant or animal matter which meet—

8           “(A) the registration requirements for  
9 fuels and fuel additives established by the Envi-  
10 ronmental Protection Agency under section 211  
11 of the Clean Air Act (42 U.S.C. 7545), and

12           “(B) the requirements of the American So-  
13 ciety of Testing and Materials D6751.

14           “(2) AGRI-BIODIESEL.—The term ‘agri-bio-  
15 diesel’ means biodiesel derived solely from virgin oils,  
16 including esters derived from virgin vegetable oils  
17 from corn, soybeans, sunflower seeds, cottonseeds,  
18 canola, crambe, rapeseeds, safflowers, flaxseeds, rice  
19 bran, and mustard seeds, and from animal fats.

20           “(3) MIXTURE OR BIODIESEL NOT USED AS A  
21 FUEL, ETC.—

22           “(A) MIXTURES.—If—

23           “(i) any credit was determined under  
24 this section with respect to biodiesel used

1           in the production of any qualified biodiesel  
2           mixture, and

3                 “(ii) any person—  
4                         “(I) separates the biodiesel from  
5                         the mixture, or

6                         “(II) without separation, uses the  
7                         mixture other than as a fuel,

8           then there is hereby imposed on such person a  
9           tax equal to the product of the rate applicable  
10          under subsection (b)(1)(A) and the number of  
11          gallons of such biodiesel in such mixture.

12                 “(B) BIODIESEL.—If—

13                 “(i) any credit was determined under  
14          this section with respect to the retail sale  
15          of any biodiesel, and

16                 “(ii) any person mixes such biodiesel  
17          or uses such biodiesel other than as a fuel,  
18          then there is hereby imposed on such person a  
19          tax equal to the product of the rate applicable  
20          under subsection (b)(2)(A) and the number of  
21          gallons of such biodiesel.

22                 “(C) APPLICABLE LAWS.—All provisions of  
23          law, including penalties, shall, insofar as appli-  
24          cable and not inconsistent with this section,  
25          apply in respect of any tax imposed under sub-

1           paragraph (A) or (B) as if such tax were im-  
2           posed by section 4081 and not by this chapter.

3           “(4) PASS-THRU IN THE CASE OF ESTATES AND  
4           TRUSTS.—Under regulations prescribed by the Sec-  
5           retary, rules similar to the rules of subsection (d) of  
6           section 52 shall apply.

7           “(e) TERMINATION.—This section shall not apply to  
8           any sale or use after December 31, 2005.”.

9           (b) CREDIT TREATED AS PART OF GENERAL BUSI-  
10         NESS CREDIT.—Section 38(b) (relating to current year  
11         business credit) is amended by striking “plus” at the end  
12         of paragraph (16), by striking the period at the end of  
13         paragraph (17) and inserting “, plus”, and by adding at  
14         the end the following new paragraph:

15           “(18) the biodiesel fuels credit determined  
16          under section 40A(a).”.

17           (c) CONFORMING AMENDMENTS.—

18           (1)(A) Section 87 is amended to read as fol-  
19          lows:

20           **“SEC. 87. ALCOHOL AND BIODIESEL FUELS CREDITS.**

21           “Gross income includes—

22           “(1) the amount of the alcohol fuels credit de-  
23          termined with respect to the taxpayer for the taxable  
24          year under section 40(a), and

1           “(2) the biodiesel fuels credit determined with  
2 respect to the taxpayer for the taxable year under  
3 section 40A(a).”.

4           (B) The item relating to section 87 in the table  
5 of sections for part II of subchapter B of chapter 1  
6 is amended by striking “fuel credit” and inserting  
7 “and biodiesel fuels credits”.

8           (2) Section 196(c), as amended by this Act, is  
9 amended by striking “and” at the end of paragraph  
10 (11), by striking the period at the end of paragraph  
11 (12) and inserting “, and”, and by adding at the  
12 end the following new paragraph:

13           “(13) the biodiesel fuels credit determined  
14 under section 40A(a).”.

15           (3) The table of sections for subpart D of part  
16 IV of subchapter A of chapter 1 is amended by add-  
17 ing after the item relating to section 40 the fol-  
18 lowing new item:

“Sec. 40A. Biodiesel used as fuel.”.

19           (d) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to fuel produced, and sold or used,  
21 after December 31, 2003, in taxable years ending after  
22 such date.

1 **SEC. 1315. ALCOHOL FUEL AND BIODIESEL MIXTURES EX-**2 **CISE TAX CREDIT.**

3 (a) IN GENERAL.—Subchapter B of chapter 65 (re-  
4 lating to rules of special application) is amended by insert-  
5 ing after section 6425 the following new section:

6 **“SEC. 6426. CREDIT FOR ALCOHOL FUEL AND BIODIESEL**7 **MIXTURES.**

8 “(a) ALLOWANCE OF CREDITS.—There shall be al-  
9 lowed as a credit against the tax imposed by section 4081  
10 an amount equal to the sum of—

11 “(1) the alcohol fuel mixture credit, plus

12 “(2) the biodiesel mixture credit.

13 “(b) ALCOHOL FUEL MIXTURE CREDIT.—

14 “(1) IN GENERAL.—For purposes of this sec-  
15 tion, the alcohol fuel mixture credit is the product  
16 of the applicable amount and the number of gallons  
17 of alcohol used by the taxpayer in producing any al-  
18 cohol fuel mixture for sale or use in a trade or busi-  
19 ness of the taxpayer.

20 “(2) APPLICABLE AMOUNT.—For purposes of  
21 this subsection—

22 “(A) IN GENERAL.—Except as provided in  
23 subparagraph (B), the applicable amount is 52  
24 cents (51 cents in the case of any sale or use  
25 after 2004).

1                 “(B) MIXTURES NOT CONTAINING ETH-  
2                 ANOL.—In the case of an alcohol fuel mixture  
3                 in which none of the alcohol consists of ethanol,  
4                 the applicable amount is 60 cents.

5                 “(3) ALCOHOL FUEL MIXTURE.—For purposes  
6                 of this subsection, the term ‘alcohol fuel mixture’  
7                 means a mixture of alcohol and a taxable fuel  
8                 which—

9                         “(A) is sold by the taxpayer producing  
10                 such mixture to any person for use as a fuel,  
11                         “(B) is used as a fuel by the taxpayer pro-  
12                 ducing such mixture, or

13                         “(C) is removed from the refinery by a  
14                 person producing such mixture.

15                 “(4) OTHER DEFINITIONS.—For purposes of  
16                 this subsection—

17                         “(A) ALCOHOL.—The term ‘alcohol’ in-  
18                 cludes methanol and ethanol but does not in-  
19                 clude—

20                                 “(i) alcohol produced from petroleum,  
21                 natural gas, or coal (including peat), or

22                                 “(ii) alcohol with a proof of less than  
23                 190 (determined without regard to any  
24                 added denaturants).

1       Such term also includes an alcohol gallon equiv-  
2       alent of ethyl tertiary butyl ether or other  
3       ethers produced from such alcohol.

4           “(B) TAXABLE FUEL.—The term ‘taxable  
5       fuel’ has the meaning given such term by sec-  
6       tion 4083(a)(1).

7           “(5) TERMINATION.—This subsection shall not  
8       apply to any sale, use, or removal for any period  
9       after December 31, 2010.

10          “(c) BIODIESEL MIXTURE CREDIT.—

11           “(1) IN GENERAL.—For purposes of this sec-  
12       tion, the biodiesel mixture credit is the product of  
13       the applicable amount and the number of gallons of  
14       biodiesel used by the taxpayer in producing any bio-  
15       diesel mixture for sale or use in a trade or business  
16       of the taxpayer.

17           “(2) APPLICABLE AMOUNT.—For purposes of  
18       this subsection—

19            “(A) IN GENERAL.—Except as provided in  
20       subparagraph (B), the applicable amount is 50  
21       cents.

22            “(B) AMOUNT FOR AGRI-BIODIESEL.—In  
23       the case of any biodiesel which is agri-biodiesel,  
24       the applicable amount is \$1.00.

1               “(3) BIODIESEL MIXTURE.—For purposes of  
2     this section, the term ‘biodiesel mixture’ means a  
3     mixture of biodiesel and a taxable fuel which—

4               “(A) is sold by the taxpayer producing  
5     such mixture to any person for use as a fuel,

6               “(B) is used as a fuel by the taxpayer pro-  
7     ducing such mixture, or

8               “(C) is removed from the refinery by a  
9     person producing such mixture.

10              “(4) CERTIFICATION FOR BIODIESEL.—No  
11     credit shall be allowed under this section unless the  
12     taxpayer obtains a certification (in such form and  
13     manner as prescribed by the Secretary) from the  
14     producer of the biodiesel which identifies the product  
15     produced and the percentage of biodiesel and agri-  
16     biodiesel in the product.

17              “(5) OTHER DEFINITIONS.—Any term used in  
18     this subsection which is also used in section 40A  
19     shall have the meaning given such term by section  
20     40A.

21              “(6) TERMINATION.—This subsection shall not  
22     apply to any sale, use, or removal for any period  
23     after December 31, 2005.

24              “(d) MIXTURE NOT USED AS A FUEL, ETC.—

25              “(1) IMPOSITION OF TAX.—If—

1               “(A) any credit was determined under this  
2               section with respect to alcohol or biodiesel used  
3               in the production of any alcohol fuel mixture or  
4               biodiesel mixture, respectively, and

5               “(B) any person—

6                     “(i) separates the alcohol or biodiesel  
7               from the mixture, or  
8                     “(ii) without separation, uses the mix-  
9               ture other than as a fuel,

10              then there is hereby imposed on such person a  
11              tax equal to the product of the applicable  
12              amount and the number of gallons of such alco-  
13              hol or biodiesel.

14              “(2) APPLICABLE LAWS.—All provisions of law,  
15              including penalties, shall, insofar as applicable and  
16              not inconsistent with this section, apply in respect of  
17              any tax imposed under paragraph (1) as if such tax  
18              were imposed by section 4081 and not by this sec-  
19              tion.

20              “(e) COORDINATION WITH EXEMPTION FROM EX-  
21              CISE TAX.—Rules similar to the rules under section 40(c)  
22              shall apply for purposes of this section.”.

23              (b) REGISTRATION REQUIREMENT.—Section 4101(a)  
24              (relating to registration) is amended by inserting “and  
25              every person producing biodiesel (as defined in section

1 40A(d)(1)) or alcohol (as defined in section  
2 6426(b)(4)(A))” after “4091”.

3 (c) ADDITIONAL AMENDMENTS.—

4 (1) Section 40(c) is amended by striking “or  
5 section 4091(c)” and inserting “section 4091(c), or  
6 section 6426”.

7 (2) Section 40(e)(1) is amended—

8 (A) by striking “2007” in subparagraph  
9 (A) and inserting “2010”, and  
10 (B) by striking “2008” in subparagraph  
11 (B) and inserting “2011”.

12 (3) Section 40(h) is amended—

13 (A) by striking “2007” in paragraph (1)  
14 and inserting “2010”, and

15 (B) by striking “, 2006, or 2007” in the  
16 table contained in paragraph (2) and inserting  
17 “through 2010”.

18 (4)(A) Subpart C of part III of subchapter A  
19 of chapter 32 is amended by adding at the end the  
20 following new section:

21 **“SEC. 4104. INFORMATION REPORTING FOR PERSONS**  
22 **CLAIMING CERTAIN TAX BENEFITS.**

23 “(a) IN GENERAL.—The Secretary shall require any  
24 person claiming tax benefits under the provisions of sec-  
25 tion 34, 40, 40A, 4041(b)(2), 4041(k), 4081(c), 6426, or

1 6427(f) to file a quarterly return (in such manner as the  
2 Secretary may prescribe) providing such information relat-  
3 ing to such benefits and the coordination of such benefits  
4 as the Secretary may require to ensure the proper admin-  
5 istration and use of such benefits.

6       “(b) ENFORCEMENT.—With respect to any person  
7 described in subsection (a) and subject to registration re-  
8 quirements under this title, rules similar to rules of section  
9 4222(c) shall apply with respect to any requirement under  
10 this section.”.

11           (B) The table of sections for subpart C of part  
12 III of subchapter A of chapter 32 is amended by  
13 adding at the end the following new item:

“See. 4104. Information reporting for persons claiming certain tax benefits.”.

14           (5) Section 6427(i)(3) is amended—  
15               (A) by adding at the end of subparagraph  
16               (A) the following new flush sentence:  
17               “In the case of an electronic claim, this sub-  
18               paragraph shall be applied without regard to  
19               clause (i).”, and

20               (B) by striking “20 days of the date of the  
21               filing of such claim” in subparagraph (B) and  
22               inserting “45 days of the date of the filing of  
23               such claim (20 days in the case of an electronic  
24               claim)”.

1                         (6) Section 9503(b)(1) is amended by adding at  
2                         the end the following new flush sentence:

3                         “For purposes of this paragraph, taxes received  
4                         under sections 4041 and 4081 shall be determined  
5                         without reduction for credits under section 6426.”.

6                         (d) CLERICAL AMENDMENT.—The table of sections  
7                         for subchapter B of chapter 65 is amended by inserting  
8                         after the item relating to section 6425 the following new  
9                         item:

“Sec. 6426. Credit for alcohol fuel and biodiesel mixtures.”.

10                         (e) EFFECTIVE DATES.—

11                         (1) IN GENERAL.—Except as provided in para-  
12                         graphs (2) and (3), the amendments made by this  
13                         section shall apply to fuel sold, used, or removed  
14                         after December 31, 2003.

15                         (2) SUBSECTION (c)(4).—The amendments  
16                         made by subsection (c)(4) shall take effect on Janu-  
17                         ary 1, 2004.

18                         (3) SUBSECTION (c)(5).—The amendments  
19                         made by subsection (c)(5) shall apply to claims filed  
20                         after December 31, 2004.

21                         (f) FORMAT FOR FILING.—The Secretary of the  
22                         Treasury shall prescribe the electronic format for filing  
23                         claims described in section 6427(i)(3)(B) of the Internal  
24                         Revenue Code of 1986 (as amended by subsection  
25                         (c)(5)(A)) not later than December 31, 2004.

1   **SEC. 1316. NONAPPLICATION OF EXPORT EXEMPTION TO**  
2                   **DELIVERY OF FUEL TO MOTOR VEHICLES RE-**  
3                   **MOVED FROM UNITED STATES.**

4       (a) IN GENERAL.—Section 4221(d)(2) (defining ex-  
5 port) is amended by adding at the end the following new  
6 sentence: “Such term does not include the delivery of a  
7 taxable fuel (as defined in section 4083(a)(1)) into a fuel  
8 tank of a motor vehicle which is shipped or driven out  
9 of the United States.”.

10     (b) CONFORMING AMENDMENTS.—

11       (1) Section 4041(g) (relating to other exemp-  
12 tions) is amended by adding at the end the following  
13 new sentence: “Paragraph (3) shall not apply to the  
14 sale for delivery of a liquid into a fuel tank of a  
15 motor vehicle which is shipped or driven out of the  
16 United States.”.

17       (2) Clause (iv) of section 4081(a)(1)(A) (relat-  
18 ing to tax on removal, entry, or sale) is amended by  
19 inserting “or at a duty-free sales enterprise (as de-  
20 fined in section 555(b)(8) of the Tariff Act of  
21 1930)” after “section 4101”.

22     (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to sales or deliveries made after  
24 the date of the enactment of this Act.

**1 SEC. 1317. REPEAL OF PHASEOUTS FOR QUALIFIED ELEC-****2 TRIC VEHICLE CREDIT AND DEDUCTION FOR****3 CLEAN FUEL-VEHICLES.****4 (a) CREDIT FOR QUALIFIED ELECTRIC VEHICLES.—**

5 Subsection (b) of section 30 (relating to limitations) is

6 amended by striking paragraph (2) and redesignating

7 paragraph (3) as paragraph (2).

**8 (b) DEDUCTION FOR CLEAN-FUEL VEHICLES AND****9 CERTAIN REFUELING PROPERTY.—Paragraph (1) of sec-**

10 tion 179A(b) (relating to qualified clean-fuel vehicle prop-

11 erty) is amended to read as follows:

**12 “(1) QUALIFIED CLEAN-FUEL VEHICLE PROP-**

13 ERTY.—The cost which may be taken into account

14 under subsection (a)(1)(A) with respect to any

15 motor vehicle shall not exceed—

16 “(A) in the case of a motor vehicle not de-

17 scribed in subparagraph (B) or (C), \$2,000,

18 “(B) in the case of any truck or van with

19 a gross vehicle weight rating greater than

20 10,000 pounds but not greater than 26,000

21 pounds, \$5,000, or

22 “(C) \$50,000 in the case of—

23 “(i) a truck or van with a gross vehi-

24 cle weight rating greater than 26,000

25 pounds, or

1                         “(ii) any bus which has a seating ca-  
2                         pacity of at least 20 adults (not including  
3                         the driver).”.

4                         (c) EFFECTIVE DATE.—The amendments made by  
5     this section shall apply to property placed in service after  
6     the date of the enactment of this Act.

7     **SEC. 1318. ALTERNATIVE MOTOR VEHICLE CREDIT.**

8                         (a) IN GENERAL.—Subpart B of part IV of sub-  
9     chapter A of chapter 1 (relating to foreign tax credit, etc.)  
10    is amended by adding at the end the following:

11    **“SEC. 30B. ALTERNATIVE MOTOR VEHICLE CREDIT.**

12                         “(a) ALLOWANCE OF CREDIT.—There shall be al-  
13    lowed as a credit against the tax imposed by this chapter  
14    for the taxable year an amount equal to the sum of—

15                         “(1) the new qualified fuel cell motor vehicle  
16    credit determined under subsection (b),

17                         “(2) the new advanced lean burn technology  
18    motor vehicle credit determined under subsection (c),

19                         “(3) the new qualified hybrid motor vehicle  
20    credit determined under subsection (d), and

21                         “(4) the new qualified alternative fuel motor ve-  
22    hicle credit determined under subsection (e).

23                         “(b) NEW QUALIFIED FUEL CELL MOTOR VEHICLE  
24    CREDIT.—

1           “(1) IN GENERAL.—For purposes of subsection  
 2           (a), the new qualified fuel cell motor vehicle credit  
 3           determined under this subsection with respect to a  
 4           new qualified fuel cell motor vehicle placed in service  
 5           by the taxpayer during the taxable year shall be de-  
 6           termined in accordance with the following table:

**“In the case of a vehicle which has a gross vehicle weight rating of—      The new qualified fuel cell motor vehicle credit is—**

|   |           |
|---|-----------|
| Not more than 8,500 lbs .....                           | \$4,000   |
| More than 8,500 lbs but not more than 14,000 lbs .....  | \$10,000  |
| More than 14,000 lbs but not more than 26,000 lbs ..... | \$20,000  |
| More than 26,000 lbs .....                              | \$40,000. |

7           “(2) INCREASE FOR FUEL EFFICIENCY.—

8           “(A) IN GENERAL.—The amount deter-  
 9           mined under paragraph (1) with respect to a  
 10          new qualified fuel cell motor vehicle which is a  
 11          passenger automobile or light truck shall be in-  
 12          creased by the additional credit amount.

13           “(B) ADDITIONAL CREDIT AMOUNT.—For  
 14          purposes of subparagraph (A), the additional  
 15          credit amount shall be determined in accord-  
 16          ance with the following table:

**“In the case of a vehicle which achieves a fuel economy (expressed as a percentage of the 2002 model year city fuel economy) of—      The additional credit amount is—**

|  |          |
|--|----------|
| At least 150 percent but less than 175 percent ..... | \$1,000  |
| At least 175 percent but less than 200 percent ..... | \$1,500  |
| At least 200 percent but less than 225 percent ..... | \$2,000  |
| At least 225 percent but less than 250 percent ..... | \$2,500  |
| At least 250 percent but less than 275 percent ..... | \$3,000  |
| At least 275 percent but less than 300 percent ..... | \$3,500  |
| At least 300 percent .....                           | \$4,000. |

1           “(3) NEW QUALIFIED FUEL CELL MOTOR VEHIC-  
2        CLE.—For purposes of this subsection, the term  
3        ‘new qualified fuel cell motor vehicle’ means a motor  
4        vehicle—

5           “(A) which is propelled by power derived  
6        from one or more cells which convert chemical  
7        energy directly into electricity by combining ox-  
8        ygen with hydrogen fuel which is stored on  
9        board the vehicle in any form and may or may  
10      not require reformation prior to use,

11        “(B) which, in the case of a passenger  
12      automobile or light truck, has received—

13           “(i) a certificate of conformity under  
14        the Clean Air Act and meets or exceeds the  
15        equivalent qualifying California low emis-  
16        sion vehicle standard under section  
17        243(e)(2) of the Clean Air Act for that  
18        make and model year, and

19           “(ii) a certificate that such vehicle  
20        meets or exceeds the Bin 5 Tier II emis-  
21        sion standard established in regulations  
22        prescribed by the Administrator of the En-  
23        vironmental Protection Agency under sec-  
24        tion 202(i) of the Clean Air Act for that  
25        make and model year vehicle,

- 1               “(C) the original use of which commences  
 2               with the taxpayer,  
 3               “(D) which is acquired for use or lease by  
 4               the taxpayer and not for resale, and  
 5               “(E) which is made by a manufacturer.

6       “(c) NEW ADVANCED LEAN BURN TECHNOLOGY

7   MOTOR VEHICLE CREDIT.—

8               “(1) IN GENERAL.—For purposes of subsection  
 9               (a), the new advanced lean burn technology motor  
 10          vehicle credit determined under this subsection with  
 11          respect to a new advanced lean burn technology  
 12          motor vehicle placed in service by the taxpayer dur-  
 13          ing the taxable year is the credit amount determined  
 14          under paragraph (2).

15       “(2) CREDIT AMOUNT.—

16               “(A) FUEL ECONOMY.—The credit amount  
 17          determined under this paragraph shall be deter-  
 18          mined in accordance with the following table:

**“In the case of a vehicle which achieves a fuel economy (expressed as a percentage of the 2002 model year city fuel economy) of—**

| <b>The credit amount is—</b>                         |          |
|--|----------|
| At least 125 percent but less than 150 percent ..... | \$400    |
| At least 150 percent but less than 175 percent ..... | \$800    |
| At least 175 percent but less than 200 percent ..... | \$1,200  |
| At least 200 percent but less than 225 percent ..... | \$1,600  |
| At least 225 percent but less than 250 percent ..... | \$2,000  |
| At least 250 percent .....                           | \$2,400. |

19               “(B) CONSERVATION CREDIT.—The  
 20          amount determined under subparagraph (A)

1           with respect to a new advanced lean burn tech-  
 2           nology motor vehicle shall be increased by the  
 3           conservation credit amount determined in ac-  
 4           cordance with the following table:

| <b>"In the case of a vehicle which achieves a lifetime fuel savings (expressed in gallons of gasoline) of—</b> | <b>The conservation credit amount is—</b> |
|--|---|
|--|---|

|  |          |
|--|----------|
| At least 1,200 but less than 1,800 ..... | \$250    |
| At least 1,800 but less than 2,400 ..... | \$500    |
| At least 2,400 but less than 3,000 ..... | \$750    |
| At least 3,000 .....                     | \$1,000. |

5           “(3) NEW ADVANCED LEAN BURN TECHNOLOGY  
 6           MOTOR VEHICLE.—For purposes of this subsection,  
 7           the term ‘new advanced lean burn technology motor  
 8           vehicle’ means a passenger automobile or a light  
 9           truck—

10           “(A) with an internal combustion engine  
 11           which—

12           “(i) is designed to operate primarily  
 13           using more air than is necessary for com-  
 14           plete combustion of the fuel,

15           “(ii) incorporates direct injection,

16           “(iii) achieves at least 125 percent of  
 17           the 2002 model year city fuel economy,

18           “(iv) for 2004 and later model vehi-  
 19           cles, has received a certificate that such ve-  
 20           hicle meets or exceeds—

1                         “(I) in the case of a vehicle hav-  
2                         ing a gross vehicle weight rating of  
3                         6,000 pounds or less, the Bin 5 Tier  
4                         II emission standard established in  
5                         regulations prescribed by the Adminis-  
6                         trator of the Environmental Protec-  
7                         tion Agency under section 202(i) of  
8                         the Clean Air Act for that make and  
9                         model year vehicle, and

10                         “(II) in the case of a vehicle hav-  
11                         ing a gross vehicle weight rating of  
12                         more than 6,000 pounds but not more  
13                         than 8,500 pounds, the Bin 8 Tier II  
14                         emission standard which is so estab-  
15                         lished.

16                         “(B) the original use of which commences  
17                         with the taxpayer,

18                         “(C) which is acquired for use or lease by  
19                         the taxpayer and not for resale, and

20                         “(D) which is made by a manufacturer.

21                         “(4) LIFETIME FUEL SAVINGS.—For purposes  
22                         of this subsection, the term ‘lifetime fuel savings’  
23                         means, in the case of any new advanced lean burn  
24                         technology motor vehicle, an amount equal to the ex-  
25                         cess (if any) of—

1               “(A) 120,000 divided by the 2002 model  
2               year city fuel economy for the vehicle inertia  
3               weight class, over

4               “(B) 120,000 divided by the city fuel econ-  
5               omy for such vehicle.

6        “(d) NEW QUALIFIED HYBRID MOTOR VEHICLE  
7 CREDIT.—

8               “(1) IN GENERAL.—For purposes of subsection  
9               (a), the new qualified hybrid motor vehicle credit de-  
10              termined under this subsection with respect to a new  
11              qualified hybrid motor vehicle placed in service by  
12              the taxpayer during the taxable year is the credit  
13              amount determined under paragraph (2).

14               “(2) CREDIT AMOUNT.—

15               “(A) CREDIT AMOUNT FOR PASSENGER  
16              AUTOMOBILES AND LIGHT TRUCKS.—In the  
17              case of a new qualified hybrid motor vehicle  
18              which is a passenger automobile or light truck  
19              and which has a gross vehicle weight rating of  
20              not more than 8,500 pounds, the amount deter-  
21              mined under this paragraph is the sum of the  
22              amounts determined under clauses (i) and (ii).

23               “(i) FUEL ECONOMY.—The amount  
24              determined under this clause is the amount  
25              which would be determined under sub-

1                   section (c)(2)(A) if such vehicle were a ve-  
2                   hicle referred to in such subsection.

3                   “(ii) CONSERVATION CREDIT.—The  
4                   amount determined under this clause is the  
5                   amount which would be determined under  
6                   subsection (c)(2)(B) if such vehicle were a  
7                   vehicle referred to in such subsection.

8                   “(B) CREDIT AMOUNT FOR OTHER MOTOR  
9                   VEHICLES.—

10                  “(i) IN GENERAL.—In the case of any  
11                  new qualified hybrid motor vehicle to which  
12                  subparagraph (A) does not apply, the  
13                  amount determined under this paragraph  
14                  is the amount equal to the applicable per-  
15                  centage of the qualified incremental hybrid  
16                  cost of the vehicle as certified under clause  
17                  (v).

18                  “(ii) APPLICABLE PERCENTAGE.—For  
19                  purposes of clause (i), the applicable per-  
20                  centage is—

21                  “(I) 20 percent if the vehicle  
22                  achieves an increase in city fuel econ-  
23                  omy relative to a comparable vehicle  
24                  of at least 30 percent but less than 40  
25                  percent,

1                         “(II) 30 percent if the vehicle  
2                         achieves such an increase of at least  
3                         40 percent but less than 50 percent,  
4                         and

5                         “(III) 40 percent if the vehicle  
6                         achieves such an increase of at least  
7                         50 percent.

8                         “(iii) QUALIFIED INCREMENTAL HY-  
9                         BRID COST.—For purposes of this subpara-  
10                         graph, the qualified incremental hybrid  
11                         cost of any vehicle is equal to the amount  
12                         of the excess of the manufacturer's sug-  
13                         gested retail price for such vehicle over  
14                         such price for a comparable vehicle, to the  
15                         extent such amount does not exceed—

16                         “(I) \$7,500, if such vehicle has a  
17                         gross vehicle weight rating of not  
18                         more than 14,000 pounds,

19                         “(II) \$15,000, if such vehicle has  
20                         a gross vehicle weight rating of more  
21                         than 14,000 pounds but not more  
22                         than 26,000 pounds, and

23                         “(III) \$30,000, if such vehicle  
24                         has a gross vehicle weight rating of  
25                         more than 26,000 pounds.

1                         “(iv) COMPARABLE VEHICLE.—For  
2                         purposes of this subparagraph, the term  
3                         ‘comparable vehicle’ means, with respect to  
4                         any new qualified hybrid motor vehicle,  
5                         any vehicle which is powered solely by a  
6                         gasoline or diesel internal combustion en-  
7                         gine and which is comparable in weight,  
8                         size, and use to such vehicle.

9                         “(v) CERTIFICATION.—A certification  
10                         described in clause (i) shall be made by the  
11                         manufacturer and shall be determined in  
12                         accordance with guidance prescribed by the  
13                         Secretary. Such guidance shall specify pro-  
14                         cedures and methods for calculating fuel  
15                         economy savings and incremental hybrid  
16                         costs.

17                         “(3) NEW QUALIFIED HYBRID MOTOR VEHI-  
18                         CLE.—For purposes of this subsection—

19                         “(A) IN GENERAL.—The term ‘new qual-  
20                         fied hybrid motor vehicle’ means a motor vehi-  
21                         cle—

22                         “(i) which draws propulsion energy  
23                         from onboard sources of stored energy  
24                         which are both—

1                         “(I) an internal combustion or  
2                         heat engine using consumable fuel,  
3                         and

4                         “(II) a rechargeable energy stor-  
5                         age system,

6                         “(ii) which, in the case of a vehicle to  
7                         which paragraph (2)(A) applies, has re-  
8                         ceived a certificate of conformity under the  
9                         Clean Air Act and meets or exceeds the  
10                         equivalent qualifying California low emis-  
11                         sion vehicle standard under section  
12                         243(e)(2) of the Clean Air Act for that  
13                         make and model year, and

14                         “(I) in the case of a vehicle hav-  
15                         ing a gross vehicle weight rating of  
16                         6,000 pounds or less, the Bin 5 Tier  
17                         II emission standard established in  
18                         regulations prescribed by the Adminis-  
19                         trator of the Environmental Protec-  
20                         tion Agency under section 202(i) of  
21                         the Clean Air Act for that make and  
22                         model year vehicle, and

23                         “(II) in the case of a vehicle hav-  
24                         ing a gross vehicle weight rating of  
25                         more than 6,000 pounds but not more

1                   than 8,500 pounds, the Bin 8 Tier II  
2                   emission standard which is so estab-  
3                   lished,

4                   “(iii) which has a maximum available  
5                   power of at least—

6                         “(I) 4 percent in the case of a ve-  
7                         hicle to which paragraph (2)(A) ap-  
8                         plies,

9                         “(II) 10 percent in the case of a  
10                         vehicle which has a gross vehicle  
11                         weight rating or more than 8,500  
12                         pounds and not than 14,000 pounds,  
13                         and

14                         “(III) 15 percent in the case of a  
15                         vehicle in excess of 14,000 pounds,

16                         “(iv) which, in the case of a vehicle to  
17                         which paragraph (2)(B) applies, has an in-  
18                         ternal combustion or heat engine which  
19                         has received a certificate of conformity  
20                         under the Clean Air Act as meeting the  
21                         emission standards set in the regulations  
22                         prescribed by the Administrator of the En-  
23                         vironmental Protection Agency for 2004  
24                         through 2007 model year diesel heavy duty

1           engines or ottocycle heavy duty engines, as  
2           applicable,

3                 “(v) the original use of which com-  
4                 mences with the taxpayer,

5                 “(vi) which is acquired for use or  
6                 lease by the taxpayer and not for resale,  
7                 and

8                 “(vii) which is made by a manufac-  
9                 turer.

10          Such term shall not include any vehicle which  
11          is not a passenger automobile or light truck if  
12          such vehicle has a gross vehicle weight rating of  
13          less than 8,500 pounds.

14          “(B) CONSUMABLE FUEL.—For purposes  
15          of subparagraph (A)(i)(I), the term ‘consumable  
16          fuel’ means any solid, liquid, or gaseous matter  
17          which releases energy when consumed by an  
18          auxiliary power unit.

19          “(C) MAXIMUM AVAILABLE POWER.—

20                 “(i) CERTAIN PASSENGER AUTO-  
21                 MOBILES AND LIGHT TRUCKS.—In the case  
22                 of a vehicle to which paragraph (2)(A) ap-  
23                 plies, the term ‘maximum available power’  
24                 means the maximum power available from  
25                 the rechargeable energy storage system,

1                   during a standard 10 second pulse power  
2                   or equivalent test, divided by such max-  
3                   imum power and the SAE net power of the  
4                   heat engine.

5                 “(ii) OTHER MOTOR VEHICLES.—In  
6                   the case of a vehicle to which paragraph  
7                   (2)(B) applies, the term ‘maximum avail-  
8                   able power’ means the maximum power  
9                   available from the rechargeable energy  
10                  storage system, during a standard 10 sec-  
11                  ond pulse power or equivalent test, divided  
12                  by the vehicle’s total traction power. For  
13                  purposes of the preceding sentence, the  
14                  term ‘total traction power’ means the sum  
15                  of the peak power from the rechargeable  
16                  energy storage system and the heat engine  
17                  peak power of the vehicle, except that if  
18                  such storage system is the sole means by  
19                  which the vehicle can be driven, the total  
20                  traction power is the peak power of such  
21                  storage system.

22                 “(e) NEW QUALIFIED ALTERNATIVE FUEL MOTOR  
23                  VEHICLE CREDIT.—

24                 “(1) ALLOWANCE OF CREDIT.—Except as pro-  
25                  vided in paragraph (5), the new qualified alternative

1 fuel motor vehicle credit determined under this sub-  
2 section is an amount equal to the applicable percent-  
3 age of the incremental cost of any new qualified al-  
4 ternative fuel motor vehicle placed in service by the  
5 taxpayer during the taxable year.

6       “(2) APPLICABLE PERCENTAGE.—For purposes  
7 of paragraph (1), the applicable percentage with re-  
8 spect to any new qualified alternative fuel motor ve-  
9 hicle is—

10           “(A) 40 percent, plus

11           “(B) 30 percent, if such vehicle—

12                  “(i) has received a certificate of con-  
13 formity under the Clean Air Act and meets  
14 or exceeds the most stringent standard  
15 available for certification under the Clean  
16 Air Act for that make and model year vehi-  
17 cle (other than a zero emission standard),  
18 or

19                  “(ii) has received an order certifying  
20 the vehicle as meeting the same require-  
21 ments as vehicles which may be sold or  
22 leased in California and meets or exceeds  
23 the most stringent standard available for  
24 certification under the State laws of Cali-  
25 fornia (enacted in accordance with a waiver

1           er granted under section 209(b) of the  
2           Clean Air Act) for that make and model  
3           year vehicle (other than a zero emission  
4           standard).

5           For purposes of the preceding sentence, in the case  
6           of any new qualified alternative fuel motor vehicle  
7           which has a gross vehicle weight rating of more than  
8           14,000 pounds, the most stringent standard avail-  
9           able shall be such standard available for certification  
10          on the date of the enactment of the Energy Tax Pol-  
11          icy Act of 2003.

12           “(3) INCREMENTAL COST.—For purposes of  
13          this subsection, the incremental cost of any new  
14          qualified alternative fuel motor vehicle is equal to  
15          the amount of the excess of the manufacturer’s sug-  
16          gested retail price for such vehicle over such price  
17          for a gasoline or diesel fuel motor vehicle of the  
18          same model, to the extent such amount does not ex-  
19          ceed—

20           “(A) \$5,000, if such vehicle has a gross ve-  
21          hicle weight rating of not more than 8,500  
22          pounds,

23           “(B) \$10,000, if such vehicle has a gross  
24          vehicle weight rating of more than 8,500  
25          pounds but not more than 14,000 pounds,

1               “(C) \$25,000, if such vehicle has a gross  
2               vehicle weight rating of more than 14,000  
3               pounds but not more than 26,000 pounds, and

4               “(D) \$40,000, if such vehicle has a gross  
5               vehicle weight rating of more than 26,000  
6               pounds.

7               “(4) NEW QUALIFIED ALTERNATIVE FUEL  
8               MOTOR VEHICLE.—For purposes of this sub-  
9               section—

10               “(A) IN GENERAL.—The term ‘new qualifi-  
11               fied alternative fuel motor vehicle’ means any  
12               motor vehicle—

13               “(i) which is only capable of operating  
14               on an alternative fuel,

15               “(ii) the original use of which com-  
16               mences with the taxpayer,

17               “(iii) which is acquired by the tax-  
18               payer for use or lease, but not for resale,  
19               and

20               “(iv) which is made by a manufac-  
21               turer.

22               “(B) ALTERNATIVE FUEL.—The term ‘al-  
23               ternative fuel’ means compressed natural gas,  
24               liquefied natural gas, liquefied petroleum gas,

1           hydrogen, and any liquid at least 85 percent of  
2           the volume of which consists of methanol.

3           “(5) CREDIT FOR MIXED-FUEL VEHICLES.—

4           “(A) IN GENERAL.—In the case of a  
5           mixed-fuel vehicle placed in service by the tax-  
6           payer during the taxable year, the credit deter-  
7           mined under this subsection is an amount equal  
8           to—

9           “(i) in the case of a 75/25 mixed-fuel  
10          vehicle, 70 percent of the credit which  
11          would have been allowed under this sub-  
12          section if such vehicle was a qualified alter-  
13          native fuel motor vehicle, and

14           “(ii) in the case of a 90/10 mixed-fuel  
15          vehicle, 90 percent of the credit which  
16          would have been allowed under this sub-  
17          section if such vehicle was a qualified alter-  
18          native fuel motor vehicle.

19           “(B) MIXED-FUEL VEHICLE.—For pur-  
20          poses of this subsection, the term ‘mixed-fuel  
21          vehicle’ means any motor vehicle described in  
22          subparagraph (C) or (D) of paragraph (3),  
23          which—

24           “(i) is certified by the manufacturer  
25          as being able to perform efficiently in nor-

1               mal operation on a combination of an al-  
2               ternative fuel and a petroleum-based fuel,  
3               “(ii) either—

4               “(I) has received a certificate of  
5               conformity under the Clean Air Act,  
6               or

7               “(II) has received an order certi-  
8               fying the vehicle as meeting the same  
9               requirements as vehicles which may be  
10               sold or leased in California and meets  
11               or exceeds the low emission vehicle  
12               standard under section 88.105–94 of  
13               title 40, Code of Federal Regulations,  
14               for that make and model year vehicle,  
15               “(iii) the original use of which com-  
16               mences with the taxpayer,

17               “(iv) which is acquired by the tax-  
18               payer for use or lease, but not for resale,  
19               and

20               “(v) which is made by a manufac-  
21               turer.

22               “(C) 75/25 MIXED-FUEL VEHICLE.—For  
23               purposes of this subsection, the term ‘75/25  
24               mixed-fuel vehicle’ means a mixed-fuel vehicle  
25               which operates using at least 75 percent alter-

1 native fuel and not more than 25 percent petro-  
2 leum-based fuel.

3 “(D) 90/10 MIXED-FUEL VEHICLE.—For  
4 purposes of this subsection, the term ‘90/10  
5 mixed-fuel vehicle’ means a mixed-fuel vehicle  
6 which operates using at least 90 percent alter-  
7 native fuel and not more than 10 percent petro-  
8 leum-based fuel.

9 “(f) LIMITATION ON NUMBER OF NEW QUALIFIED  
10 HYBRID AND ADVANCED LEAN-BURN TECHNOLOGY VE-  
11 HICLES ELIGIBLE FOR CREDIT.—

12 “(1) IN GENERAL.—In the case of a qualified  
13 vehicle sold during the phaseout period, only the ap-  
14 plicable percentage of the credit otherwise allowable  
15 under subsection (c) or (d) shall be allowed.

16 “(2) PHASEOUT PERIOD.—For purposes of this  
17 subsection, the phaseout period is the period begin-  
18 ning with the second calendar quarter following the  
19 calendar quarter which includes the first date on  
20 which the number of qualified vehicles manufactured  
21 by the manufacturer of the vehicle referred to in  
22 paragraph (1) sold for use in the United States after  
23 the date of the enactment of this section is at least  
24 80,000.

1           “(3) APPLICABLE PERCENTAGE.—For purposes  
2 of paragraph (1), the applicable percentage is—

3               “(A) 50 percent for the first 2 calendar  
4 quarters of the phaseout period,

5               “(B) 25 percent for the 3d and 4th cal-  
6 endar quarters of the phaseout period, and

7               “(C) 0 percent for each calendar quarter  
8 thereafter.

9           “(4) CONTROLLED GROUPS.—

10              “(A) IN GENERAL.—For purposes of this  
11 subsection, all persons treated as a single em-  
12 ployer under subsection (a) or (b) of section 52  
13 or subsection (m) or (o) of section 414 shall be  
14 treated as a single manufacturer.

15              “(B) INCLUSION OF FOREIGN CORPORA-  
16 TIONS.—For purposes of subparagraph (A), in  
17 applying subsections (a) and (b) of section 52  
18 to this section, section 1563 shall be applied  
19 without regard to subsection (b)(2)(C) thereof.

20           “(5) QUALIFIED VEHICLE.—For purposes of  
21 this subsection, the term ‘qualified vehicle’ means  
22 any new qualified hybrid motor vehicle and any new  
23 advanced lean burn technology motor vehicle.

1       “(g) LIMITATION BASED ON AMOUNT OF TAX.—The  
2 credit allowed under subsection (a) for the taxable year  
3 shall not exceed the excess of—

4           “(1) the sum of the regular tax liability (as de-  
5 fined in section 26(b)) plus the tax imposed by sec-  
6 tion 55, over

7           “(2) the sum of the credits allowable under sub-  
8 part A and sections 27 and 30 for the taxable year.

9       “(h) OTHER DEFINITIONS AND SPECIAL RULES.—

10 For purposes of this section—

11           “(1) MOTOR VEHICLE.—The term ‘motor vehi-  
12 cle’ has the meaning given such term by section  
13 30(c)(2).

14           “(2) OTHER TERMS.—The terms ‘automobile’,  
15 ‘passenger automobile’, ‘light truck’, and ‘manufac-  
16 turer’ have the meanings given such terms in regula-  
17 tions prescribed by the Administrator of the Envi-  
18 ronmental Protection Agency for purposes of the ad-  
19 ministration of title II of the Clean Air Act (42  
20 U.S.C. 7521 et seq.).

21           “(3) 2002 MODEL YEAR CITY FUEL ECON-  
22 OMY.—

23           “(A) IN GENERAL.—The 2002 model year  
24 city fuel economy with respect to a vehicle shall

1           be determined in accordance with the following  
2           tables:

3                 “(i) In the case of a passenger auto-  
4                 mobile:

5                 “(ii) In the case of a light truck:

6                 “(B) VEHICLE INERTIA WEIGHT CLASS.—

7           For purposes of subparagraph (A), the term  
8           ‘vehicle inertia weight class’ has the same  
9           meaning as when defined in regulations pre-  
10          scribed by the Administrator of the Environ-  
11          mental Protection Agency for purposes of the  
12          administration of title II of the Clean Air Act  
13          (42 U.S.C. 7521 et seq.).

14         “(4) FUEL ECONOMY.—Fuel economy with re-  
15          spect to any vehicle shall be measured under rules  
16          similar to the rules under section 4064(c).

17         “(5) REDUCTION IN BASIS.—For purposes of  
18          this subtitle, if a credit is allowed under this section  
19          for any expenditure with respect to any property, the  
20          increase in the basis of such property which would  
21          (but for this paragraph) result from such expendi-  
22          ture shall be reduced by the amount of the credit so  
23          allowed.

24         “(6) NO DOUBLE BENEFIT.—The amount of  
25          any deduction or credit allowable under this chapter

1       (other than the credits allowable under this section  
2       and section 30) shall be reduced by the amount of  
3       credit allowed under subsection (a) for such vehicle  
4       for the taxable year.

5           “(7) RECAPTURE.—The Secretary shall, by reg-  
6       ulations, provide for recapturing the benefit of any  
7       credit allowable under subsection (a) with respect to  
8       any property which ceases to be property eligible for  
9       such credit (including recapture in the case of a  
10      lease period of less than the economic life of a vehi-  
11      cle).

12          “(8) PROPERTY USED OUTSIDE UNITED  
13      STATES, ETC., NOT QUALIFIED.—No credit shall be  
14      allowed under subsection (a) with respect to any  
15      property referred to in section 50(b) or with respect  
16      to the portion of the cost of any property taken into  
17      account under section 179.

18          “(9) ELECTION NOT TO TAKE CREDIT.—No  
19      credit shall be allowed under subsection (a) for any  
20      vehicle if the taxpayer elects to not have this section  
21      apply to such vehicle.

22          “(10) BUSINESS CARRYOVERS ALLOWED.—If  
23      the credit allowable under subsection (a) for a tax-  
24      able year exceeds the limitation under subsection (g)  
25      for such taxable year, such excess (to the extent of

1       the credit allowable with respect to property subject  
2       to the allowance for depreciation) shall be allowed as  
3       a credit carryback and carryforward under rules  
4       similar to the rules of section 39.

5           “(11) INTERACTION WITH MOTOR VEHICLE  
6       SAFETY STANDARDS.—Unless otherwise provided in  
7       this section, a motor vehicle shall not be considered  
8       eligible for a credit under this section unless such  
9       vehicle is in compliance with the motor vehicle safety  
10      provisions of sections 30101 through 30169 of title  
11      49, United States Code.

12       “(i) REGULATIONS.—

13           “(1) IN GENERAL.—The Secretary shall pro-  
14       mulgate such regulations as necessary to carry out  
15       the provisions of this section.

16           “(2) DETERMINATION OF MOTOR VEHICLE ELI-  
17       GIBILITY.—The Secretary, after coordination with  
18       the Secretary of Transportation and the Adminis-  
19       trator of the Environmental Protection Agency, shall  
20       prescribe such regulations as necessary to determine  
21       whether a motor vehicle meets the requirements to  
22       be eligible for a credit under this section.

23       “(j) TERMINATION.—This section shall not apply to  
24       any property placed in service after—

1           “(1) in the case of a new qualified alternative  
2 fuel motor vehicle, December 31, 2006,

3           “(2) in the case of a new advanced lean burn  
4 technology motor vehicle or a new qualified hybrid  
5 motor vehicle, December 31, 2008, and

6           “(3) in the case of a new qualified fuel cell  
7 motor vehicle, December 31, 2012.”.

8 (b) CONFORMING AMENDMENTS.—

9           (1) Section 30(d) (relating to special rules) is  
10 amended by adding at the end the following new  
11 paragraphs:

12           “(5) NO DOUBLE BENEFIT.—No credit shall be  
13 allowed under this section for any motor vehicle for  
14 which a credit is also allowed under section 30B.”.

15           (2) Section 1016(a), as amended by this Act, is  
16 amended by striking “and” at the end of paragraph  
17 (31), by striking the period at the end of paragraph  
18 (32) and inserting “, and”, and by adding at the  
19 end the following:

20           “(33) to the extent provided in section  
21 30B(h)(5).”.

22           (3) Section 6501(m) is amended by inserting  
23 “30B(h)(9),” after “30(d)(4),”.

24           (4) The table of sections for subpart B of part  
25 IV of subchapter A of chapter 1 is amended by in-

1       serting after the item relating to section 30A the fol-  
2       lowing:

“See. 30B. Alternative motor vehicle credit.”.

3       (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to property placed in service after  
5 the date of the enactment of this Act, in taxable years  
6 ending after such date.

7       (d) STICKER INFORMATION REQUIRED AT RETAIL  
8 SALE.—

9           (1) IN GENERAL.—The Secretary of the Treas-  
10          ury shall issue regulations under which each qual-  
11          fied vehicle sold at retail shall display a notice—

12              (A) that such vehicle is a qualified vehicle,  
13          and

14              (B) that the buyer may not benefit from  
15          the credit allowed under section 30B of the In-  
16          ternal Revenue Code of 1986 if such buyer has  
17          insufficient tax liability.

18       (2) QUALIFIED VEHICLE.—For purposes of  
19          paragraph (1), the term “qualified vehicle” means a  
20          vehicle with respect to which a credit is allowed  
21          under section 30B of the Internal Revenue Code of  
22          1986.

1   **SEC. 1319. MODIFICATIONS OF DEDUCTION FOR CERTAIN**  
2                   **REFUELING PROPERTY.**

3       (a) IN GENERAL.—Subsection (f) of section 179A is  
4   amended to read as follows:

5           “(f) TERMINATION.—This section shall not apply to  
6   any property placed in service—

7              “(1) in the case of property relating to hydro-  
8   gen, after December 31, 2011, and

9              “(2) in the case of any other property, after  
10   December 31, 2008.”.

11       (b) INCENTIVE FOR PRODUCTION OF HYDROGEN AT  
12   QUALIFIED CLEAN-FUEL VEHICLE REFUELING PROP-  
13   ERTY.—Section 179A(d) (defining qualified clean-fuel ve-  
14   hicle refueling property) is amended by adding at the end  
15   the following new flush sentence:

16    “In the case of clean-burning fuel which is hydrogen pro-  
17   duced from another clean-burning fuel, paragraph (3)(A)  
18   shall be applied by substituting ‘production, storage, or  
19   dispensing’ for ‘storage or dispensing’ both places it ap-  
20   pears.”.

21       (c) INCREASE IN LOCATION EXPENDITURES.—Sec-  
22   tion 179A(b)(2)(A)(i) is amended by striking “\$100,000”  
23   and inserting “\$150,000”.

24       (d) NONBUSINESS USE OF QUALIFIED CLEAN-FUEL  
25   VEHICLE REFUELING PROPERTY.—Section 179A(d) is  
26   amended by striking paragraph (1) and by redesignating

1 paragraphs (2) and (3) as paragraphs (1) and (2), respec-  
2 tively.

3 (e) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to property placed in service after  
5 the date of the enactment of this Act, in taxable years  
6 ending after such date.

## 7                   **Subtitle B—Reliability**

### 8                   **SEC. 1321. NATURAL GAS GATHERING LINES TREATED AS 7-**

#### 9                   **YEAR PROPERTY.**

10               (a) IN GENERAL.—Subparagraph (C) of section  
11 168(e)(3) (relating to classification of certain property) is  
12 amended by striking “and” at the end of clause (i), by  
13 redesignating clause (ii) as clause (iii), and by inserting  
14 after clause (i) the following new clause:

15                         “(ii) any natural gas gathering line,  
16                         and”.

17               (b) NATURAL GAS GATHERING LINE.—Subsection (i)  
18 of section 168, as amended by this Act, is amended by  
19 adding after paragraph (15) the following new paragraph:

20                         “(16) NATURAL GAS GATHERING LINE.—The  
21 term ‘natural gas gathering line’ means—

22                         “(A) the pipe, equipment, and appur-  
23 tenances determined to be a gathering line by  
24 the Federal Energy Regulatory Commission, or

1               “(B) the pipe, equipment, and appur-  
2               tenances used to deliver natural gas from the  
3               wellhead or a commonpoint to the point at  
4               which such gas first reaches—

5               “(i) a gas processing plant,  
6               “(ii) an interconnection with a trans-  
7               mission pipeline for which a certificate as  
8               an interstate transmission pipeline has  
9               been issued by the Federal Energy Regu-  
10               latory Commission,  
11               “(iii) an interconnection with an  
12               intrastate transmission pipeline, or  
13               “(iv) a direct interconnection with a  
14               local distribution company, a gas storage  
15               facility, or an industrial consumer.”.

16               (c) ALTERNATIVE SYSTEM.—The table contained in  
17 section 168(g)(3)(B) is amended by inserting after the  
18 item relating to subparagraph (C)(i) the following:

“(C) (ii) ..... 14”.

19               (d) ALTERNATIVE MINIMUM TAX EXCEPTION.—Sub-  
20 paragraph (B) of section 56(a)(1) is amended by inserting  
21 before the period the following: “, or in section  
22 168(e)(3)(C)(ii)”.

23               (e) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to property placed in service after

1 the date of the enactment of this Act, in taxable years  
2 ending after such date.

3 **SEC. 1322. NATURAL GAS DISTRIBUTION LINES TREATED**

4 **AS 15-YEAR PROPERTY.**

5 (a) IN GENERAL.—Subparagraph (E) of section  
6 168(e)(3) (relating to classification of certain property) is  
7 amended by striking “and” at the end of clause (ii), by  
8 striking the period at the end of clause (iii) and by insert-  
9 ing “, and”, and by adding at the end the following new  
10 clause:

11 “(iv) any natural gas distribution  
12 line.”.

13 (b) ALTERNATIVE SYSTEM.—The table contained in  
14 section 168(g)(3)(B) is amended by inserting after the  
15 item relating to subparagraph (E)(iii) the following:

“(E) (iv) ..... 35”.

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to property placed in service after  
18 the date of the enactment of this Act, in taxable years  
19 ending after such date.

20 **SEC. 1323. ELECTRIC TRANSMISSION PROPERTY TREATED**

21 **AS 15-YEAR PROPERTY.**

22 (a) IN GENERAL.—Subparagraph (E) of section  
23 168(e)(3) (relating to classification of certain property),  
24 as amended by this Act, is amended by striking “and”  
25 at the end of clause (iii), by striking the period at the

1 end of clause (iv) and by inserting “, and”, and by adding  
2 at the end the following new clause:

3                 “(v) any section 1245 property (as de-  
4 fined in section 1245(a)(3)) used in the  
5 transmission at 69 or more kilovolts of  
6 electricity for sale the original use of which  
7 commences with the taxpayer after the  
8 date of the enactment of this clause.”.

9                 (b) ALTERNATIVE SYSTEM.—The table contained in  
10 section 168(g)(3)(B) is amended by inserting after the  
11 item relating to subparagraph (E)(iv) the following:

“(E) (v) ..... 30”.

12                 (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to property placed in service after  
14 the date of the enactment of this Act, in taxable years  
15 ending after such date.

16 **SEC. 1324. EXPENSING OF CAPITAL COSTS INCURRED IN**  
17 **COMPLYING WITH ENVIRONMENTAL PROTEC-**  
18 **TION AGENCY SULFUR REGULATIONS.**

19                 (a) IN GENERAL.—Part VI of subchapter B of chap-  
20 ter 1 (relating to itemized deductions for individuals and  
21 corporations), as amended by this Act, is amended by in-  
22 serting after section 179B the following new section:

1     **"SEC. 179C. DEDUCTION FOR CAPITAL COSTS INCURRED IN**  
2                         **COMPLYING WITH ENVIRONMENTAL PROTEC-**  
3                         **TION AGENCY SULFUR REGULATIONS.**

4         "(a) TREATMENT AS EXPENSES.—A small business  
5     refiner (as defined in section 45I(c)(1)) may elect to treat  
6     75 percent of qualified capital costs (as defined in section  
7     45I(c)(2)) which are paid or incurred by the taxpayer dur-  
8     ing the taxable year as expenses which are not chargeable  
9     to capital account. Any cost so treated shall be allowed  
10    as a deduction for the taxable year in which paid or in-  
11    curred.

12         "(b) REDUCED PERCENTAGE.—In the case of a small  
13    business refiner with average daily domestic refinery runs  
14    for the 1-year period ending on December 31, 2002, in  
15    excess of 155,000 barrels, the number of percentage  
16    points described in subsection (a) shall be reduced (not  
17    below zero) by the product of such number (before the  
18    application of this subsection) and the ratio of such excess  
19    to 50,000 barrels.

20         "(c) BASIS REDUCTION.—

21         "(1) IN GENERAL.—For purposes of this title,  
22    the basis of any property shall be reduced by the  
23    portion of the cost of such property taken into ac-  
24    count under subsection (a).

25         "(2) ORDINARY INCOME RECAPTURE.—For  
26    purposes of section 1245, the amount of the deduc-

1       tion allowable under subsection (a) with respect to  
2       any property which is of a character subject to the  
3       allowance for depreciation shall be treated as a de-  
4       duction allowed for depreciation under section 167.”.

5       “(d) COORDINATION WITH OTHER PROVISIONS.—

6       Section 280B shall not apply to amounts which are treated  
7       as expenses under this section.”.

8       (b) CONFORMING AMENDMENTS.—

9               (1) Section 263(a)(1), as amended by this Act,  
10       is amended by striking “or” at the end of subparagraph  
11       (H), by striking the period at the end of sub-  
12       paragraph (I) and inserting “; or”, and by adding  
13       at the end the following new subparagraph:

14               “(J) expenditures for which a deduction is  
15       allowed under section 179C.”.

16               (2) Section 263A(c)(3) is amended by inserting  
17       “179C,” after “section”.

18               (3) Section 312(k)(3)(B), as amended by this  
19       Act, is amended by striking “or 179B” each place  
20       it appears in the heading and text and inserting  
21       “179B, or 179C”.

22               (4) Section 1016(a), as amended by this Act, is  
23       amended by striking “and” at the end of paragraph  
24       (32), by striking the period at the end of paragraph

1       (33) and inserting “, and”, and by adding at the  
2       end the following new paragraph:

3                 “(34) to the extent provided in section  
4                 179C(c).”.

5                 (5) Paragraphs (2)(C) and (3)(C) of section  
6        1245(a), as amended by this Act, are each amended  
7        by inserting “179C,” after “179B.”.

8                 (6) The table of sections for part VI of sub-  
9        chapter B of chapter 1, as amended by this Act, is  
10      amended by inserting after the item relating to sec-  
11      tion 179B the following new item:

“Sec. 179C. Deduction for capital costs incurred in complying with Environmental Protection Agency sulfur regulations.”.

12                 (c) EFFECTIVE DATE.—The amendment made by  
13      this section shall apply to expenses paid or incurred after  
14      December 31, 2002, in taxable years ending after such  
15      date.

16      **SEC. 1325. CREDIT FOR PRODUCTION OF LOW SULFUR DIE-**

17                 **SEL FUEL.**

18                 (a) IN GENERAL.—Subpart D of part IV of sub-  
19        chapter A of chapter 1 (relating to business-related cred-  
20       its), as amended by this Act, is amended by adding at  
21       the end the following new section:

1   **“SEC. 45I. CREDIT FOR PRODUCTION OF LOW SULFUR DIE-**2                   **SEL FUEL.**

3       “(a) IN GENERAL.—For purposes of section 38, the  
4 amount of the low sulfur diesel fuel production credit de-  
5 termined under this section with respect to any facility  
6 of a small business refiner is an amount equal to 5 cents  
7 for each gallon of low sulfur diesel fuel produced during  
8 the taxable year by such small business refiner at such  
9 facility.

## 10      “(b) MAXIMUM CREDIT.—

11       “(1) IN GENERAL.—The aggregate credit deter-  
12 mined under subsection (a) for any taxable year with  
13 respect to any facility shall not exceed—

14               “(A) 25 percent of the qualified capital  
15 costs incurred by the small business refiner  
16 with respect to such facility, reduced by

17               “(B) the aggregate credits determined  
18 under this section for all prior taxable years  
19 with respect to such facility.

20       “(2) REDUCED PERCENTAGE.—In the case of a  
21 small business refiner with average daily domestic  
22 refinery runs for the 1-year period ending on De-  
23 cember 31, 2002, in excess of 155,000 barrels, the  
24 number of percentage points described in paragraph  
25 (1) shall be reduced (not below zero) by the product  
26 of such number (before the application of this para-

1 graph) and the ratio of such excess to 50,000 barrels.

3       “(c) DEFINITIONS AND SPECIAL RULE.—For purposes of this section—

5           “(1) SMALL BUSINESS REFINER.—The term  
6 ‘small business refiner’ means, with respect to any  
7 taxable year, a refiner of crude oil—

8              “(A) with respect to which not more than  
9 1,500 individuals are engaged in the refinery  
10 operations of the business on any day during  
11 such taxable year, and

12              “(B) the average daily domestic refinery  
13 run or average retained production of which for  
14 all facilities of the taxpayer for the 1-year period  
15 ending on December 31, 2002, did not exceed  
16 205,000 barrels.

17        “(2) QUALIFIED CAPITAL COSTS.—The term  
18 ‘qualified capital costs’ means, with respect to any  
19 facility, those costs paid or incurred during the applicable  
20 period for compliance with the applicable  
21 EPA regulations with respect to such facility, including  
22 expenditures for the construction of new process  
23 operation units or the dismantling and reconstruction  
24 of existing process units to be used in the production  
25 of low sulfur diesel fuel, associated adjacent

1       or offsite equipment (including tankage, catalyst,  
2       and power supply), engineering, construction period  
3       interest, and sitework.

4           “(3) APPLICABLE EPA REGULATIONS.—The  
5       term ‘applicable EPA regulations’ means the High-  
6       way Diesel Fuel Sulfur Control Requirements of the  
7       Environmental Protection Agency.

8           “(4) APPLICABLE PERIOD.—The term ‘applica-  
9       ble period’ means, with respect to any facility, the  
10      period beginning on January 1, 2003, and ending on  
11      the earlier of the date which is 1 year after the date  
12      on which the taxpayer must comply with the applica-  
13      ble EPA regulations with respect to such facility or  
14      December 31, 2009.

15           “(5) LOW SULFUR DIESEL FUEL.—The term  
16      ‘low sulfur diesel fuel’ means diesel fuel with a sul-  
17      fur content of 15 parts per million or less.

18           “(d) REDUCTION IN BASIS.—For purposes of this  
19      subtitle, if a credit is determined under this section for  
20      any expenditure with respect to any property, the increase  
21      in basis of such property which would (but for this sub-  
22      section) result from such expenditure shall be reduced by  
23      the amount of the credit so determined.

24           “(e) SPECIAL RULE FOR DETERMINATION OF REFIN-  
25      ERY RUNS.—For purposes of this section and section

1 179C(b), in the calculation of average daily domestic refin-  
2 ery run or retained production, only refineries which on  
3 April 1, 2003, were refineries of the refiner or a related  
4 person (within the meaning of section 613A(d)(3)), shall  
5 be taken into account.

6       “(f) CERTIFICATION.—

7           “(1) REQUIRED.—No credit shall be allowed  
8 unless, not later than the date which is 30 months  
9 after the first day of the first taxable year in which  
10 the low sulfur diesel fuel production credit is allowed  
11 with respect to a facility, the small business refiner  
12 obtains certification from the Secretary, after con-  
13 sultation with the Administrator of the Environ-  
14 mental Protection Agency, that the taxpayer’s qual-  
15 ified capital costs with respect to such facility will re-  
16 sult in compliance with the applicable EPA regula-  
17 tions.

18           “(2) CONTENTS OF APPLICATION.—An applica-  
19 tion for certification shall include relevant informa-  
20 tion regarding unit capacities and operating charac-  
21 teristics sufficient for the Secretary, after consulta-  
22 tion with the Administrator of the Environmental  
23 Protection Agency, to determine that such qualified  
24 capital costs are necessary for compliance with the  
25 applicable EPA regulations.

1           “(3) REVIEW PERIOD.—Any application shall  
2       be reviewed and notice of certification, if applicable,  
3       shall be made within 60 days of receipt of such ap-  
4       plication. In the event the Secretary does not notify  
5       the taxpayer of the results of such certification with-  
6       in such period, the taxpayer may presume the cer-  
7       tification to be issued until so notified.

8           “(4) STATUTE OF LIMITATIONS.—With respect  
9       to the credit allowed under this section—

10           “(A) the statutory period for the assess-  
11       ment of any deficiency attributable to such  
12       credit shall not expire before the end of the 3-  
13       year period ending on the date that the review  
14       period described in paragraph (3) ends with re-  
15       spect to the taxpayer, and

16           “(B) such deficiency may be assessed be-  
17       fore the expiration of such 3-year period not-  
18       withstanding the provisions of any other law or  
19       rule of law which would otherwise prevent such  
20       assessment.

21           “(g) COOPERATIVE ORGANIZATIONS.—

22           “(1) APPORTIONMENT OF CREDIT.—

23           “(A) IN GENERAL.—In the case of a coop-  
24       erative organization described in section  
25       1381(a), any portion of the credit determined

1       under subsection (a) for the taxable year may,  
2       at the election of the organization, be appor-  
3       tioned among patrons eligible to share in pa-  
4       tronage dividends on the basis of the quantity  
5       or value of business done with or for such pa-  
6       trons for the taxable year.

7                 “(B) FORM AND EFFECT OF ELECTION.—  
8       An election under subparagraph (A) for any  
9       taxable year shall be made on a timely filed re-  
10      turn for such year. Such election, once made,  
11      shall be irrevocable for such taxable year.

12                 “(2) TREATMENT OF ORGANIZATIONS AND PA-  
13      TRONS.—

14                 “(A) ORGANIZATIONS.—The amount of the  
15      credit not apportioned to patrons pursuant to  
16      paragraph (1) shall be included in the amount  
17      determined under subsection (a) for the taxable  
18      year of the organization.

19                 “(B) PATRONS.—The amount of the credit  
20      apportioned to patrons pursuant to paragraph  
21      (1) shall be included in the amount determined  
22      under subsection (a) for the first taxable year  
23      of each patron ending on or after the last day  
24      of the payment period (as defined in section  
25      1382(d)) for the taxable year of the organiza-

1           tion or, if earlier, for the taxable year of each  
2           patron ending on or after the date on which the  
3           patron receives notice from the cooperative of  
4           the apportionment.

5           “(3) SPECIAL RULE.—If the amount of a credit  
6           which has been apportioned to any patron under this  
7           subsection is decreased for any reason—

8               “(A) such amount shall not increase the  
9               tax imposed on such patron, and

10              “(B) the tax imposed by this chapter on  
11              such organization shall be increased by such  
12              amount.

13           The increase under subparagraph (B) shall not be  
14           treated as tax imposed by this chapter for purposes  
15           of determining the amount of any credit under this  
16           chapter or for purposes of section 55.”.

17           (b) CREDIT MADE PART OF GENERAL BUSINESS  
18 CREDIT.—Subsection (b) of section 38 (relating to general  
19 business credit), as amended by this Act, is amended by  
20 striking “plus” at the end of paragraph (17), by striking  
21 the period at the end of paragraph (18) and inserting “,  
22 plus”, and by adding at the end the following new para-  
23 graph:

1           “(19) in the case of a small business refiner,  
2       the low sulfur diesel fuel production credit deter-  
3       mined under section 45I(a).”.

4       (c) DENIAL OF DOUBLE BENEFIT.—Section 280C  
5       (relating to certain expenses for which credits are allow-  
6       able) is amended by adding at the end the following new  
7       subsection:

8           “(d) LOW SULFUR DIESEL FUEL PRODUCTION  
9       CREDIT.—No deduction shall be allowed for that portion  
10      of the expenses otherwise allowable as a deduction for the  
11      taxable year which is equal to the amount of the credit  
12      determined for the taxable year under section 45I(a).”.

13       (d) BASIS ADJUSTMENT.—Section 1016(a) (relating  
14      to adjustments to basis), as amended by this Act, is  
15      amended by striking “and” at the end of paragraph (33),  
16      by striking the period at the end of paragraph (34) and  
17      inserting “, and”, and by adding at the end the following  
18      new paragraph:

19           “(35) in the case of a facility with respect to  
20      which a credit was allowed under section 45I, to the  
21      extent provided in section 45I(d).”.

22       (e) DEDUCTION FOR CERTAIN UNUSED BUSINESS  
23       CREDITS.—Section 196(c) (defining qualified business  
24       credits), as amended by this Act, is amended by striking  
25      “and” at the end of paragraph (12), by striking the period

1 at the end of paragraph (13) and inserting “, and”, and  
2 by adding after paragraph (13) the following new para-  
3 graph:

4           “(14) the low sulfur diesel fuel production cred-  
5 it determined under section 45I(a).”.

6           (f) CLERICAL AMENDMENT.—The table of sections  
7 for subpart D of part IV of subchapter A of chapter 1,  
8 as amended by this Act, is amended by adding at the end  
9 the following new item:

“Sec. 45I. Credit for production of low sulfur diesel fuel.”.

10          (g) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to expenses paid or incurred after  
12 December 31, 2002, in taxable years ending after such  
13 date.

14 **SEC. 1326. DETERMINATION OF SMALL REFINER EXCEP-**  
15 **TION TO OIL DEPLETION DEDUCTION.**

16          (a) IN GENERAL.—Paragraph (4) of section 613A(d)  
17 (relating to limitations on application of subsection (c))  
18 is amended to read as follows:

19           “(4) CERTAIN REFINERS EXCLUDED.—If the  
20 taxpayer or 1 or more related persons engages in the  
21 refining of crude oil, subsection (c) shall not apply  
22 to the taxpayer for a taxable year if the average  
23 daily refinery runs of the taxpayer and such persons  
24 for the taxable year exceed 67,500 barrels. For pur-  
25 poses of this paragraph, the average daily refinery

1 runs for any taxable year shall be determined by di-  
2 viding the aggregate refinery runs for the taxable  
3 year by the number of days in the taxable year.”.

4 (b) EFFECTIVE DATE.—The amendment made by  
5 this section shall apply to taxable years ending after the  
6 date of the enactment of this Act.

7 **SEC. 1327. SALES OR DISPOSITIONS TO IMPLEMENT FED-  
8 ERAL ENERGY REGULATORY COMMISSION  
9 OR STATE ELECTRIC RESTRUCTURING POL-  
10 ICY.**

11 (a) IN GENERAL.—Section 451 (relating to general  
12 rule for taxable year of inclusion) is amended by adding  
13 at the end the following new subsection:

14 “(i) SPECIAL RULE FOR SALES OR DISPOSITIONS TO  
15 IMPLEMENT FEDERAL ENERGY REGULATORY COMMIS-  
16 SION OR STATE ELECTRIC RESTRUCTURING POLICY.—

17 “(1) IN GENERAL.—In the case of any qual-  
18 ifying electric transmission transaction for which the  
19 taxpayer elects the application of this section, qual-  
20 ified gain from such transaction shall be recog-  
21 nized—

22 “(A) in the taxable year which includes the  
23 date of such transaction to the extent the  
24 amount realized from such transaction ex-  
25 ceeds—

1                         “(i) the cost of exempt utility property  
2                         which is purchased by the taxpayer during  
3                         the 4-year period beginning on such date,  
4                         reduced (but not below zero) by  
5                         “(ii) any portion of such cost pre-  
6                         viously taken into account under this sub-  
7                         section, and  
8                         “(B) ratably over the 8-taxable year period  
9                         beginning with the taxable year which includes  
10                         the date of such transaction, in the case of any  
11                         such gain not recognized under subparagraph  
12                         (A).  
13                         “(2) QUALIFIED GAIN.—For purposes of this  
14                         subsection, the term ‘qualified gain’ means, with re-  
15                         spect to any qualifying electric transmission trans-  
16                         action in any taxable year—  
17                         “(A) any ordinary income derived from  
18                         such transaction which would be required to be  
19                         recognized under section 1245 or 1250 for such  
20                         taxable year (determined without regard to this  
21                         subsection), and  
22                         “(B) any income derived from such trans-  
23                         action in excess of the amount described in sub-  
24                         paragraph (A) which is required to be included

1           in gross income for such taxable year (deter-  
2           mined without regard to this subsection).

3           “(3) QUALIFYING ELECTRIC TRANSMISSION  
4           TRANSACTION.—For purposes of this subsection, the  
5           term ‘qualifying electric transmission transaction’  
6           means any sale or other disposition before January  
7           1, 2007, of—

8                 “(A) property used in the trade or business  
9                 of providing electric transmission services, or  
10                 “(B) any stock or partnership interest in a  
11                 corporation or partnership, as the case may be,  
12                 whose principal trade or business consists of  
13                 providing electric transmission services,  
14                 but only if such sale or disposition is to an inde-  
15                 pendent transmission company.

16           “(4) INDEPENDENT TRANSMISSION COM-  
17           PANY.—For purposes of this subsection, the term  
18           ‘independent transmission company’ means—

19                 “(A) an independent transmission provider  
20                 approved by the Federal Energy Regulatory  
21                 Commission,

22                 “(B) a person—  
23                         “(i) who the Federal Energy Regu-  
24                         latory Commission determines in its au-  
25                         thorization of the transaction under section

1           203 of the Federal Power Act (16 U.S.C.  
2           824b) or by declaratory order is not a  
3           market participant within the meaning of  
4           such Commission's rules applicable to inde-  
5           pendent transmission providers, and

6                 “(ii) whose transmission facilities to  
7                 which the election under this subsection  
8                 applies are under the operational control of  
9                 a Federal Energy Regulatory Commission-  
10                 approved independent transmission pro-  
11                 vider before the close of the period speci-  
12                 fied in such authorization, but not later  
13                 than the close of the period applicable  
14                 under subsection (a)(2)(B) as extended  
15                 under paragraph (2), or

16                 “(C) in the case of facilities subject to the  
17                 jurisdiction of the Public Utility Commission of  
18                 Texas—

19                 “(i) a person which is approved by  
20                 that Commission as consistent with Texas  
21                 State law regarding an independent trans-  
22                 mission provider, or

23                 “(ii) a political subdivision or affiliate  
24                 thereof whose transmission facilities are

1           under the operational control of a person  
2           described in clause (i).

3           “(5) EXEMPT UTILITY PROPERTY.—For pur-  
4           poses of this subsection—

5           “(A) IN GENERAL.—The term ‘exempt  
6           utility property’ means property used in the  
7           trade or business of—

8           “(i) generating, transmitting, distrib-  
9           uting, or selling electricity, or

10           “(ii) producing, transmitting, distrib-  
11           uting, or selling natural gas.

12           “(B) NONRECOGNITION OF GAIN BY REA-  
13           SON OF ACQUISITION OF STOCK.—Acquisition of  
14           control of a corporation shall be taken into ac-  
15           count under this subsection with respect to a  
16           qualifying electric transmission transaction only  
17           if the principal trade or business of such cor-  
18           poration is a trade or business referred to in  
19           subparagraph (A).

20           “(6) SPECIAL RULE FOR CONSOLIDATED  
21           GROUPS.—In the case of a corporation which is a  
22           member of an affiliated group filing a consolidated  
23           return, any exempt utility property purchased by an-  
24           other member of such group shall be treated as pur-

1 chased by such corporation for purposes of applying  
2 paragraph (1)(A).

3       “(7) TIME FOR ASSESSMENT OF DEFI-  
4 CIENCIES.—If the taxpayer has made the election  
5 under paragraph (1) and any gain is recognized by  
6 such taxpayer as provided in paragraph (1)(B),  
7 then—

8           “(A) the statutory period for the assess-  
9 ment of any deficiency, for any taxable year in  
10 which any part of the gain on the transaction  
11 is realized, attributable to such gain shall not  
12 expire prior to the expiration of 3 years from  
13 the date the Secretary is notified by the tax-  
14 payer (in such manner as the Secretary may by  
15 regulations prescribe) of the purchase of exempt  
16 utility property or of an intention not to pur-  
17 chase such property, and

18           “(B) such deficiency may be assessed be-  
19 fore the expiration of such 3-year period not-  
20 withstanding any law or rule of law which  
21 would otherwise prevent such assessment.

22       “(8) PURCHASE.—For purposes of this sub-  
23 section, the taxpayer shall be considered to have  
24 purchased any property if the unadjusted basis of

such property is its cost within the meaning of section 1012.

3               “(9) ELECTION.—An election under paragraph  
4               (1) shall be made at such time and in such manner  
5               as the Secretary may require and, once made, shall  
6               be irrevocable.

7               “(10)    NONAPPLICATION    OF    INSTALLMENT  
8               SALES TREATMENT.—Section 453 shall not apply to  
9               any qualifying electric transmission transaction with  
10          respect to which an election to apply this subsection  
11          is made.”.

12       (b) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to transactions occurring after the  
14 date of the enactment of this Act, in taxable years ending  
15 after such date.

**16 SEC. 1328. MODIFICATIONS TO SPECIAL RULES FOR NU-  
17 CLEAR DECOMMISSIONING COSTS.**

18 (a) REPEAL OF LIMITATION ON DEPOSITS INTO  
19 FUND BASED ON COST OF SERVICE; CONTRIBUTIONS  
20 AFTER FUNDING PERIOD.—Subsection (b) of section  
21 468A (relating to special rules for nuclear decommis-  
22 sioning costs) is amended to read as follows:

**23        "(b) LIMITATION ON AMOUNTS PAID INTO FUND.—**

“(1) IN GENERAL.—The amount which a taxpayer may pay into the Fund for any taxable year

1 shall not exceed the ruling amount applicable to  
2 such taxable year.

3       “(2) CONTRIBUTIONS AFTER FUNDING PE-  
4 RIOD.—Notwithstanding any other provision of this  
5 section, a taxpayer may pay into the Fund in any  
6 taxable year after the last taxable year to which the  
7 ruling amount applies. Payments may not be made  
8 under the preceding sentence to the extent such pay-  
9 ments would cause the assets of the Fund to exceed  
10 the nuclear decommissioning costs allocable to the  
11 taxpayer’s current or former interest in the nuclear  
12 power plant to which the Fund relates. The limita-  
13 tion under the preceding sentence shall be deter-  
14 mined by taking into account a reasonable rate of  
15 inflation for the nuclear decommissioning costs and  
16 a reasonable after-tax rate of return on the assets  
17 of the Fund until such assets are anticipated to be  
18 expended.”.

19       (b) CLARIFICATION OF TREATMENT OF FUND  
20 TRANSFERS.—Section 468A(e) (relating to Nuclear De-  
21 commissioning Reserve Fund) is amended by adding at  
22 the end the following new paragraph:

23           “(8) TREATMENT OF FUND TRANSFERS.—

24              “(A) IN GENERAL.—If, in connection with  
25 the transfer of the taxpayer’s interest in a nu-

1       clear power plant, the taxpayer transfers the  
2       Fund with respect to such power plant to the  
3       transferee of such interest and the transferee  
4       elects to continue the application of this section  
5       to such Fund—

6               “(i) the transfer of such Fund shall  
7       not cause such Fund to be disqualified  
8       from the application of this section, and

9               “(ii) no amount shall be treated as  
10      distributed from such Fund, or be includ-  
11      able in gross income, by reason of such  
12      transfer.

13               “(B) SPECIAL RULES IF TRANSFEROR IS  
14      TAX-EXEMPT ENTITY.—

15               “(i) IN GENERAL.—If—

16               “(I) a person exempt from tax-  
17       ation under this title transfers an in-  
18       terest in a nuclear power plant,

19               “(II) such person has set aside  
20       amounts for nuclear decommissioning  
21       which are transferred to the trans-  
22       feree of the interest, and

23               “(III) the transferee elects the  
24       application of this subparagraph no  
25       later than the due date (including ex-

1 tensions) of its return of tax for the  
2 taxable year in which the transfer oc-  
3 curs,

4                   the amounts so set aside shall be treated  
5                   as if contributed by such person to a Fund  
6                   immediately before the transfer and then  
7                   transferred in the Fund to the transferee.

“(ii) LIMITATION.—The amount treated as transferred to a Fund under clause (i) shall not exceed the amount which bears the same ratio to the present value of the nuclear decommissioning costs of the transferor with respect to the nuclear power plant as the number of years the nuclear power plant has been in service bears to the estimated useful life of such power plant.

18                         “(iii) BASIS.—The transferee’s basis  
19                         in any asset treated as transferred in the  
20                         Fund shall be the same as the adjusted  
21                         basis of such asset in the hands of the  
22                         transferor.

1                   from the Secretary a schedule of ruling  
2                   amounts.

3                   “(v) ELECTION DISREGARDED.—An  
4                   election under this subparagraph shall be  
5                   disregarded in determining the Federal in-  
6                   come tax of the transferor.”.

7                 (c) TREATMENT OF CERTAIN DECOMMISSIONING  
8                 COSTS.—

9                   (1) IN GENERAL.—Section 468A is amended by  
10                  redesignating subsections (f) and (g) as subsections  
11                  (g) and (h), respectively, and by inserting after sub-  
12                  section (e) the following new subsection:

13                 “(f) TRANSFERS INTO QUALIFIED FUNDS.—

14                 “(1) IN GENERAL.—Notwithstanding subsection  
15                 (b), any taxpayer maintaining a Fund to which this  
16                 section applies with respect to a nuclear power plant  
17                 may transfer into such Fund not more than an  
18                 amount equal to the present value of the portion of  
19                 the total nuclear decommissioning costs with respect  
20                 to such nuclear power plant previously excluded for  
21                 such nuclear power plant under subsection (d)(2)(A)  
22                 as in effect immediately before the date of the enact-  
23                 ment of the Energy Tax Policy Act of 2004.

24                 “(2) DEDUCTION FOR AMOUNTS TRANS-  
25                 FERRED.—

1                 “(A) IN GENERAL.—Except as provided in  
2                 subparagraph (C), the deduction allowed by  
3                 subsection (a) for any transfer permitted by  
4                 this subsection shall be allowed ratably over the  
5                 remaining estimated useful life (within the  
6                 meaning of subsection (d)(2)(A)) of the nuclear  
7                 power plant beginning with the taxable year  
8                 during which the transfer is made.

9                 “(B) DENIAL OF DEDUCTION FOR PRE-  
10                 VIOUSLY DEDUCTED AMOUNTS.—No deduction  
11                 shall be allowed for any transfer under this sub-  
12                 section of an amount for which a deduction was  
13                 previously allowed to the taxpayer (or a prede-  
14                 cessor) or a corresponding amount was not in-  
15                 cluded in gross income of the taxpayer (or a  
16                 predecessor). For purposes of the preceding  
17                 sentence, a ratable portion of each transfer  
18                 shall be treated as being from previously de-  
19                 ducted or excluded amounts to the extent there-  
20                 of.

21                 “(C) TRANSFERS OF QUALIFIED FUNDS.—  
22                 If—

23                         “(i) any transfer permitted by this  
24                 subsection is made to any Fund to which  
25                 this section applies, and

1                         “(ii) such Fund is transferred there-  
2                         after,

3                         any deduction under this subsection for taxable  
4                         years ending after the date that such Fund is  
5                         transferred shall be allowed to the transferor  
6                         for the taxable year which includes such date.

7                         “(D) SPECIAL RULES.—

8                         “(i) GAIN OR LOSS NOT RECOG-  
9                         NIZED.—No gain or loss shall be recog-  
10                         nized on any transfer permitted by this  
11                         subsection.

12                         “(ii) TRANSFERS OF APPRECIATED  
13                         PROPERTY.—If appreciated property is  
14                         transferred in a transfer permitted by this  
15                         subsection, the amount of the deduction  
16                         shall not exceed the adjusted basis of such  
17                         property.

18                         “(3) NEW RULING AMOUNT REQUIRED.—Para-  
19                         graph (1) shall not apply to any transfer unless the  
20                         taxpayer requests from the Secretary a new schedule  
21                         of ruling amounts in connection with such transfer.

22                         “(4) NO BASIS IN QUALIFIED FUNDS.—Not-  
23                         withstanding any other provision of law, the tax-  
24                         payer’s basis in any Fund to which this section ap-

1 plies shall not be increased by reason of any transfer  
2 permitted by this subsection.”.

3 (2) NEW RULING AMOUNT TO TAKE INTO AC-  
4 COUNT TOTAL COSTS.—Subparagraph (A) of section  
5 468A(d)(2) (defining ruling amount) is amended to  
6 read as follows:

7 “(A) fund the total nuclear decommis-  
8 sioning costs with respect to such power plant  
9 over the estimated useful life of such power  
10 plant, and”.

11 (d) TECHNICAL AMENDMENTS.—Section 468A(e)(2)  
12 (relating to taxation of Fund) is amended—

13 (1) by striking “rate set forth in subparagraph  
14 (B)” in subparagraph (A) and inserting “rate of 20  
15 percent”,

16 (2) by striking subparagraph (B), and  
17 (3) by redesignating subparagraphs (C) and  
18 (D) as subparagraphs (B) and (C), respectively.

19 (e) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to taxable years beginning after  
21 December 31, 2003.

22 **SEC. 1329. TREATMENT OF CERTAIN INCOME OF COOPERA-**  
23 **TIVES.**

24 (a) INCOME FROM OPEN ACCESS AND NUCLEAR DE-  
25 COMMISSIONING TRANSACTIONS.—

1                         (1) IN GENERAL.—Subparagraph (C) of section  
2         501(c)(12) is amended by striking “or” at the end  
3         of clause (i), by striking clause (ii), and by adding  
4         at the end the following new clauses:

5                         “(ii) from any provision or sale of  
6         electric energy transmission services or an-  
7         cillary services if such services are provided  
8         on a nondiscriminatory open access basis  
9         under an open access transmission tariff  
10      approved or accepted by FERC or under  
11      an independent transmission provider  
12      agreement approved or accepted by FERC  
13      (other than income received or accrued di-  
14      rectly or indirectly from a member),

15                         “(iii) from the provision or sale of  
16         electric energy distribution services or an-  
17         cillary services if such services are provided  
18         on a nondiscriminatory open access basis  
19         to distribute electric energy not owned by  
20         the mutual or electric cooperative com-  
21         pany—

22                         “(I) to end-users who are served  
23         by distribution facilities not owned by  
24         such company or any of its members  
25         (other than income received or ac-

1                   crued directly or indirectly from a  
2                   member), or

3                   “(II) generated by a generation  
4                   facility not owned or leased by such  
5                   company or any of its members and  
6                   which is directly connected to dis-  
7                   tribution facilities owned by such com-  
8                   pany or any of its members (other  
9                   than income received or accrued di-  
10                  rectly or indirectly from a member),

11                  “(iv) from any nuclear decommis-  
12                  sioning transaction, or

13                  “(v) from any asset exchange or con-  
14                  version transaction.”.

15                  (2) DEFINITIONS AND SPECIAL RULES.—Para-  
16                  graph (12) of section 501(c) is amended by adding  
17                  at the end the following new subparagraphs:

18                  “(E) For purposes of subparagraph (C)(ii),  
19                  the term ‘FERC’ means the Federal Energy  
20                  Regulatory Commission and references to such  
21                  term shall be treated as including the Public  
22                  Utility Commission of Texas with respect to  
23                  any ERCOT utility (as defined in section  
24                  212(k)(2)(B) of the Federal Power Act (16  
25                  U.S.C. 824k(k)(2)(B))).

1                 “(F) For purposes of subparagraph  
2 (C)(iii), the term ‘nuclear decommissioning  
3 transaction’ means—

4                 “(i) any transfer into a trust, fund, or  
5 instrument established to pay any nuclear  
6 decommissioning costs if the transfer is in  
7 connection with the transfer of the mutual  
8 or cooperative electric company’s interest  
9 in a nuclear power plant or nuclear power  
10 plant unit,

11                 “(ii) any distribution from any trust,  
12 fund, or instrument established to pay any  
13 nuclear decommissioning costs, or

14                 “(iii) any earnings from any trust,  
15 fund, or instrument established to pay any  
16 nuclear decommissioning costs.

17                 “(G) For purposes of subparagraph  
18 (C)(iv), the term ‘asset exchange or conversion  
19 transaction’ means any voluntary exchange or  
20 involuntary conversion of any property related  
21 to generating, transmitting, distributing, or sell-  
22 ing electric energy by a mutual or cooperative  
23 electric company, the gain from which qualifies  
24 for deferred recognition under section 1031 or  
25 1033, but only if the replacement property ac-

1           quired by such company pursuant to such sec-  
2           tion constitutes property which is used, or to be  
3           used, for—

4                 “(i) generating, transmitting, distrib-  
5                 uting, or selling electric energy, or  
6                 “(ii) producing, transmitting, distrib-  
7                 uting, or selling natural gas.”.

8         (b) TREATMENT OF INCOME FROM LOAD LOSS  
9 TRANSACTIONS, ETC.—Paragraph (12) of section 501(c),  
10 as amended by subsection (a)(2), is amended by adding  
11 after subparagraph (G) the following new subparagraph:

12                 “(H)(i) In the case of a mutual or coopera-  
13                 tive electric company described in this para-  
14                 graph or an organization described in section  
15                 1381(a)(2)(C), income received or accrued from  
16                 a load loss transaction shall be treated as an  
17                 amount collected from members for the sole  
18                 purpose of meeting losses and expenses.

19                 “(ii) For purposes of clause (i), the term  
20                 ‘load loss transaction’ means any wholesale or  
21                 retail sale of electric energy (other than to  
22                 members) to the extent that the aggregate sales  
23                 during the recovery period do not exceed the  
24                 load loss mitigation sales limit for such period.

1                 “(iii) For purposes of clause (ii), the load  
2                 loss mitigation sales limit for the recovery pe-  
3                 riod is the sum of the annual load losses for  
4                 each year of such period.

5                 “(iv) For purposes of clause (iii), a mutual  
6                 or cooperative electric company’s annual load  
7                 loss for each year of the recovery period is the  
8                 amount (if any) by which—

9                         “(I) the megawatt hours of electric  
10                 energy sold during such year to members  
11                 of such electric company are less than

12                         “(II) the megawatt hours of electric  
13                 energy sold during the base year to such  
14                 members.

15                 “(v) For purposes of clause (iv)(II), the  
16                 term ‘base year’ means—

17                         “(I) the calendar year preceding the  
18                 start-up year, or

19                         “(II) at the election of the mutual or  
20                 cooperative electric company, the second or  
21                 third calendar years preceding the start-up  
22                 year.

23                 “(vi) For purposes of this subparagraph,  
24                 the recovery period is the 7-year period begin-  
25                 ning with the start-up year.

1                 “(vii) For purposes of this subparagraph,  
2                 the start-up year is the first year that the mu-  
3                 tual or cooperative electric company offers non-  
4                 discriminatory open access or the calendar year  
5                 which includes the date of the enactment of this  
6                 subparagraph, if later, at the election of such  
7                 company.

8                 “(viii) A company shall not fail to be treat-  
9                 ed as a mutual or cooperative electric company  
10                 for purposes of this paragraph or as a corpora-  
11                 tion operating on a cooperative basis for pur-  
12                 poses of section 1381(a)(2)(C) by reason of the  
13                 treatment under clause (i).

14                 “(ix) For purposes of subparagraph (A), in  
15                 the case of a mutual or cooperative electric  
16                 company, income received, or accrued, indirectly  
17                 from a member shall be treated as an amount  
18                 collected from members for the sole purpose of  
19                 meeting losses and expenses.”.

20                 (c) EXCEPTION FROM UNRELATED BUSINESS TAX-  
21                 ABLE INCOME.—Subsection (b) of section 512 (relating to  
22                 modifications) is amended by adding at the end the fol-  
23                 lowing new paragraph:

24                 “(18) TREATMENT OF MUTUAL OR COOPERA-  
25                 TIVE ELECTRIC COMPANIES.—In the case of a mu-

1       tual or cooperative electric company described in sec-  
2       tion 501(c)(12), there shall be excluded income  
3       which is treated as member income under subpara-  
4       graph (H) thereof.”.

5 (d) CROSS REFERENCE.—Section 1381 is amended  
6 by adding at the end the following new subsection:

7       “(c) CROSS REFERENCE.—For treatment of income  
8 from load loss transactions of organizations described in  
9 subsection (a)(2)(C), see section 501(c)(12)(H).”.

10       (e) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to taxable years beginning after  
12 the date of the enactment of this Act.

**13 SEC. 1330. ARBITRAGE RULES NOT TO APPLY TO PREPAY-  
14 MENTS FOR NATURAL GAS.**

15           (a) IN GENERAL.—Subsection (b) of section 148 (re-  
16 lating to higher yielding investments) is amended by add-  
17 ing at the end the following new paragraph:

18               “(4) SAFE HARBOR FOR PREPAID NATURAL  
19               GAS.—

“(A) IN GENERAL.—The term ‘investment-type property’ does not include a prepayment under a qualified natural gas supply contract.

23                   “(B) QUALIFIED NATURAL GAS SUPPLY  
24 CONTRACT.—For purposes of this paragraph,  
25 the term ‘qualified natural gas supply contract’

1 means any contract to acquire natural gas for  
2 resale by a utility owned by a governmental  
3 unit if the amount of gas permitted to be ac-  
4 quired under the contract by the utility during  
5 any year does not exceed the sum of—

6 “(i) the annual average amount dur-  
7 ing the testing period of natural gas pur-  
8 chased (other than for resale) by cus-  
9 tomers of such utility who are located  
10 within the service area of such utility, and

11 “(ii) the amount of natural gas to be  
12 used to transport the prepaid natural gas  
13 to the utility during such year.

14 “(C) NATURAL GAS USED TO GENERATE  
15 ELECTRICITY.—Natural gas used to generate  
16 electricity shall be taken into account in deter-  
17 mining the average under subparagraph  
18 (B)(i)—

19 “(i) only if the electricity is generated  
20 by a utility owned by a governmental unit,  
21 and

22 “(ii) only to the extent that the elec-  
23 tricity is sold (other than for resale) to  
24 customers of such utility who are located  
25 within the service area of such utility.

1                 “(D) ADJUSTMENTS FOR CHANGES IN  
2                 CUSTOMER BASE.—

3                 “(i) NEW BUSINESS CUSTOMERS.—

4                 If—

5                         “(I) after the close of the testing  
6                 period and before the date of issuance  
7                 of the issue, the utility owned by a  
8                 governmental unit enters into a con-  
9                 tract to supply natural gas (other  
10                 than for resale) for a business use at  
11                 a property within the service area of  
12                 such utility, and

13                         “(II) the utility did not supply  
14                 natural gas to such property during  
15                 the testing period or the ratable  
16                 amount of natural gas to be supplied  
17                 under the contract is significantly  
18                 greater than the ratable amount of  
19                 gas supplied to such property during  
20                 the testing period,

21                 then a contract shall not fail to be treated  
22                 as a qualified natural gas supply contract  
23                 by reason of supplying the additional nat-  
24                 ural gas under the contract referred to in  
25                 subclause (I).

1                         “(ii) LOST CUSTOMERS.—The average  
2                         under subparagraph (B)(i) shall not exceed  
3                         the annual amount of natural gas reason-  
4                         ably expected to be purchased (other than  
5                         for resale) by persons who are located  
6                         within the service area of such utility and  
7                         who, as of the date of issuance of the  
8                         issue, are customers of such utility.

9                         “(E) RULING REQUESTS.—The Secretary  
10                         may increase the average under subparagraph  
11                         (B)(i) for any period if the utility owned by the  
12                         governmental unit establishes to the satisfaction  
13                         of the Secretary that, based on objective evi-  
14                         dence of growth in natural gas consumption or  
15                         population, such average would otherwise be in-  
16                         sufficient for such period.

17                         “(F) ADJUSTMENT FOR NATURAL GAS  
18                         OTHERWISE ON HAND.—

19                         “(i) IN GENERAL.—The amount oth-  
20                         erwise permitted to be acquired under the  
21                         contract for any period shall be reduced  
22                         by—

23                         “(I) the applicable share of nat-  
24                         ural gas held by the utility on the  
25                         date of issuance of the issue, and

1                         “(II) the natural gas (not taken  
2                         into account under subclause (I))  
3                         which the utility has a right to ac-  
4                         quire during such period (determined  
5                         as of the date of issuance of the  
6                         issue).

7                         “(ii) APPLICABLE SHARE.—For pur-  
8                         poses of the clause (i), the term ‘applicable  
9                         share’ means, with respect to any period,  
10                         the natural gas allocable to such period if  
11                         the gas were allocated ratably over the pe-  
12                         riod to which the prepayment relates.

13                         “(G) INTENTIONAL ACTS.—Subparagraph  
14                         (A) shall cease to apply to any issue if the util-  
15                         ity owned by the governmental unit engages in  
16                         any intentional act to render the volume of nat-  
17                         ural gas acquired by such prepayment to be in  
18                         excess of the sum of—

19                         “(i) the amount of natural gas needed  
20                         (other than for resale) by customers of  
21                         such utility who are located within the  
22                         service area of such utility, and

23                         “(ii) the amount of natural gas used  
24                         to transport such natural gas to the utility.

1                 “(H) TESTING PERIOD.—For purposes of  
2                 this paragraph, the term ‘testing period’ means,  
3                 with respect to an issue, the most recent 5 cal-  
4                 endar years ending before the date of issuance  
5                 of the issue.

6                 “(I) SERVICE AREA.—For purposes of this  
7                 paragraph, the service area of a utility owned  
8                 by a governmental unit shall be comprised of—

9                         “(i) any area throughout which such  
10                 utility provided at all times during the  
11                 testing period—

12                         “(I) in the case of a natural gas  
13                 utility, natural gas transmission or  
14                 distribution services, and

15                         “(II) in the case of an electric  
16                 utility, electricity distribution services,

17                         “(ii) any area within a county contig-  
18                 uous to the area described in clause (i) in  
19                 which retail customers of such utility are  
20                 located if such area is not also served by  
21                 another utility providing natural gas or  
22                 electricity services, as the case may be, and

23                         “(iii) any area recognized as the serv-  
24                 ice area of such utility under State or Fed-  
25                 eral law.”.

1       (b) PRIVATE LOAN FINANCING TEST NOT TO APPLY  
2 TO PREPAYMENTS FOR NATURAL GAS.—Paragraph (2) of  
3 section 141(c) (providing exceptions to the private loan fi-  
4 nancing test) is amended by striking “or” at the end of  
5 subparagraph (A), by striking the period at the end of  
6 subparagraph (B) and inserting “, or”, and by adding at  
7 the end the following new subparagraph:

8                 “(C) is a qualified natural gas supply con-  
9 tract (as defined in section 148(b)(4)).”.

10      (c) EXCEPTION FOR QUALIFIED ELECTRIC AND NAT-  
11 URAL GAS SUPPLY CONTRACTS.—Section 141(d) is  
12 amended by adding at the end the following new para-  
13 graph:

14                 “(7) EXCEPTION FOR QUALIFIED ELECTRIC  
15 AND NATURAL GAS SUPPLY CONTRACTS.—The term  
16 ‘nongovernmental output property’ shall not include  
17 any contract for the prepayment of electricity or nat-  
18 ural gas which is not investment property under sec-  
19 tion 148(b)(2).”.

20      (d) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to obligations issued after the date  
22 of the enactment of this Act.

1                   **Subtitle C—Production**

2                   **PART I—OIL AND GAS PROVISIONS**

3                   **SEC. 1341. OIL AND GAS FROM MARGINAL WELLS.**

4                   (a) IN GENERAL.—Subpart D of part IV of sub-  
5 chapter A of chapter 1 (relating to business credits), as  
6 amended by this Act, is amended by adding at the end  
7 the following:

8                   **“SEC. 45J. CREDIT FOR PRODUCING OIL AND GAS FROM  
9                   MARGINAL WELLS.**

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

13                  “(1) the credit amount, and  
14                  “(2) the qualified credit oil production and the  
15 qualified natural gas production which is attrib-  
16 utable to the taxpayer.

17                  “(b) CREDIT AMOUNT.—For purposes of this sec-  
18 tion—

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

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

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

24                  “(2) REDUCTION AS OIL AND GAS PRICES IN-  
25 CREASE.—

1                 “(A) IN GENERAL.—The \$3 and 50 cents  
2 amounts under paragraph (1) shall each be re-  
3 duced (but not below zero) by an amount which  
4 bears the same ratio to such amount (deter-  
5 mined without regard to this paragraph) as—

6                     “(i) the excess (if any) of the applica-  
7 ble reference price over \$15 (\$1.67 for  
8 qualified natural gas production), bears to  
9                     “(ii) \$3 (\$0.33 for qualified natural  
10 gas production).

11                 The applicable reference price for a taxable  
12 year is the reference price of the calendar year  
13 preceding the calendar year in which the tax-  
14 able year begins.

15                 “(B) INFLATION ADJUSTMENT.—In the  
16 case of any taxable year beginning in a calendar  
17 year after 2003, each of the dollar amounts  
18 contained in subparagraph (A) shall be in-  
19 creased to an amount equal to such dollar  
20 amount multiplied by the inflation adjustment  
21 factor for such calendar year (determined under  
22 section 43(b)(3)(B) by substituting ‘2002’ for  
23 ‘1990’).

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

4                     “(i) in the case of qualified crude oil  
5                 production, the reference price determined  
6                 under section 45K(d)(2)(C), and

7                     “(ii) in the case of qualified natural  
8                 gas production, the Secretary’s estimate of  
9                 the annual average wellhead price per  
10                 1,000 cubic feet for all domestic natural  
11                 gas.

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

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

18                 “(2) LIMITATION ON AMOUNT OF PRODUCTION  
19 WHICH MAY QUALIFY.—

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

1           rel-of-oil equivalents (as defined in section  
2           45K(d)(5)).

3           “(B) PROPORTIONATE REDUCTIONS.—

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

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

19           “(3) DEFINITIONS.—

20               “(A) QUALIFIED MARGINAL WELL.—The  
21               term ‘qualified marginal well’ means a domestic  
22               well—

23                “(i) the production from which during  
24               the taxable year is treated as marginal  
25               production under section 613A(c)(6), or

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

2                         “(I) has average daily production  
3                                 of not more than 25 barrel-of-oil  
4                                 equivalents (as so defined), and

5                         “(II) produces water at a rate  
6                                 not less than 95 percent of total well  
7                                 effluent.

8                 “(B) CRUDE OIL, ETC.—The terms ‘crude  
9                         oil’, ‘natural gas’, ‘domestic’, and ‘barrel’ have  
10                  the meanings given such terms by section  
11                  613A(e).

12                 “(d) OTHER RULES.—

13                 “(1) PRODUCTION ATTRIBUTABLE TO THE TAX-  
14                  PAYER.—In the case of a qualified marginal well in  
15                  which there is more than one owner of operating in-  
16                  terests in the well and the crude oil or natural gas  
17                  production exceeds the limitation under subsection  
18                  (c)(2), qualifying crude oil production or qualifying  
19                  natural gas production attributable to the taxpayer  
20                  shall be determined on the basis of the ratio which  
21                  taxpayer’s revenue interest in the production bears  
22                  to the aggregate of 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 qualified marginal well which is eligible for  
6 the credit allowed under section 45K for the taxable  
7 year, no credit shall be allowable under this section  
8 unless the taxpayer elects not to claim the credit  
9 under section 45K with respect to the well.”.

10     (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-  
11 tion 38(b), as amended by this Act, is amended by striking  
12 “plus” at the end of paragraph (18), by striking the period  
13 at the end of paragraph (19) and inserting “, plus”, and  
14 by adding at the end the following:

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

17     (c) CARRYBACK.—Subsection (a) of section 39 (relat-  
18 ing to carryback and carryforward of unused credits gen-  
19 erally) is amended by adding at the end the following:

20       “(3) 5-YEAR CARRYBACK FOR MARGINAL OIL  
21 AND GAS WELL PRODUCTION CREDIT.—Notwith-  
22 standing subsection (d), in the case of the marginal  
23 oil and gas well production credit—

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

4               “(B) paragraph (1) shall be applied by  
5               substituting ‘5 taxable years’ for ‘1 taxable  
6               years’ in subparagraph (A) thereof, and

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

8                       “(i) by substituting ‘25 taxable years’  
9               for ‘21 taxable years’ in subparagraph (A)  
10               thereof, and

11                       “(ii) by substituting ‘24 taxable years’  
12               for ‘20 taxable years’ in subparagraph (B)  
13               thereof.”.

14               (d) CLERICAL AMENDMENT.—The table of sections  
15               for subpart D of part IV of subchapter A of chapter 1,  
16               as amended by this Act, is amended by adding at the end  
17               the following:

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

18               (e) EFFECTIVE DATE.—The amendments made by  
19               this section shall apply to production in taxable years be-  
20               ginning after December 31, 2003.

1 SEC. 1342. TEMPORARY SUSPENSION OF LIMITATION  
2 BASED ON 65 PERCENT OF TAXABLE INCOME  
3 AND EXTENSION OF SUSPENSION OF TAX-  
4 ABLE INCOME LIMIT WITH RESPECT TO MAR-  
5 GINAL PRODUCTION.

6 (a) LIMITATION BASED ON 65 PERCENT OF TAX-  
7 ABLE INCOME.—Subsection (d) of section 613A (relating  
8 to limitation on percentage depletion in case of oil and  
9 gas wells) is amended by adding at the end the following  
10 new paragraph:

11 “(6) TEMPORARY SUSPENSION OF TAXABLE IN-  
12 COME LIMIT.—Paragraph (1) shall not apply to tax-  
13 able years beginning after December 31, 2003, and  
14 before January 1, 2005, including with respect to  
15 amounts carried under the second sentence of para-  
16 graph (1) to such taxable years.”.

17 (b) EXTENSION OF SUSPENSION OF TAXABLE IN-  
18 COME LIMIT WITH RESPECT TO MARGINAL PRODUC-  
19 TION.—Subparagraph (H) of section 613A(c)(6) (relating  
20 to temporary suspension of taxable income limit with re-  
21 spect to marginal production) is amended by striking  
22 “2004” and inserting “2005”.

23 (c) EFFECTIVE DATE.—The amendment made by  
24 subsection (a) shall apply to taxable years beginning after  
25 December 31, 2003.

**1 SEC. 1343. AMORTIZATION OF DELAY RENTAL PAYMENTS.**

2       (a) IN GENERAL.—Section 167 (relating to depreciation) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

6       **“(h) AMORTIZATION OF DELAY RENTAL PAYMENTS FOR DOMESTIC OIL AND GAS WELLS.—**

8           “(1) IN GENERAL.—Any delay rental payment paid or incurred in connection with the development of oil or gas wells within the United States (as defined in section 638) shall be allowed as a deduction ratably over the 24-month period beginning on the date that such payment was paid or incurred.

14          “(2) HALF-YEAR CONVENTION.—For purposes of paragraph (1), any payment paid or incurred during the taxable year shall be treated as paid or incurred on the mid-point of such taxable year.

18          “(3) EXCLUSIVE METHOD.—Except as provided in this subsection, no depreciation or amortization deduction shall be allowed with respect to such payments.

22          “(4) TREATMENT UPON ABANDONMENT.—If any property to which a delay rental payment relates is retired or abandoned during the 24-month period described in paragraph (1), no deduction shall be allowed on account of such retirement or abandon-

1       ment and the amortization deduction under this sub-  
2       section shall continue with respect to such payment.

3                 “(5) DELAY RENTAL PAYMENTS.—For purposes  
4         of this subsection, the term ‘delay rental payment’  
5         means an amount paid for the privilege of deferring  
6         development of an oil or gas well under an oil or gas  
7         lease.”.

8       (b) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to amounts paid or incurred in tax-  
10 able years beginning after the date of the enactment of  
11 this Act.

12 SEC. 1344. AMORTIZATION OF GEOLOGICAL AND GEO-  
13 PHYSICAL EXPENDITURES.

14       (a) IN GENERAL.—Section 167 (relating to depreciation)  
15      tion), as amended by this Act, is amended by redesign-  
16      inating subsection (i) as subsection (j) and by inserting  
17      after subsection (h) the following new subsection:

18        "(i) AMORTIZATION OF GEOLOGICAL AND GEO-  
19 PHYSICAL EXPENDITURES.—

20               “(1) IN GENERAL.—Any geological and geo-  
21 physical expenses paid or incurred in connection  
22 with the exploration for, or development of, oil or  
23 gas within the United States (as defined in section  
24 638) shall be allowed as a deduction ratably over the

1       24-month period beginning on the date that such ex-  
2       pense was paid or incurred.

3           “(2) SPECIAL RULES.—For purposes of this  
4       subsection, rules similar to the rules of paragraphs  
5       (2), (3), and (4) of subsection (h) shall apply.”.

6       (b) CONFORMING AMENDMENT.—Section 263A(c)(3)  
7       is amended by inserting “167(h), 167(i),” after “under  
8       section”.

9           (c) EFFECTIVE DATE.—The amendments made by  
10      this section shall apply to amounts paid or incurred in tax-  
11      able years beginning after the date of the enactment of  
12      this Act.

13 **SEC. 1345. EXTENSION AND MODIFICATION OF CREDIT FOR**  
14                   **PRODUCING FUEL FROM A NONCONVEN-**  
15                   **TIONAL SOURCE.**

16       (a) IN GENERAL.—Section 29 (relating to credit for  
17      producing fuel from a nonconventional source) is amended  
18      by adding at the end the following new subsection:

19           “(h) EXTENSION FOR OTHER FACILITIES.—Notwith-  
20      standing subsection (f)—

21           “(1) NEW OIL AND GAS WELLS AND FACILI-  
22      TIES.—In the case of a well or facility for producing  
23      qualified fuels described in subparagraph (A) or (B)  
24      of subsection (c)(1) which was drilled or placed in  
25      service after the date of the enactment of this sub-

1 section and before January 1, 2007, this section  
2 shall apply with respect to such fuels produced at  
3 such well or facility and sold during the period—

7                         “(B) ending on the earlier of the date  
8                         which is 4 years after the date such period  
9                         began or December 31, 2009.

“(2) OLD OIL AND GAS WELLS AND FACILITIES.—In the case of a well or facility producing qualified fuels described in subparagraph (A) or (B)(i) of subsection (c)(1) or a facility producing natural gas and byproducts by coal gasification from lignite, subsection (f)(2) shall be applied by substituting ‘2008’ for ‘2003’ with respect to wells and facilities described in subsection (f)(1) with respect to such fuels.

19               “(3) EXTENSION FOR FACILITIES PRODUCING  
20               QUALIFIED FUEL FROM LANDFILL GAS.—

21                 “(A) IN GENERAL.—In the case of a facil-  
22                 ity for producing qualified fuel from landfill gas  
23                 which was placed in service after June 30,  
24                 1998, and before January 1, 2007, this section

1 shall apply to fuel produced at such facility and  
2 sold during the period—

3                 “(i) beginning on the later of January  
4                     1, 2004, or the date that such facility is  
5                     placed in service, and

6                 “(ii) ending on the earlier of the date  
7                     which is 4 years after the date such period  
8                     began or December 31, 2009.

9                 “(B) REDUCTION OF CREDIT FOR CERTAIN  
10                 LANDFILL FACILITIES.—In the case of a facility  
11                 to which subparagraph (A) applies and which is  
12                 located at a landfill which is required pursuant  
13                 to section 60.751(b)(2) or section 60.33c of  
14                 title 40, Code of Federal Regulations (as in ef-  
15                 fect on April 3, 2003) to install and operate a  
16                 collection and control system which captures  
17                 gas generated within the landfill, subsection  
18                 (a)(1) shall be applied to gas so captured by  
19                 substituting ‘\$2’ for ‘\$3’ for the taxable year  
20                 during which such system is required to be in-  
21                 stalled and operated.

22                 “(4) FACILITIES PRODUCING FUELS FROM AG-  
23                 RICULTURAL AND ANIMAL WASTE.—

24                 “(A) IN GENERAL.—In the case of any fa-  
25                 cility for producing liquid, gaseous, or solid

1       fuels from qualified agricultural and animal  
2       wastes, including such fuels when used as feed-  
3       stocks, which is placed in service after the date  
4       of the enactment of this subsection and before  
5       January 1, 2007, this section shall apply with  
6       respect to fuel produced at such facility and  
7       sold during the period—

8                 “(i) beginning on the later of January  
9                 1, 2004, or the date that such facility is  
10          placed in service, and

11                 “(ii) ending on the earlier of the date  
12          which is 4 years after the date such period  
13          began or December 31, 2009.

14                 “(B) QUALIFIED AGRICULTURAL AND ANI-  
15          MAL WASTE.—For purposes of this paragraph,  
16          the term ‘qualified agricultural and animal  
17          waste’ means agriculture and animal waste, in-  
18          cluding by-products, packaging, and any mate-  
19          rials associated with the processing, feeding,  
20          selling, transporting, or disposal of agricultural  
21          or animal products or wastes.

22                 “(5) FACILITIES PRODUCING REFINED COAL.—

23                 “(A) IN GENERAL.—In the case of a facil-  
24          ity described in subparagraph (C) for producing  
25          refined coal which is placed in service after the

1 date of the enactment of this subsection and be-  
2 fore January 1, 2008, this section shall apply  
3 with respect to fuel produced at such facility  
4 and sold before the close of the 5-year period  
5 beginning on the date such facility is placed in  
6 service.

7 “(B) REFINED COAL.—For purposes of  
8 this paragraph, the term ‘refined coal’ means a  
9 fuel which is a liquid, gaseous, or solid syn-  
10 synthetic fuel produced from coal (including lign-  
11 ite) or high carbon fly ash, including such fuel  
12 used as a feedstock.

13 “(C) COVERED FACILITIES.—

14 “(i) IN GENERAL.—A facility is de-  
15 scribed in this subparagraph if such facil-  
16 ity produces refined coal using a tech-  
17 nology which the taxpayer certifies (in  
18 such manner as the Secretary may pre-  
19 scribe) results in—

20 “(I) a qualified emission reduc-  
21 tion, and

22 “(II) a qualified enhanced value.

23 “(ii) QUALIFIED EMISSION REDUC-  
24 TION.—For purposes of this subparagraph,  
25 the term ‘qualified emission reduction’

1 means a reduction of at least 20 percent of  
2 the emissions of nitrogen oxide and either  
3 sulfur dioxide or mercury released when  
4 burning the refined coal (excluding any di-  
5 lution caused by materials combined or  
6 added during the production process), as  
7 compared to the emissions released when  
8 burning the feedstock coal or comparable  
9 coal predominantly available in the market-  
10 place as of January 1, 2003.

11                 “(iii)           QUALIFIED           ENHANCED  
12 VALUE.—For purposes of this subpara-  
13 graph, the term ‘qualified enhanced value’  
14 means an increase of at least 50 percent in  
15 the market value of the refined coal (ex-  
16 cluding any increase caused by materials  
17 combined or added during the production  
18 process), as compared to the value of the  
19 feedstock coal.

20                 “(iv) ADVANCED CLEAN COAL TECH-  
21 NOLOGY UNITS EXCLUDED.—A facility de-  
22 scribed in this subparagraph shall not in-  
23 clude any advanced clean coal technology  
24 unit (as defined in section 48A(e)).

25                 “(6) COALMINE GAS.—

1                 “(A) IN GENERAL.—This section shall  
2                 apply to coalmine gas—

3                         “(i) captured or extracted by the tax-  
4                 payer during the period beginning on the  
5                 day after the date of the enactment of this  
6                 subsection and ending on December 31,  
7                 2006, and

8                         “(ii) utilized as a fuel source or sold  
9                 by or on behalf of the taxpayer to an unre-  
10                 lated person during such period.

11                 “(B) COALMINE GAS.—For purposes of  
12                 this paragraph, the term ‘coalmine gas’ means  
13                 any methane gas which is—

14                         “(i) liberated during or as a result of  
15                 coal mining operations, or

16                         “(ii) extracted up to 10 years in ad-  
17                 vance of coal mining operations as part of  
18                 a specific plan to mine a coal deposit.

19                 “(C) SPECIAL RULE FOR ADVANCED EX-  
20                 TRACTION.—In the case of coalmine gas which  
21                 is captured in advance of coal mining oper-  
22                 ations, the credit under subsection (a) shall be  
23                 allowed only after the date the coal extraction  
24                 occurs in the immediate area where the  
25                 coalmine gas was removed.

1                 “(D) NONCOMPLIANCE WITH POLLUTION  
2 LAWS.—This paragraph shall not apply to the  
3 capture or extraction of coalmine gas from coal  
4 mining operations with respect to any period in  
5 which such coal mining operations are not in  
6 compliance with applicable Federal pollution  
7 prevention, control, and permit requirements.

8                 “(7) COKE AND COKE GAS.—In the case of a  
9 facility for producing coke or coke gas which was  
10 placed in service before January 1, 1993, or after  
11 June 30, 1998, and before January 1, 2007, this  
12 section shall apply with respect to coke and coke gas  
13 produced in such facility and sold during the during  
14 the period—

15                 “(A) beginning on the later of January 1,  
16 2004, or the date that such facility is placed in  
17 service, and

18                 “(B) ending on the earlier of the date  
19 which is 4 years after the date such period  
20 began or December 31, 2009.

21                 “(8) SPECIAL RULES.—In determining the  
22 amount of credit allowable under this section solely  
23 by reason of this subsection—

24                 “(A) FUELS TREATED AS QUALIFIED  
25 FUELS.—Any fuel described in paragraph (3),

1                         (4), (5), or (6) shall be treated as a qualified  
2                         fuel for purposes of this section.

3                         “(B) DAILY LIMIT.—The amount of qualifi-  
4                         fied fuels sold during any taxable year which  
5                         may be taken into account by reason of this  
6                         subsection with respect to any property or facil-  
7                         ity shall not exceed an average barrel-of-oil  
8                         equivalent of 200,000 cubic feet of natural gas  
9                         per day. Days before the date the property or  
10                         facility is placed in service shall not be taken  
11                         into account in determining such average.

12                         “(C) EXTENSION PERIOD TO COMMENCE  
13                         WITH UNADJUSTED CREDIT AMOUNT AND NEW  
14                         PHASEOUT ADJUSTMENT.—For purposes of ap-  
15                         plying subsection (b)(2), in the case of fuels  
16                         sold after 2003—

17                         “(i) paragraphs (1)(A) and (2) of sub-  
18                         section (b) shall be applied by substituting  
19                         ‘\$35.00’ for ‘\$23.50’, and

20                         “(ii) subparagraph (B) of subsection  
21                         (d)(2) shall be applied by substituting  
22                         ‘2002’ for ‘1979’.

23                         “(D) DENIAL OF DOUBLE BENEFIT.—This  
24                         subsection shall not apply to any facility pro-  
25                         ducing qualified fuels for which a credit was al-

1           lowed under this section for the taxable year or  
2           any preceding taxable year by reason of sub-  
3           section (g).”.

4           (b) TREATMENT AS BUSINESS CREDIT.—

5           (1) CREDIT MOVED TO SUBPART RELATING TO  
6           BUSINESS RELATED CREDITS.—The Internal Rev-  
7           enue Code of 1986 is amended by redesignating sec-  
8           tion 29, as amended by this Act, as section 45K and  
9           by moving section 45K (as so redesignated) from  
10          subpart B of part IV of subchapter A of chapter 1  
11          to the end of subpart D of part IV of subchapter A  
12          of chapter 1.

13           (2) CREDIT TREATED AS BUSINESS CREDIT.—  
14          Section 38(b) is amended by striking “plus” at the  
15          end of paragraph (19), by striking the period at the  
16          end of paragraph (20) and inserting “, plus”, and  
17          by adding at the end the following:

18           “(21) the nonconventional source production  
19          credit determined under section 45K(a).”.

20           (3) CONFORMING AMENDMENTS.—

21           (A) Section 30(b)(2)(A), as redesignated  
22          by section 1317(a), is amended by striking  
23          “sections 27 and 29” and inserting “section  
24          27”.

5 (C) Section 45K(a), as redesignated by  
6 paragraph (1), is amended by striking “At the  
7 election of the taxpayer, there shall be allowed  
8 as a credit against the tax imposed by this  
9 chapter for the taxable year” and inserting  
10 “For purposes of section 38, if the taxpayer  
11 elects to have this section apply, the nonconven-  
12 tional source production credit determined  
13 under this section for the taxable year is”.

21 (G) Subsection (a) of section 772 is  
22 amended by inserting “and” at the end of para-  
23 graph (9), by striking paragraph (10), and by  
24 redesignating paragraph (11) as paragraph  
25 (10).

“Sec. 45K. Credit for producing fuel from a nonconventional source.”.

13           (c) DETERMINATIONS UNDER NATURAL GAS POLICY  
14 ACT OF 1978.—Subparagraph (A) of section 45K(c)(2),  
15 as redesignated by subsection (b)(1), is amended—

**21 (d) EFFECTIVE DATES.—**

22                         (1) IN GENERAL.—Except as provided in para-  
23                         graph (2), the amendments made by this section  
24                         shall apply to fuel produced and sold after December  
25                         31, 2003, in taxable years ending after such date.

1                             (2) DETERMINATIONS UNDER NATURAL GAS  
2 POLICY ACT OF 1978.—The amendments made by  
3 subsection (c) shall apply as if included in the provi-  
4 sions repealing section 503 of the Natural Gas Pol-  
5 icy Act of 1978.

6                             **PART II—ALTERNATIVE MINIMUM TAX**

7                             **PROVISIONS**

8                             **SEC. 1346. NEW NONREFUNDABLE PERSONAL CREDITS AL-**  
9                                 **LOWED AGAINST REGULAR AND MINIMUM**  
10                              **TAXES.**

11                             (a) IN GENERAL.—

12                             (1) SECTION 25C.—Section 25C(b), as added by  
13 section 1301 of this Act, is amended by adding at  
14 the end the following new paragraph:

15                             “(3) LIMITATION BASED ON AMOUNT OF  
16 TAX.—The credit allowed under subsection (a) for  
17 the taxable year shall not exceed the excess of—

18                             “(A) the sum of the regular tax liability  
19 (as defined in section 26(b)) plus the tax im-  
20 posed by section 55, over

21                             “(B) the sum of the credits allowable  
22 under this subpart (other than this section and  
23 section 25D) and section 27 for the taxable  
24 year.”.

1                         (2) SECTION 25D.—Section 25D(b), as added  
2 by section 1304 of this Act, is amended by adding  
3 at the end the following new paragraph:

4                         “(3) LIMITATION BASED ON AMOUNT OF  
5 TAX.—The credit allowed under subsection (a) for  
6 the taxable year shall not exceed the excess of—

7                         “(A) the sum of the regular tax liability  
8 (as defined in section 26(b)) plus the tax im-  
9 posed by section 55, over

10                         “(B) the sum of the credits allowable  
11 under this subpart (other than this section) and  
12 section 27 for the taxable year.”.

13 (b) CONFORMING AMENDMENTS.—

14                         (1) Section 23(b)(4)(B) is amended by inserting  
15 “and sections 25C and 25D” after “this section”.

16                         (2) Section 24(b)(3)(B) is amended by striking  
17 “and 25B” and inserting “, 25B, 25C, and 25D”.

18                         (3) Section 25(e)(1)(C) is amended by inserting  
19 “25C, and 25D” after “25B.”.

20                         (4) Section 25B(g)(2) is amended by striking  
21 “section 23” and inserting “sections 23, 25C, and  
22 25D”.

23                         (5) Section 26(a)(1) is amended by striking  
24 “and 25B” and inserting “25B, 25C, and 25D”.

(6) Section 904(h) is amended by striking “and 25B” and inserting “25B, 25C, and 25D”.

5       (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to taxable years beginning after  
7 December 31, 2003.

**8 SEC. 1347. BUSINESS RELATED ENERGY CREDITS ALLOWED  
9 AGAINST REGULAR AND MINIMUM TAX.**

(a) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

14               “(4) SPECIAL RULES FOR SPECIFIED ENERGY  
15               CREDITS.—

16                   “(A) IN GENERAL.—In the case of speci-  
17                   fied energy credits—

18                             “(i) this section and section 39 shall  
19                             be applied separately with respect to such  
20                             credits, and

21                                 “(ii) in applying paragraph (1) to  
22                                 such credits—

1                         “(II) the limitation under para-  
2                         graph (1) (as modified by subclause  
3                         (I)) shall be reduced by the credit al-  
4                         lowed under subsection (a) for the  
5                         taxable year (other than the specified  
6                         energy credits).

7                         “(B) SPECIFIED ENERGY CREDITS.—For  
8                         purposes of this subsection, the term ‘specified  
9                         energy credits’ means the credits determined  
10                         under sections 45G, 45H, 45I, and 45J. For  
11                         taxable years beginning after December 31,  
12                         2003, such term includes the credit determined  
13                         under section 40. For taxable years beginning  
14                         after December 31, 2003, and before January  
15                         1, 2006, such term includes the credit deter-  
16                         mined under section 43.

17                         “(C) SPECIAL RULE FOR ELECTRICITY  
18                         PRODUCED FROM QUALIFIED FACILITIES.—For  
19                         purposes of this subsection, the term ‘specified  
20                         energy credits’ shall include the credit deter-  
21                         mined under section 45 to the extent that such  
22                         credit is attributable to electricity produced—

23                         “(i) at a facility which is originally  
24                         placed in service after the date of the en-  
25                         actment of this paragraph, and

1                         “(ii) during the 4-year period begin-  
2                         ning on the date that such facility was  
3                         originally placed in service.”.

4                         (b) CONFORMING AMENDMENTS.—

5                         (1) Paragraph (2)(A)(ii)(II) of section 38(e) is  
6                         amended by striking “or” and inserting a comma  
7                         and by inserting “, and the specified energy credits”  
8                         after “employee credit”.

9                         (2) Paragraph (3)(A)(ii)(II) of section 38(e) is  
10                         amended by inserting “and the specified energy  
11                         credits” after “employee credit”.

12                         (c) EFFECTIVE DATE.—The amendments made by  
13                         this section shall apply to taxable years ending after the  
14                         date of the enactment of this Act.

15                         **SEC. 1348. TEMPORARY REPEAL OF ALTERNATIVE MIN-**  
16                         **IMUM TAX PREFERENCE FOR INTANGIBLE**  
17                         **DRILLING COSTS.**

18                         (a) IN GENERAL.—Clause (ii) of section 57(a)(2)(E)  
19                         is amended by adding at the end the following new sen-  
20                         tence: “The preceding sentence shall not apply to taxable  
21                         years beginning after December 31, 2003, and before Jan-  
22                         uary 1, 2006.”.

23                         (b) EFFECTIVE DATE.—The amendment made by  
24                         this section shall apply to taxable years beginning after  
25                         December 31, 2003.

1           **PART III—CLEAN COAL INCENTIVES**

2   **SEC. 1351. CREDIT FOR CLEAN COAL TECHNOLOGY UNITS.**

3       (a) IN GENERAL.—Subpart E of part IV of sub-  
4 chapter A of chapter 1 (relating to rules for computing  
5 investment credit) is amended by inserting after section  
6 48 the following new section:

7   **“SEC. 48A. CLEAN COAL TECHNOLOGY CREDIT.**

8       “(a) IN GENERAL.—For purposes of section 46, the  
9 clean coal technology credit for any taxable year is an  
10 amount equal to the applicable percentage of the basis of  
11 qualified clean coal property placed in service during such  
12 year.

13       “(b) APPLICABLE PERCENTAGE.—For purposes of  
14 this section, the applicable percentage is—

15           “(1) 15 percent in the case of property placed  
16 in service in connection with any basic clean coal  
17 technology unit, and

18           “(2) 17.5 percent in the case of property placed  
19 in service in connection with any advanced clean coal  
20 technology unit.

21       “(c) QUALIFIED CLEAN COAL PROPERTY.—For pur-  
22 poses of this section—

23           “(1) IN GENERAL.—The term ‘qualified clean  
24 coal property’ means section 1245 property—

25           “(A) which is installed in connection  
26 with—

1                 “(i) an existing coal-based unit as  
2                 part of the conversion of such unit to any  
3                 basic or advanced clean coal technology  
4                 unit, or  
5                 “(ii) any new advanced clean coal  
6                 technology unit,  
7                 “(B) which is placed in service after De-  
8                 cember 31, 2003, and before—  
9                 “(i) in the case of property to which  
10                 subsection (b)(1) applies, January 1, 2014,  
11                 and  
12                 “(ii) in the case of property to which  
13                 subsection (b)(2) applies, January 1, 2017  
14                 (January 1, 2013, in the case of property  
15                 installed in connection with an eligible ad-  
16                 vanced pulverized coal or atmospheric flu-  
17                 idized bed combustion technology unit),  
18                 “(C) the original use of which commences  
19                 with the taxpayer, and  
20                 “(D) which has a useful life of not less  
21                 than 4 years.

22                 “(2) EXISTING COAL-BASED UNIT.—The term  
23                 ‘existing coal-based unit’ means a coal-based elec-  
24                 tricity generating steam generator-turbine unit—

1               “(A) which is not a basic or advanced  
2               clean coal technology unit, and

3               “(B) which is in operation on or before  
4               January 1, 2004.

5               In the case of a unit being converted to a basic clean  
6               coal technology unit, such term shall not include a  
7               unit having a nameplate capacity rating of more  
8               than 300 megawatts.

9               “(3) NEW ADVANCED CLEAN COAL TECH-  
10              NOLOGY UNIT.—The term ‘new advanced clean coal  
11              technology unit’ means any advanced clean coal  
12              technology unit which is placed in service after De-  
13              cember 31, 2003, and the original use of which com-  
14              mences with the taxpayer.

15              “(d) BASIC CLEAN COAL TECHNOLOGY UNIT.—For  
16              purposes of this section—

17              “(1) IN GENERAL.—The term ‘basic clean coal  
18              technology unit’ means a unit which—

19               “(A) uses clean coal technology (including  
20               advanced pulverized coal or atmospheric fluid-  
21               ized bed combustion, pressurized fluidized bed  
22               combustion, and integrated gasification com-  
23               bined cycle) for the production of electricity,

1               “(B) uses an input of at least 75 percent  
2               coal to produce at least 50 percent of its ther-  
3               mal output as electricity,

4               “(C) has a design net heat rate of at least  
5               500 less than that of the existing coal-based  
6               unit prior to its conversion,

7               “(D) has a maximum design net heat rate  
8               of not more than 9,500, and

9               “(E) meets the pollution control require-  
10              ments of paragraph (2).

11              Such term shall not include an advanced clean coal  
12              technology unit.

13              “(2) POLLUTION CONTROL REQUIREMENTS.—

14              “(A) IN GENERAL.—A unit meets the re-  
15              quirements of this paragraph if—

16              “(i) its emissions of sulfur dioxide, ni-  
17              trogen oxide, or particulates meet the  
18              lower of the emission levels for each such  
19              emission specified in—

20              “(I) subparagraph (B), or

21              “(II) the new source performance  
22              standards of the Clean Air Act (42  
23              U.S.C. 7411) which are in effect for  
24              the category of source at the time of  
25              the conversion of the unit, and

1                 “(ii) its emissions do not exceed any  
2                 relevant emission level specified by regula-  
3                 tion pursuant to the hazardous air pollut-  
4                 ant requirements of the Clean Air Act (42  
5                 U.S.C. 7412) in effect at the time of the  
6                 conversion of the unit.

7                 “(B) SPECIFIC LEVELS.—The levels speci-  
8                 fied in this subparagraph are—

9                     “(i) in the case of sulfur dioxide emis-  
10                 sions, 50 percent of the sulfur dioxide  
11                 emission levels specified in the new source  
12                 performance standards of the Clean Air  
13                 Act (42 U.S.C. 7411) in effect on the date  
14                 of the enactment of this section for the  
15                 category of source,

16                     “(ii) in the case of nitrogen oxide  
17                 emissions—

18                         “(I) 0.1 pound per million Btu of  
19                 heat input if the unit is not a cyclone-  
20                 fired boiler, and

21                         “(II) if the unit is a cyclone-fired  
22                 boiler, 15 percent of the uncontrolled  
23                 nitrogen oxide emissions from such  
24                 boilers, and

1                         “(iii) in the case of particulate emis-  
2                         sions, 0.02 pound per million Btu of heat  
3                         input.

4                         “(3) DESIGN NET HEAT RATE.—The design net  
5                         heat rate with respect to any unit, measured in Btu  
6                         per kilowatt hour (HHV)—

7                         “(A) shall be based on the design annual  
8                         heat input to and the design annual net elec-  
9                         trical power, fuels, and chemicals output from  
10                         such unit (determined without regard to such  
11                         unit's co-generation of steam),

12                         “(B) shall be adjusted for the heat content  
13                         of the design coal to be used by the unit if it  
14                         is less than 12,000 Btu per pound according to  
15                         the following formula:

16                         “(C) shall be corrected for the site ref-  
17                         erence conditions of—

18                         “(i) elevation above sea level of 500  
19                         feet,

20                         “(ii) air pressure of 14.4 pounds per  
21                         square inch absolute (psia),

22                         “(iii) temperature, dry bulb of 63°F,

23                         “(iv) temperature, wet bulb of 54°F,

24                         and

1                         “(v) relative humidity of 55 percent,

2                         and

3                         “(D) if carbon capture controls have been  
4                         installed with respect to any existing coal-based  
5                         unit and such controls remove at least 50 per-  
6                         cent of the unit's carbon dioxide emissions,  
7                         shall be adjusted up to the design heat rate  
8                         level which would have resulted without the in-  
9                         stallation of such controls.

10                         “(4) HHV.—The term ‘HHV’ means higher  
11                         heating value.

12                         “(e) ADVANCED CLEAN COAL TECHNOLOGY UNIT.—

13                         For purposes of this section—

14                         “(1) IN GENERAL.—The term ‘advanced clean  
15                         coal technology unit’ means any electricity gener-  
16                         ating unit of the taxpayer—

17                         “(A) which is—

18                         “(i) an eligible advanced pulverized  
19                         coal or atmospheric fluidized bed combus-  
20                         tion technology unit,

21                         “(ii) an eligible pressurized fluidized  
22                         bed combustion technology unit,

23                         “(iii) an eligible integrated gasifi-  
24                         cation combined cycle technology unit, or

25                         “(iv) an eligible other technology unit,

1               “(B) which uses an input of at least 75  
2               percent coal to produce at least 50 percent of  
3               its thermal output as electricity, and

4               “(C) which meets the carbon emission rate  
5               requirements of paragraph (6).

6               “(2) ELIGIBLE ADVANCED PULVERIZED COAL  
7               OR ATMOSPHERIC FLUIDIZED BED COMBUSTION  
8               TECHNOLOGY UNIT.—The term ‘eligible advanced  
9               pulverized coal or atmospheric fluidized bed combus-  
10               tion technology unit’ means a clean coal technology  
11               unit using advanced pulverized coal or atmospheric  
12               fluidized bed combustion technology which has a de-  
13               sign net heat rate of not more than 8,500 (8,900 in  
14               the case of units placed in service before 2009).

15               “(3) ELIGIBLE PRESSURIZED FLUIDIZED BED  
16               COMBUSTION TECHNOLOGY UNIT.—The term ‘eli-  
17               gible pressurized fluidized bed combustion technology  
18               unit’ means a clean coal technology unit using pres-  
19               surized fluidized bed combustion technology which  
20               has a design net heat rate of not more than 7,720  
21               (8,900 in the case of units placed in service before  
22               2009, and 8,500 in the case of units placed in serv-  
23               ice after 2008 and before 2013).

24               “(4) ELIGIBLE INTEGRATED GASIFICATION  
25               COMBINED CYCLE TECHNOLOGY UNIT.—The term

1       ‘eligible integrated gasification combined cycle tech-  
2       nology unit’ means a clean coal technology unit  
3       using integrated gasification combined cycle tech-  
4       nology, with or without fuel or chemical co-produc-  
5       tion—

6               “(A) which has a design net heat rate of  
7       not more than 7,720 (8,900 in the case of units  
8       placed in service before 2009, and 8,500 in the  
9       case of units placed in service after 2008 and  
10      before 2013), and

11               “(B) has a net thermal efficiency (HHV)  
12       using coal with fuel or chemical co-production  
13       of not less than 44.2 percent (38.4 percent in  
14       the case of units placed in service before 2009,  
15       and 40.2 percent in the case of units placed in  
16       service after 2008 and before 2013).

17       “(5) ELIGIBLE OTHER TECHNOLOGY UNIT.—  
18       The term ‘eligible other technology unit’ means a  
19       clean coal technology unit—

20               “(A) which uses any other technology for  
21       the production of electricity, and

22               “(B) which has a design net heat rate  
23       which meets the requirement of paragraph (2).

24       “(6) CARBON EMISSION RATE REQUIRE-  
25       MENTS.—

1               “(A) IN GENERAL.—Except as provided in  
2               subparagraph (B), a unit meets the require-  
3               ments of this paragraph if—

4               “(i) in the case of a unit using design  
5               coal with a heat content of not more than  
6               9,000 Btu per pound, the carbon emission  
7               rate is less than 0.60 pound of carbon per  
8               kilowatt hour, and

9               “(ii) in the case of a unit using design  
10               coal with a heat content of more than  
11               9,000 Btu per pound, the carbon emission  
12               rate is less than 0.54 pound of carbon per  
13               kilowatt hour.

14               “(B) ELIGIBLE OTHER TECHNOLOGY  
15               UNIT.—In the case of an eligible other tech-  
16               nology unit, subparagraph (A) shall be applied  
17               by substituting ‘0.51’ and ‘0.459’ for ‘0.60’ and  
18               ‘0.54’, respectively.

19               “(f) NATIONAL LIMITATIONS ON CREDIT.—For pur-  
20               poses of this section—

21               “(1) IN GENERAL.—The amount of credit  
22               which would (but for this subsection) be allowed  
23               with respect to any property shall not exceed the  
24               amount which bears the same ratio to such amount  
25               of credit as—

1               “(A) the national megawatt capacity limi-  
2               tation allocated to the taxpayer with respect to  
3               the basic or advanced clean coal technology unit  
4               to which such property relates, bears to  
5               “(B) the total megawatt capacity of such  
6               unit.

7               The capacity described in subparagraph (B) shall be  
8               the reasonably expected capacity after the installa-  
9               tion of the property.

10              “(2) AMOUNT OF NATIONAL LIMITATION.—

11              “(A) ADVANCED UNITS.—The national  
12               megawatt capacity limitation for advanced clean  
13               coal technology units shall be 6,000 megawatts.  
14               Of such amount, the national megawatt capac-  
15               ity limitation is—

16              “(i) for advanced clean coal tech-  
17               nology units using advanced pulverized  
18               coal or atmospheric fluidized bed combus-  
19               tion technology, not more than 1,500  
20               megawatts (not more than 750 megawatts  
21               in the case of units placed in service before  
22               2009),

23              “(ii) for such units using pressurized  
24               fluidized bed combustion technology, not  
25               more than 750 megawatts (not more than

1           375 megawatts in the case of units placed  
2           in service before 2009),

3                 “(iii) for such units using integrated  
4                 gasification combined cycle technology,  
5                 with or without fuel or chemical co-produc-  
6                 tion, not more than 3,000 megawatts (not  
7                 more than 1,250 megawatts in the case of  
8                 units placed in service before 2009), and

9                 “(iv) for such units using other tech-  
10                 nology for the production of electricity, not  
11                 more than 750 megawatts (not more than  
12                 375 megawatts in the case of units placed  
13                 in service before 2009).

14                 “(B) BASIC UNITS.—The national mega-  
15                 watt capacity limitation for basic clean coal  
16                 technology units shall be 4,000 megawatts.

17                 “(3) ALLOCATION OF LIMITATION.—The Sec-  
18                 retary shall allocate the national megawatt capacity  
19                 limitations in such manner as the Secretary may  
20                 prescribe, except that the Secretary may not allocate  
21                 more than 300 megawatts to any basic clean coal  
22                 technology unit.

23                 “(4) REGULATIONS.—Not later than 6 months  
24                 after the date of the enactment of this section, the  
25                 Secretary shall prescribe such regulations as may be

1       necessary or appropriate to carry out the purposes  
2       of this subsection. Such regulations shall provide a  
3       certification process under which the Secretary, after  
4       consultation with the Secretary of Energy, shall ap-  
5       prove and allocate the national megawatt capacity  
6       limitations—

7                 “(A) to encourage that units with the high-  
8       est thermal efficiencies, when adjusted for the  
9       heat content of the design coal and site ref-  
10      erence conditions, and environmental perform-  
11      ance, be placed in service as soon as possible,  
12      and

13                 “(B) to allocate capacity to taxpayers  
14      which have a definite and credible plan for plac-  
15      ing into commercial operation a basic or ad-  
16      vanced clean coal technology unit, including—

17                     “(i) a site,  
18                     “(ii) contractual commitments for  
19       procurement and construction or, in the  
20       case of regulated utilities, the agreement of  
21       the State utility commission,

22                     “(iii) filings for all necessary  
23       preconstruction approvals,

1                 “(iv) a demonstrated record of having  
2                 successfully completed comparable projects  
3                 on a timely basis, and

4                 “(v) such other factors which the Sec-  
5                 retary determines are appropriate.

6         “(g) SPECIAL RULES.—For purposes of this sec-  
7         tion—

8                 “(1) CERTAIN PROGRESS EXPENDITURE RULES  
9                 MADE APPLICABLE.—Rules similar to the rules of  
10          subsections (c)(4) and (d) of section 46 (as in effect  
11          on the day before the date of the enactment of the  
12          Revenue Reconciliation Act of 1990) shall apply for  
13          purposes of this section.

14                 “(2) PROPERTY FINANCED BY SUBSIDIZED FI-  
15          NANCING OR INDUSTRIAL DEVELOPMENT BONDS.—  
16          Rules similar to the rules of section 45(b)(3) shall  
17          apply for purposes of this section.

18                 “(3) NONCOMPLIANCE WITH POLLUTION  
19          LAWS.—The terms ‘basic clean coal technology unit’  
20          and ‘advanced clean coal technology unit’ shall not  
21          include any unit which is not in compliance with the  
22          applicable Federal pollution prevention, control, and  
23          permit requirements at any time during the period  
24          applicable under subsection (c)(1)(B).

1           “(4) DENIAL OF CREDIT FOR UNITS RECEIVING  
2 CERTAIN OTHER FEDERAL ASSISTANCE.—The terms  
3 ‘basic clean coal technology unit’ and ‘advanced  
4 clean coal technology unit’ shall not include any unit  
5 if, at any time during the period applicable under  
6 subsection (c)(1)(B), any funding is provided to such  
7 unit under the Clean Coal Technology Program, the  
8 Power Plant Improvement Initiative, or the Clean  
9 Coal Power Initiative administered by the Secretary  
10 of Energy.

11         “(5) COORDINATION WITH OTHER CREDITS.—  
12 This section shall not apply to any property with re-  
13 spect to which the rehabilitation credit under section  
14 47, the energy credit under section 48, or any credit  
15 under section 45 or 45K is allowable unless the tax-  
16 payer elects to waive the application of such credit  
17 to such property.”.

18 (b) SPECIAL RECAPTURE RULES.—

19         (1) Subsection (a) of section 50 is amended by  
20 redesignating paragraph (3), (4), and (5) as para-  
21 graphs (4), (5), and (6), respectively, and by insert-  
22 ing after paragraph (2) the following new para-  
23 graph:

24         “(3) SPECIAL RULES FOR CLEAN COAL TECH-  
25 NOLOGY CREDITS.—

1                 “(A) EARLY DISPOSITION, ETC.—If, dur-  
2         ing any taxable year, qualified clean coal prop-  
3         erty is disposed of, or otherwise ceases to be  
4         part of a basic or advanced clean coal tech-  
5         nology unit with respect to the taxpayer, before  
6         the close of the recovery period under section  
7         168 for such unit, then the tax under this chap-  
8         ter for such taxable year shall be increased  
9         by—

10                 “(i) the aggregate decrease in the  
11         credits allowed under section 38 for all  
12         prior taxable years which would have re-  
13         sulted solely from reducing to zero any  
14         credit determined under section 48A with  
15         respect to such property, multiplied by

16                 “(ii) a fraction—

17                 “(I) the numerator of which is  
18         the number of years in the period be-  
19         ginning with the year of such disposi-  
20         tion or cessation and ending with the  
21         last year of such recovery period, and

22                 “(II) the denominator of which is  
23         the total number of years in such re-  
24         covery period.

1                 “(B) PROPERTY CEASES TO QUALIFY FOR  
2                 PROGRESS EXPENDITURES.—Rules similar to  
3                 the rules of this paragraph shall apply in cases  
4                 where qualified progress expenditures were  
5                 taken into account under the rules referred to  
6                 in section 48A(g)(1).

7                 “(C) INCREASED RECAPTURE IN CERTAIN  
8                 CASES.—The fraction in subparagraph (A)(ii)  
9                 shall be 1 in any case in which the property  
10                 ceases to be a basic or advanced clean coal  
11                 technology unit by reason of paragraph (3), (4),  
12                 or (5) of section 48A(g).

13                 “(D) COORDINATION WITH OTHER RECAP-  
14                 TURE RULES.—Paragraphs (1) and (2) shall  
15                 not apply to qualified clean coal property.

16                 “(E) DEFINITIONS.—Terms used in this  
17                 section which are also used in section 48A shall  
18                 have the meanings given to such terms in sec-  
19                 tion 48A.”.

20                 (2) Paragraph (4) of section 50(a), as redesign-  
21                 ated by paragraph (1), is amended by striking “or  
22                 (2)” and inserting “, (2), or (3)”.

23                 (3) Paragraph (5) of section 50(a), as so redesign-  
24                 ated, is amended by striking “and (2)” and in-  
25                 serting “, (2), and (3)”.

1                         (4) Section 1371(d)(1) is amended by striking  
2                         “section 50(a)(4)” and inserting “section 50(a)(5)”.

3                         (c) TECHNICAL AMENDMENTS.—

4                         (1) Section 46 (relating to amount of credit) is  
5                         amended by striking “and” at the end of paragraph  
6                         (2), by striking the period at the end of paragraph  
7                         (3) and inserting “, and”, and by adding at the end  
8                         the following new paragraph:

9                         “(4) the clean coal technology credit.”.

10                        (2) Section 49(a)(1)(C) is amended by striking  
11                         “and” at the end of clause (ii), by striking the pe-  
12                         riod at the end of clause (iii) and inserting “, and”,  
13                         and by adding at the end the following new clause:

14                         “(iv) the portion of the basis of any  
15                         qualified clean coal property (as defined by  
16                         section 48A(c)).”.

17                        (3) The table of sections for subpart E of part  
18                         IV of subchapter A of chapter 1 is amended by in-  
19                         serting after the item relating to section 48 the fol-  
20                         lowing new item:

“Sec. 48A. Clean coal technology credit.”.

21                        (d) EFFECTIVE DATE.—The amendments made by  
22                         this section shall apply to periods after December 31,  
23                         2003, under rules similar to the rules of section 48(m)  
24                         of the Internal Revenue Code of 1986 (as in effect on the

1 day before the date of the enactment of the Revenue Rec-  
2 onciliation Act of 1990).

3 **SEC. 1352. EXPANSION OF AMORTIZATION FOR CERTAIN**  
4 **POLLUTION CONTROL FACILITIES.**

5 (a) ELIGIBILITY OF POST-1975 POLLUTION CON-  
6 TROL FACILITIES.—

7 (1) IN GENERAL.—Paragraph (1) of section  
8 169(d) is amended by striking “before January 1,  
9 1976,” and by striking “a new identifiable” and in-  
10 serting “an identifiable”.

11 (2) IDENTIFIABLE TREATMENT FACILITY.—  
12 Paragraph (4) of section 169(d) is amended to read  
13 as follows:

14 “(4) IDENTIFIABLE TREATMENT FACILITY.—  
15 For purposes of paragraph (1), the term ‘identifiable  
16 treatment facility’ includes only tangible property  
17 (not including a building and its structural compo-  
18 nents, other than a building which is exclusively a  
19 treatment facility) which is of a character subject to  
20 the allowance for depreciation provided in section  
21 167, which is identifiable as a treatment facility, and  
22 which is property—

23 (A) the construction, reconstruction, or  
24 erection of which is completed by the taxpayer,  
25 or

1               “(B) the original use of the property com-  
2               mences with the taxpayer.”.

3               (3) TECHNICAL AMENDMENT.—Section  
4               169(d)(3) is amended by striking “Health, Edu-  
5               cation, and Welfare” and inserting “Health and  
6               Human Services”.

7               (b) COORDINATION WITH SECTION 48A INVEST-  
8               MENT CREDIT.—Section 169 is amended by redesignating  
9               subsections (e) through (j) as subsection (f) through (k),  
10               respectively, and by inserting after subsection (d) the fol-  
11               lowing new subsection:

12               “(e) COORDINATION WITH SECTION 48A INVEST-  
13               MENT CREDIT.—

14               “(1) IN GENERAL.—In the case of any treat-  
15               ment facility used in connection with a plant or  
16               other property to which an amount is allocated  
17               under section 48A(f), this section shall apply only if  
18               such plant or other property was in operation before  
19               January 1, 1976.

20               “(2) 36-MONTH AMORTIZATION WITH RESPECT  
21               TO PRE-1976 PLANTS NOT ALLOCATED CREDIT.—  
22               References in this section to 60 months shall be  
23               treated as references to 36 months in the case of  
24               treatment facilities used in connection with a plant  
25               or other property in operation before January 1,

1       1976, if no allocation is made under section 48A(f)  
 2       with respect to such plant or property.”.

3       (c) EFFECTIVE DATE.—The amendments made by  
 4       this section shall apply to facilities placed in service after  
 5       the date of the enactment of this Act.

6       **SEC. 1353. 5-YEAR RECOVERY PERIOD FOR ELIGIBLE INTE-**

7                   **GRATED GASIFICATION COMBINED CYCLE**  
 8                   **TECHNOLOGY UNIT ELIGIBLE FOR CREDIT.**

9       (a) IN GENERAL.—Subparagraph (B) of section  
 10      168(e)(3) (defining 5-year property) is amended by strik-  
 11      ing “and” at the end of clause (v), by striking the period  
 12      at the end of clause (vi) and inserting “, and”, and by  
 13      inserting after clause (vi) the following new clause:

14                   “(vii) any section 1245 property  
 15                  which is part of an eligible integrated gas-  
 16                  ification combined cycle technology unit (as  
 17                  defined in section 48A(e)(4)) for which an  
 18                  allocation is made under section 48A(f).”.

19       (b) ALTERNATIVE SYSTEM.—The table contained in  
 20      section 168(g)(3)(B) (relating to special rule for certain  
 21      property assigned to classes) is amended by inserting after  
 22      the item relating to subparagraph (B)(iii) the following  
 23      new item:

                 “(B) (vii) ..... 20”.

24       (c) EFFECTIVE DATE.—The amendments made by  
 25      this section shall apply to property placed in service after

1 the date of the enactment of this Act in taxable years end-  
2 ing after such date.

3                   **PART IV—HIGH VOLUME NATURAL GAS**  
4                   **PROVISIONS**

5                   **SEC. 1355. HIGH VOLUME NATURAL GAS PIPE TREATED AS**  
6                   **7-YEAR PROPERTY.**

7               (a) IN GENERAL.—Section 168(e)(3)(C) (defining 7-  
8 year property), as amended by this Act, is amended by  
9 striking “and” at the end of clause (ii), by redesignating  
10 clause (iii) as clause (iv), and by inserting after clause (ii)  
11 the following new clause:

12                   “(iii) any high volume natural gas  
13                   pipe the original use of which commences  
14                   with the taxpayer after the date of the en-  
15                   actment of this clause, and”.

16               (b) HIGH VOLUME NATURAL GAS PIPE.—Section  
17 168(i) (relating to definitions and special rules), as  
18 amended by this Act, is amended by adding at the end  
19 the following new paragraph:

20                   “(17) HIGH VOLUME NATURAL GAS PIPE.—The  
21                   term ‘high volume natural gas pipe’ means—  
22                   “(A) pipe which has an interior diameter  
23                   of at least 42 inches and which is part of a nat-  
24                   ural gas pipeline system, and

1                   “(B) any related equipment and appur-  
2                   tenances used in connection with such pipe.”.

3           (c) ALTERNATIVE SYSTEM.—The table contained in  
4 section 168(g)(3)(B) (relating to special rule for certain  
5 property assigned to classes), as amended by this Act, is  
6 amended by inserting after the item relating to subpara-  
7 graph (C)(ii) the following new item:

“(C) (iii) ..... 22”.

(d) ALTERNATIVE MINIMUM TAX EXCEPTION.—Sub-  
paragraph (B) of section 56(a)(1), as amended by this  
Act, is amended by inserting before the period the fol-  
lowing: “, or in section 168(e)(3)(C)(iii)”.

12       (e) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to property placed in service on  
14 or after the date of the enactment of this Act.

15 SEC. 1356. EXTENSION OF ENHANCED OIL RECOVERY  
16 CREDIT TO HIGH VOLUME NATURAL GAS FA-  
17 CILITIES.

18       (a) IN GENERAL.—Section 43(c)(1) (defining qual-  
19 fied enhanced oil recovery costs) is amended by adding at  
20 the end the following new subparagraph:

21                 “(D) Any amount which is paid or in-  
22                 curred during the taxable year in connection  
23                 with the construction of a gas treatment plant  
24                 which—

1                 “(i) prepares natural gas for transpor-  
2                 tation through a pipeline with a capacity of  
3                 at least 1,000,000,000,000 Btu of natural  
4                 gas per day, and  
5                 “(ii) produces carbon dioxide which is  
6                 injected into hydrocarbon-bearing geologi-  
7                 cal formations.”.

8         (b) EFFECTIVE DATE.—The amendment made by  
9     this section shall apply to costs paid or incurred in taxable  
10   years beginning after December 31, 2003.

## 11     **Subtitle D—Additional Provisions**

### 12     **SEC. 1361. EXTENSION OF ACCELERATED DEPRECIATION** 13                 **BENEFIT FOR ENERGY-RELATED BUSINESSES** 14                 **ON INDIAN RESERVATIONS.**

15         Paragraph (8) of section 168(j) (relating to termi-  
16     nation) is amended by adding at the end the following new  
17     sentence: “The preceding sentence shall be applied by sub-  
18     stituting “December 31, 2005” for “December 31, 2004”  
19     in the case of property placed in service as part of a facil-  
20     ity for—

21                 “(A) the generation or transmission of  
22     electricity (including from any qualified energy  
23     resource, as defined in section 45(c)),  
24                 “(B) an oil or gas well,

1                 “(C) the transmission or refining of oil or  
2                 gas, or  
3                 “(D) the production of any qualified fuel  
4                 (as defined in section 45K(c)).”.

5 **SEC. 1362. PAYMENT OF DIVIDENDS ON STOCK OF CO-**  
6                 **OPERATIVES WITHOUT REDUCING PATRON-**  
7                 **AGE DIVIDENDS.**

8                 (a) IN GENERAL.—Subsection (a) of section 1388  
9 (relating to patronage dividend defined) is amended by  
10 adding at the end the following: “For purposes of para-  
11 graph (3), net earnings shall not be reduced by amounts  
12 paid during the year as dividends on capital stock or other  
13 proprietary capital interests of the organization to the ex-  
14 tent that the articles of incorporation or bylaws of such  
15 organization or other contract with patrons provide that  
16 such dividends are in addition to amounts otherwise pay-  
17 able to patrons which are derived from business done with  
18 or for patrons during the taxable year.”.

19                 (b) EFFECTIVE DATE.—The amendment made by  
20 this section shall apply to distributions in taxable years  
21 ending after the date of the enactment of this Act.

**1 SEC. 1363. DISTRIBUTIONS FROM PUBLICLY TRADED PART-**

**2 NERSHIPS TREATED AS QUALIFYING INCOME**

**3 OF REGULATED INVESTMENT COMPANIES.**

4 (a) IN GENERAL.—Paragraph (2) of section 851(b)  
5 (defining regulated investment company) is amended to  
6 read as follows:

7               “(2) at least 90 percent of its gross income is  
8 derived from—

9                 “(A) dividends, interest, payments with re-  
10                 spect to securities loans (as defined in section  
11                 512(a)(5)), and gains from the sale or other  
12                 disposition of stock or securities (as defined in  
13                 section 2(a)(36) of the Investment Company  
14                 Act of 1940, as amended) or foreign currencies,  
15                 or other income (including but not limited to  
16                 gains from options, futures or forward con-  
17                 tracts) derived with respect to its business of  
18                 investing in such stock, securities, or currencies,  
19                 and

20                 “(B) distributions or other income derived  
21                 from an interest in a qualified publicly traded  
22                 partnership (as defined in subsection (h));  
23                 and”.

24           (b) SOURCE FLOW-THROUGH RULE NOT TO  
25 APPLY.—The last sentence of section 851(b) is amended  
26 by inserting “(other than a qualified publicly traded part-

1 nership as defined in subsection (h))” after “derived from  
2 a partnership”.

3 (c) LIMITATION ON OWNERSHIP.—Subsection (c) of  
4 section 851 is amended by redesignating paragraph (5)  
5 as paragraph (6) and inserting after paragraph (4) the  
6 following new paragraph:

7           “(5) The term ‘outstanding voting securities of  
8 such issuer’ shall include the equity securities of a  
9 qualified publicly traded partnership (as defined in  
10 subsection (h)).”.

11 (d) DEFINITION OF QUALIFIED PUBLICLY TRADED  
12 PARTNERSHIP.—Section 851 is amended by adding at the  
13 end the following new subsection:

14           “(h) QUALIFIED PUBLICLY TRADED PARTNER-  
15 SHIP.—For purposes of this section, the term ‘qualified  
16 publicly traded partnership’ means a publicly traded part-  
17 nership described in section 7704(b) other than a partner-  
18 ship which would satisfy the gross income requirements  
19 of section 7704(c)(2) if qualifying income included only  
20 income described in subsection (b)(2)(A).”.

21 (e) DEFINITION OF QUALIFYING INCOME.—Section  
22 7704(d)(4) is amended by striking “section 851(b)(2)”  
23 and inserting “section 851(b)(2)(A)”.

1           (f) LIMITATION ON COMPOSITION OF ASSETS.—Sub-  
2 paragraph (B) of section 851(b)(3) is amended to read  
3 as follows:

4                 “(B) not more than 25 percent of the  
5 value of its total assets is invested in—

6                     “(i) the securities (other than Govern-  
7 ment securities or the securities of other  
8 regulated investment companies) of any  
9 one issuer,

10                  “(ii) the securities (other than the se-  
11 curities of other regulated investment com-  
12 panies) of two or more issuers which the  
13 taxpayer controls and which are deter-  
14 mined, under regulations prescribed by the  
15 Secretary, to be engaged in the same or  
16 similar trades or businesses or related  
17 trades or businesses, or

18                  “(iii) the securities of one or more  
19 qualified publicly traded partnerships (as  
20 defined in subsection (h)).”.

21           (g) APPLICATION OF SPECIAL PASSIVE ACTIVITY  
22 RULE TO REGULATED INVESTMENT COMPANIES.—Sub-  
23 section (k) of section 469 (relating to separate application  
24 of section in case of publicly traded partnerships) is

1 amended by adding at the end the following new para-  
 2 graph:

3                 “(4) APPLICATION TO REGULATED INVEST-  
 4 MENT COMPANIES.—For purposes of this section, a  
 5 regulated investment company (as defined in section  
 6 851) holding an interest in a qualified publicly trad-  
 7 ed partnership (as defined in section 851(h)) shall  
 8 be treated as a taxpayer described in subsection  
 9 (a)(2) with respect to items attributable to such in-  
 10 terest.”.

11                 (h) EFFECTIVE DATE.—The amendments made by  
 12 this section shall apply to taxable years beginning after  
 13 the date of the enactment of this Act.

14 **SEC. 1364. CEILING FANS.**

15                 (a) IN GENERAL.—Subchapter II of chapter 99 of  
 16 the Harmonized Tariff Schedule of the United States is  
 17 amended by inserting in numerical sequence the following  
 18 new heading:

|   |            |   |      |           |           |                         |    |
|---|------------|---|------|-----------|-----------|-------------------------|----|
| “ | 9902.84.14 | Ceiling fans for permanent installation (provided for in subheading 8414.51.00) ..... | Free | No change | No change | On or before 12/31/2005 | ”. |
|---|------------|---|------|-----------|-----------|-------------------------|----|

19                 (b) EFFECTIVE DATE.—The amendment made by  
 20 this section applies to goods entered, or withdrawn from  
 21 warehouse, for consumption on or after the 15th day after  
 22 the date of enactment of this Act.

1   **SEC. 1365. CERTAIN STEAM GENERATORS, AND CERTAIN**  
 2                   **REACTOR VESSEL HEADS, USED IN NUCLEAR**  
 3                   **FACILITIES.**

4       (a) CERTAIN STEAM GENERATORS.—Heading  
 5 9902.84.02 of the Harmonized Tariff Schedule of the  
 6 United States is amended by striking “12/31/2006” and  
 7 inserting “12/31/2008”.

8       (b) CERTAIN REACTOR VESSEL HEADS.—Sub-  
 9 chapter II of chapter 99 of the Harmonized Tariff Sched-  
 10 ule of the United States is amended by inserting in numer-  
 11 ical sequence the following new heading:

|   |            |  |      |           |           |                            |    |
|---|------------|--|------|-----------|-----------|----------------------------|----|
| “ | 9902.84.03 | Reactor vessel heads for nu-<br>clear reactors (provided for<br>in subheading 8401.40.00) .. | Free | No change | No change | On or before<br>12/31/2007 | ”. |
|---|------------|--|------|-----------|-----------|----------------------------|----|

12     (c) EFFECTIVE DATE.—

13           (1) SUBSECTION (a).—The amendment made  
 14 by subsection (a) shall take effect on the date of the  
 15 enactment of this Act.

16           (2) SUBSECTION (b).—The amendment made  
 17 by subsection (b) shall apply to goods entered, or  
 18 withdrawn from warehouse, for consumption on or  
 19 after the 15th day after the date of the enactment  
 20 of this Act.

1   **SEC. 1366. BROWNFIELDS DEMONSTRATION PROGRAM FOR**  
2                   **QUALIFIED GREEN BUILDING AND SUSTAIN-**  
3                   **ABLE DESIGN PROJECTS.**

4       (a) TREATMENT AS EXEMPT FACILITY BOND.—Sub-  
5   section (a) of section 142 (relating to the definition of ex-  
6   empt facility bond) is amended by striking “or” at the  
7   end of paragraph (12), by striking the period at the end  
8   of paragraph (13) and inserting “, or”, and by inserting  
9   at the end the following new paragraph:

10                 “(14) qualified green building and sustainable  
11                 design projects.”.

12       (b) QUALIFIED GREEN BUILDING AND SUSTAINABLE  
13   DESIGN PROJECTS.—Section 142 (relating to exempt fa-  
14   cility bonds) is amended by adding at the end thereof the  
15   following new subsection:

16                 “(l) QUALIFIED GREEN BUILDING AND SUSTAIN-  
17   ABLE DESIGN PROJECTS.—

18                 “(1) IN GENERAL.—For purposes of subsection  
19   (a)(14), the term ‘qualified green building and sus-  
20   tainable design project’ means any project which is  
21   designated by the Secretary, after consultation with  
22   the Administrator of the Environmental Protection  
23   Agency, as a qualified green building and sustain-  
24   able design project and which meets the require-  
25   ments of clauses (i), (ii), (iii), and (iv) of paragraph  
26   (4)(A).

## 1       “(2) DESIGNATIONS.—

2                 “(A) IN GENERAL.—Within 60 days after  
3                 the end of the application period described in  
4                 paragraph (3)(A), the Secretary, after consulta-  
5                 tion with the Administrator of the Environ-  
6                 mental Protection Agency, shall designate quali-  
7                 fied green building and sustainable design  
8                 projects. At least one of the projects designated  
9                 shall be located in, or within a 10-mile radius  
10                 of, an empowerment zone as designated pursu-  
11                 ant to section 1391, and at least one of the  
12                 projects designated shall be located in a rural  
13                 State. No more than one project shall be des-  
14                 ignated in a State. A project shall not be des-  
15                 ignated if such project includes a stadium or  
16                 arena for professional sports exhibitions or  
17                 games.

18                 “(B) MINIMUM CONSERVATION AND TECH-  
19                 NOLOGY INNOVATION OBJECTIVES.—The Sec-  
20                 retary, after consultation with the Adminis-  
21                 trator of the Environmental Protection Agency,  
22                 shall ensure that, in the aggregate, the projects  
23                 designated shall—

1                 “(i) reduce electric consumption by  
2 more than 150 megawatts annually as  
3 compared to conventional construction,

4                 “(ii) reduce daily sulfur dioxide emissions  
5 by at least 10 tons compared to coal  
6 generation power,

7                 “(iii) expand by 75 percent the domestic  
8 solar photovoltaic market in the  
9 United States (measured in megawatts) as  
10 compared to the expansion of that market  
11 from 2001 to 2002, and

12                 “(iv) use at least 25 megawatts of  
13 fuel cell energy generation.

14                 “(3) LIMITED DESIGNATIONS.—A project may  
15 not be designated under this subsection unless—

16                 “(A) the project is nominated by a State  
17 or local government within 180 days of the en-  
18 actment of this subsection, and

19                 “(B) such State or local government pro-  
20 vides written assurances that the project will  
21 satisfy the eligibility criteria described in para-  
22 graph (4).

23                 “(4) APPLICATION.—

24                 “(A) IN GENERAL.—A project may not be  
25 designated under this subsection unless the ap-

1 plication for such designation includes a project  
2 proposal which describes the energy efficiency,  
3 renewable energy, and sustainable design fea-  
4 tures of the project and demonstrates that the  
5 project satisfies the following eligibility criteria:

6 “(i) GREEN BUILDING AND SUSTAIN-  
7 ABLE DESIGN.—At least 75 percent of the  
8 square footage of commercial buildings  
9 which are part of the project is registered  
10 for United States Green Building Council’s  
11 LEED certification and is reasonably ex-  
12 pected (at the time of the designation) to  
13 receive such certification.

14 “(ii) BROWNFIELD REDEVELOP-  
15 MENT.—The project includes a brownfield  
16 site as defined by section 101(39) of the  
17 Comprehensive Environmental Response,  
18 Compensation, and Liability Act of 1980  
19 (42 U.S.C. 9601), including a site de-  
20 scribed in subparagraph (D)(ii)(II)(aa)  
21 thereof.

22 “(iii) STATE AND LOCAL SUPPORT.—  
23 The project receives specific State or local  
24 government resources which will support  
25 the project in an amount equal to at least

1                   \$5,000,000. For purposes of the preceding  
2                   sentence, the term ‘resources’ includes tax  
3                   abatement benefits and contributions in  
4                   kind.

5                   “(iv) SIZE.—The project includes at  
6                   least one of the following:

7                   “(I) At least 1,000,000 square  
8                   feet of building.

9                   “(II) At least 20 acres.

10                  “(v) USE OF TAX BENEFIT.—The  
11                  project proposal includes a description of  
12                  the net benefit of the tax-exempt financing  
13                  provided under this subsection which will  
14                  be allocated for financing of one or more  
15                  of the following:

16                  “(I) The purchase, construction,  
17                  integration, or other use of energy ef-  
18                  ficiency, renewable energy, and sus-  
19                  tainable design features of the project.

20                  “(II) Compliance with LEED  
21                  certification standards.

22                  “(III) The purchase, remediation,  
23                  and foundation construction and prep-  
24                  aration of the brownfields site.

1                     “(vi) EMPLOYMENT.—The project is  
2                     projected to provide permanent employ-  
3                     ment of at least 1,500 full time equivalents  
4                     (150 full time equivalents in rural States)  
5                     when completed and construction employ-  
6                     ment of at least 1,000 full time equivalents  
7                     (100 full time equivalents in rural States).

8                     The application shall include an independent  
9                     analysis which describes the project's economic  
10                    impact, including the amount of projected em-  
11                    ployment.

12                    “(B) PROJECT DESCRIPTION.—Each appli-  
13                    cation described in subparagraph (A) shall con-  
14                    tain for each project a description of—

15                    “(i) the amount of electric consump-  
16                    tion reduced as compared to conventional  
17                    construction,

18                    “(ii) the amount of sulfur dioxide  
19                    daily emissions reduced compared to coal  
20                    generation,

21                    “(iii) the amount of the gross in-  
22                    stalled capacity of the project's solar pho-  
23                    tovoltaic capacity measured in megawatts,  
24                    and

1                         “(iv) the amount, in megawatts, of  
2                         the project’s fuel cell energy generation.

3                         “(5) CERTIFICATION OF USE OF TAX BEN-  
4                         EFIT.—No later than 30 days after the completion  
5                         of the project, each project must certify to the Sec-  
6                         retary that the net benefit of the tax-exempt financ-  
7                         ing was used for the purposes described in para-  
8                         graph (4).

9                         “(6) DEFINITIONS.—For purposes of this sub-  
10                         section—

11                         “(A) RURAL STATE.—The term ‘rural  
12                         State’ means any State which has—

13                         “(i) a population of less than  
14                         4,500,000 according to the 2000 census,

15                         “(ii) a population density of less than  
16                         150 people per square mile according to  
17                         the 2000 census, and

18                         “(iii) increased in population by less  
19                         than half the rate of the national increase  
20                         between the 1990 and 2000 censuses.

21                         “(B) LOCAL GOVERNMENT.—The term  
22                         ‘local government’ has the meaning given such  
23                         term by section 1393(a)(5).

24                         “(C) NET BENEFIT OF TAX-EXEMPT FI-  
25                         NANCING.—The term ‘net benefit of tax-exempt

1 financing' means the present value of the inter-  
2 est savings (determined by a calculation estab-  
3 lished by the Secretary) which result from the  
4 tax-exempt status of the bonds.

5       “(7) AGGREGATE FACE AMOUNT OF TAX-EX-  
6 EMPT FINANCING.—

7           “(A) IN GENERAL.—An issue shall not be  
8 treated as an issue described in subsection  
9 (a)(14) if the aggregate face amount of bonds  
10 issued by the State or local government pursu-  
11 ant thereto for a project (when added to the ag-  
12 gregate face amount of bonds previously so  
13 issued for such project) exceeds an amount des-  
14 ignated by the Secretary as part of the designa-  
15 tion.

16           “(B) LIMITATION ON AMOUNT OF  
17 BONDS.—The Secretary may not allocate au-  
18 thority to issue qualified green building and  
19 sustainable design project bonds in an aggre-  
20 gate face amount exceeding \$2,000,000,000.

21       “(8) TERMINATION.—Subsection (a)(14) shall  
22 not apply with respect to any bond issued after Sep-  
23 tember 30, 2009.

24       “(9) TREATMENT OF CURRENT REFUNDING  
25 BONDS.—Paragraphs (7)(B) and (8) shall not apply

1 to any bond (or series of bonds) issued to refund a  
2 bond issued under subsection (a)(14) before October  
3 1, 2009, if—

4                 “(A) the average maturity date of the issue  
5                 of which the refunding bond is a part is not  
6                 later than the average maturity date of the  
7                 bonds to be refunded by such issue,

8                 “(B) the amount of the refunding bond  
9                 does not exceed the outstanding amount of the  
10                 refunded bond, and

11                 “(C) the net proceeds of the refunding  
12                 bond are used to redeem the refunded bond not  
13                 later than 90 days after the date of the  
14                 issuance of the refunding bond.

15 For purposes of subparagraph (A), average maturity shall  
16 be determined in accordance with section 147(b)(2)(A).”.

17                 (c) EXEMPTION FROM GENERAL STATE VOLUME  
18 CAPS.—Paragraph (3) of section 146(g) (relating to ex-  
19 ception for certain bonds) is amended—

20                 (1) by striking “or (13)” and inserting “(13),  
21                 or (14)”, and

22                 (2) by striking “and qualified public educational  
23                 facilities” and inserting “qualified public educational  
24                 facilities, and qualified green building and sustain-  
25                 able design projects”.

1       (d) SPECIAL RULE FOR ASSETS FINANCED UNDER  
2 THIS SECTION AND ACCOUNTABILITY.—

3                 (1) DENIAL OF DOUBLE BENEFIT.—Any asset  
4       financed with bonds issued pursuant to this section  
5       shall be ineligible for any credit or deduction estab-  
6       lished under the Energy Tax Policy Act of 2004.

7                 (2) ACCOUNTABILITY.—Each issuer shall main-  
8       tain, on behalf of each project, an interest bearing  
9       reserve account equal to 1 percent of the net pro-  
10      ceeds of any bond issued under this section for such  
11      project. Not later than 5 years after the date of  
12      issuance, the Secretary of the Treasury, after con-  
13      sultation with the Administrator of the Environ-  
14      mental Protection Agency, shall determine whether  
15      the project financed with such bonds has substan-  
16      tially complied with the terms and conditions de-  
17      scribed in section 142(l)(4) of the Internal Revenue  
18      Code of 1986 (as added by this section). If the Sec-  
19      retary, after such consultation, certifies that the  
20      project has substantially complied with such terms  
21      and conditions and meets the commitments set forth  
22      in the application for such project described in sec-  
23      tion 142(l)(4) of such Code, amounts in the reserve  
24      account, including all interest, shall be released to  
25      the project. If the Secretary determines that the

1 project has not substantially complied with such  
2 terms and conditions, amounts in the reserve ac-  
3 count, including all interest, shall be paid to the  
4 United States Treasury.

5 (e) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to bonds issued after the date of  
7 the enactment of this Act.

8 **TITLE XIV—MISCELLANEOUS**  
9 **Subtitle A—Rural and Remote**  
10 **Electricity Construction**

11 **SEC. 1401. DENALI COMMISSION PROGRAMS.**

12 (a) POWER COST EQUALIZATION PROGRAM.—There  
13 are authorized to be appropriated to the Denali Commis-  
14 sion established by the Denali Commission Act of 1998  
15 (42 U.S.C. 3121 note) not more than \$5,000,000 for each  
16 of fiscal years 2005 through 2011 for the purposes of  
17 funding the power cost equalization program established  
18 under section 42.45.100 of the Alaska Statutes.

19 (b) AVAILABILITY OF FUNDS.—

20 (1) PURPOSE.—Amounts described in para-  
21 graph (2) shall be available to the Denali Commis-  
22 sion to permit energy generation and development  
23 (including fuel cells, hydroelectric, solar, wind, wave,  
24 and tidal energy, and alternative energy sources),  
25 energy transmission (including interties), fuel tank

1 replacement and clean-up, fuel transportation net-  
2 works and related facilities, power cost equalization  
3 programs, and other energy programs, notwithstanding  
4 any other provision of law.

5 (2) AMOUNTS.—(A) Except as provided in sub-  
6 paragraph (B), the amounts referred to in para-  
7 graph (1) shall be any Federal royalties, rents, and  
8 bonuses derived from the Federal share of Federal  
9 oil and gas leases in the National Petroleum Reserve  
10 in Alaska, up to a maximum of \$50,000,000, for  
11 each of the fiscal years 2004 through 2013.

12 (B) If amounts available under subparagraph  
13 (A) for one of the fiscal years 2004 through 2013  
14 are less than \$50,000,000, the Secretary of Energy  
15 shall make available an amount sufficient to ensure  
16 that the amount available under this subsection for  
17 that fiscal year equals \$50,000,000, from amounts  
18 remaining after deposits are made under section  
19 949(a)(1), from the same source from which those  
20 deposits are made.

21 **SEC. 1402. RURAL AND REMOTE COMMUNITY ASSISTANCE.**

22 (a) PROGRAM.—Section 19 of the Rural Electrifica-  
23 tion Act of 1936 (7 U.S.C. 918a) is amended by striking  
24 all that precedes subsection (b) and inserting the fol-  
25 lowing:

1   **"SEC. 19. ELECTRIC GENERATION, TRANSMISSION, AND**  
2                   **DISTRIBUTION FACILITIES EFFICIENCY**  
3                   **GRANTS AND LOANS TO RURAL AND REMOTE**  
4                   **COMMUNITIES WITH EXTREMELY HIGH ELEC-**  
5                   **TRICITY COSTS.**

6       "(a) IN GENERAL.—The Secretary, acting through  
7   the Rural Utilities Service, may—

8               "(1) in coordination with State rural develop-  
9   ment initiatives, make grants and loans to persons,  
10   States, political subdivisions of States, and other en-  
11   tities organized under the laws of States, to acquire,  
12   construct, extend, upgrade, and otherwise improve  
13   electric generation, transmission, and distribution fa-  
14   cilities serving communities in which the average  
15   revenue per kilowatt hour of electricity for all con-  
16   sumers is greater than 150 percent of the average  
17   revenue per kilowatt hour of electricity for all con-  
18   sumers in the United States (as determined by the  
19   Energy Information Administration using the most  
20   recent data available);

21               "(2) make grants and loans to the Denali Com-  
22   mission established by the Denali Commission Act of  
23   1998 (42 U.S.C. 3121 note; Public 105–277) to be  
24   used for the purpose of providing funds to acquire,  
25   construct, extend, upgrade, finance, and otherwise  
26   improve electric generation, transmission, and dis-

1 tribution facilities serving communities described in  
2 paragraph (1); and

3       “(3) make grants to State entities to establish  
4 and support a revolving fund to provide a more cost-  
5 effective means of purchasing fuel in areas where  
6 the fuel cannot be shipped by means of surface  
7 transportation.”.

8       (b) DEFINITION OF PERSON.—Section 13 of the  
9 Rural Electrification Act of 1936 (7 U.S.C. 913) is  
10 amended by striking “or association” and inserting “asso-  
11 ciation, or Indian tribe (as defined in section 4 of the In-  
12 dian Self-Determination and Education Assistance Act”).

## 13           **Subtitle B—Coastal Programs**

### 14   **SEC. 1411. ROYALTY PAYMENTS UNDER LEASES UNDER** 15                   **THE OUTER CONTINENTAL SHELF LANDS** 16                   **ACT.**

#### 17       (a) ROYALTY RELIEF.—

18           (1) IN GENERAL.—For purposes of providing  
19 compensation for lessees and a State for which  
20 amounts are authorized by section 6004(c) of the Oil  
21 Pollution Act of 1990 (Public Law 101–380), a les-  
22 see may withhold from payment any royalty due and  
23 owing to the United States under any leases under  
24 the Outer Continental Shelf Lands Act (43 U.S.C.  
25 1301 et seq.) for offshore oil or gas production from

1       a covered lease tract if, on or before the date that  
2       the payment is due and payable to the United  
3       States, the lessee makes a payment to the Secretary  
4       of the Interior of 44 cents for every \$1 of royalty  
5       withheld.

6                     (2) USE OF AMOUNTS PAID TO SECRETARY.—  
7       Within 30 days after the Secretary of the Interior  
8       receives payments under paragraph (1), the Sec-  
9       retary of the Interior shall—

10                   (A) make 47.5 percent of such payments  
11                  available to the State referred to in section  
12                 6004(c) of the Oil Pollution Act of 1990; and

13                   (B) make 52.5 percent of such payments  
14                  available equally, only for the programs and  
15                 purposes identified as number 282 at page  
16                 1389 of House Report number 108–10 and for  
17                 a program described at page 1159 of that Re-  
18                 port in the State referred to in such section  
19                 6004(c).

20                   (3) TREATMENT OF AMOUNTS.—Any royalty  
21       withheld by a lessee in accordance with this section  
22       (including any portion thereof that is paid to the  
23       Secretary of the Interior under paragraph (1)) shall  
24       be treated as paid for purposes of satisfaction of the  
25       royalty obligations of the lessee to the United States.

## 1                   (4) CERTIFICATION OF WITHHELD AMOUNTS.—

2                 The Secretary of the Treasury shall—

3                         (A) determine the amount of royalty with-  
4                         held by a lessee under this section; and5                         (B) promptly publish a certification when  
6                         the total amount of royalty withheld by the les-  
7                         see under this section is equal to—8                                 (i) the dollar amount stated at page  
9                                 47 of Senate Report number 101–534,  
10                         which is designated therein as the total  
11                         drainage claim for the West Delta field;  
12                         plus13                                 (ii) interest as described at page 47 of  
14                         that Report.15                 (b) PERIOD OF ROYALTY RELIEF.—Subsection (a)  
16                 shall apply to royalty amounts that are due and payable  
17                 in the period beginning on January 1, 2004, and ending  
18                 on the date on which the Secretary of the Treasury pub-  
19                 lishes a certification under subsection (a)(4)(B).

20                 (c) DEFINITIONS.—As used in this section:

21                         (1) COVERED LEASE TRACT.—The term “cov-  
22                         ered lease tract” means a leased tract (or portion of  
23                         a leased tract)—

1                             (A) lying seaward of the zone defined and  
2                             governed by section 8(g) of the Outer Conti-  
3                             nental Shelf Lands Act (43 U.S.C. 1337(g)); or

4                             (B) lying within such zone but to which  
5                             such section does not apply.

6                             (2) LESSEE.—The term “lessee”—

7                             (A) means a person or entity that, on the  
8                             date of the enactment of the Oil Pollution Act  
9                             of 1990, was a lessee referred to in section  
10                             6004(c) of that Act (as in effect on that date  
11                             of the enactment), but did not hold lease rights  
12                             in Federal offshore lease OCS-G-5669; and

13                             (B) includes successors and affiliates of a  
14                             person or entity described in subparagraph (A).

15                             **SEC. 1412. DOMESTIC OFFSHORE ENERGY REINVESTMENT.**

16                             (a) DOMESTIC OFFSHORE ENERGY REINVESTMENT  
17                             PROGRAM.—The Outer Continental Shelf Lands Act (43  
18                             U.S.C. 1331 et seq.) is amended by adding at the end  
19                             the following:

20                             **“SEC. 32. DOMESTIC OFFSHORE ENERGY REINVESTMENT  
21                             PROGRAM.**

22                             “(a) DEFINITIONS.—In this section:

23                             “(1) APPROVED PLAN.—The term ‘approved  
24                             plan’ means a Secure Energy Reinvestment Plan ap-  
25                             proved by the Secretary under this section.

1           “(2) COASTAL ENERGY STATE.—The term  
2       ‘Coastal Energy State’ means a Coastal State off  
3       the coastline of which, within the seaward lateral  
4       boundary as determined by the map referenced in  
5       subsection (e)(2)(A), outer Continental Shelf bonus  
6       bids or royalties are generated, other than bonus  
7       bids or royalties from a leased tract within any area  
8       of the outer Continental Shelf for which a morato-  
9       rium on new leasing was in effect as of January 1,  
10      2002, unless the lease was issued before the estab-  
11      lishment of the moratorium and was in production  
12      on such date.

13           “(3) COASTAL POLITICAL SUBDIVISION.—The  
14       term ‘coastal political subdivision’ means a county,  
15       parish, or other equivalent subdivision of a Coastal  
16       Energy State, all or part of which lies within the  
17       boundaries of the coastal zone of the State, as iden-  
18       tified in the State’s approved coastal zone manage-  
19       ment program under the Coastal Zone Management  
20       Act of 1972 (16 U.S.C. 1451 et seq.) on the date  
21       of the enactment of this section.

22           “(4) COASTAL POPULATION.—The term ‘coastal  
23       population’ means the population of a coastal polit-  
24       ical subdivision, as determined by the most recent  
25       official data of the Census Bureau.

1           “(5) COASTLINE.—The term ‘coastline’ has the  
2        same meaning as the term ‘coast line’ in subsection  
3        2(c) of the Submerged Lands Act (43 U.S.C.  
4        1301(c)).

5           “(6) FUND.—The term ‘Fund’ means the Se-  
6        cure Energy Reinvestment Fund established by this  
7        section.

8           “(7) LEASED TRACT.—The term ‘leased tract’  
9        means a tract maintained under section 6 or leased  
10      under section 8 for the purpose of drilling for, devel-  
11      oping, and producing oil and natural gas resources.

12          “(8) QUALIFIED OUTER CONTINENTAL SHELF  
13        REVENUES.—(A) Except as provided in subpara-  
14        graph (B), the term ‘qualified outer Continental  
15        Shelf revenues’ means all amounts received by the  
16        United States on or after October 1, 2003, from  
17        each leased tract or portion of a leased tract lying  
18        seaward of the zone defined and governed by section  
19        8(g), or lying within such zone but to which section  
20        8(g) does not apply, including bonus bids, rents, roy-  
21        alties (including payments for royalties taken in kind  
22        and sold), net profit share payments, and related in-  
23        terest.

24          “(B) Such term does not include any revenues  
25        from a leased tract or portion of a leased tract that

1       is included within any area of the outer Continental  
2       Shelf for which a moratorium on new leasing was in  
3       effect as of January 1, 2002, unless the lease was  
4       issued before the establishment of the moratorium  
5       and was in production on such date.

6           “(9) SECRETARY.—The term ‘Secretary’ means  
7       the Secretary of the Interior.

8           “(b) SECURE ENERGY REINVESTMENT FUND.—

9           “(1) ESTABLISHMENT.—There is established in  
10      the Treasury of the United States a separate ac-  
11      count which shall be known as the ‘Secure Energy  
12      Reinvestment Fund’. The Fund shall consist of  
13      amounts deposited under paragraph (2), and such  
14      other amounts as may be appropriated to the Fund.

15           “(2) DEPOSITS.—For each fiscal year after fis-  
16      cal year 2003, the Secretary of the Treasury shall  
17      deposit into the Fund the following:

18           “(A) Notwithstanding section 9, all qual-  
19      ified outer Continental Shelf revenues attrib-  
20      utable to royalties received by the United States  
21      in the fiscal year that are in excess of the fol-  
22      lowing amount:

23                  “(i) \$3,455,000,000 in the case of  
24      royalties received in fiscal year 2004.

1               “(ii) \$3,726,000,000 in the case of  
2               royalties received in fiscal year 2005.

3               “(iii) \$4,613,000,000 in the case of  
4               royalties received in fiscal year 2006.

5               “(iv) \$5,226,000,000 in the case of  
6               royalties received in fiscal year 2007.

7               “(v) \$5,841,000,000 in the case of  
8               royalties received in fiscal year 2008.

9               “(vi) \$5,763,000,000 in the case of  
10              royalties received in fiscal year 2009.

11              “(vii) \$6,276,000,000 in the case of  
12              royalties received in fiscal year 2010.

13              “(viii) \$6,351,000,000 in the case of  
14              royalties received in fiscal year 2011.

15              “(ix) \$6,551,000,000 in the case of  
16              royalties received in fiscal year 2012.

17              “(x) \$5,120,000,000 in the case of  
18              royalties received in fiscal year 2013.

19              “(B) Notwithstanding section 9, all qual-  
20              fied outer Continental shelf revenues attrib-  
21              utable to bonus bids received by the United  
22              States in each of the fiscal years 2004 through  
23              2013 that are in excess of \$1,000,000,000.

24              “(C) Notwithstanding section 9, in addi-  
25              tion to amounts deposited under subparagraphs

1                         (A) and (B), \$35,000,000 of amounts received  
2                         by the United States each fiscal year as royal-  
3                         ties for oil or gas production on the outer Con-  
4                         tinental Shelf, except that no amounts shall be  
5                         deposited under this subparagraph before fiscal  
6                         year 2004 or after fiscal year 2013.

7                         “(D) All interest earned under paragraph  
8                         (4).

9                         “(E) All repayments under subsection (f).

10                         “(3) REDUCTION IN DEPOSIT.—(A) For each  
11                         fiscal year after fiscal year 2013 in which amounts  
12                         received by the United States as royalties for oil or  
13                         gas production on the outer Continental Shelf are  
14                         less than the sum of the amounts described in sub-  
15                         paragraph (B) (before the application of this sub-  
16                         paragraph), the Secretary of the Treasury shall re-  
17                         duce each of the amounts described in subparagraph  
18                         (B) proportionately.

19                         “(B) The amounts referred to in subparagraph  
20                         (A) are the following:

21                         “(i) The amount required to be covered  
22                         into the Historic Preservation Fund under sec-  
23                         tion 108 of the National Historic Preservation  
24                         Act (16 U.S.C. 470h) on the date of the enact-  
25                         ment of this paragraph.

1                 “(ii) The amount required to be credited to  
2                 the Land and Water Conservation Fund under  
3                 section 2(c)(2) of the Land and Water Con-  
4                 servation Fund Act of 1965 (16 U.S.C. 4601–  
5                 5(c)(2)) on the date of the enactment of this  
6                 paragraph.

7                 “(iii) The amount required to be deposited  
8                 under subparagraph (C) of paragraph (2) of  
9                 this subsection.

10                 “(4) INVESTMENT.—The Secretary of the  
11                 Treasury shall invest moneys in the Fund (including  
12                 interest) in public debt securities with maturities  
13                 suitable to the needs of the Fund, as determined by  
14                 the Secretary of the Treasury, and bearing interest  
15                 at rates determined by the Secretary of the Treas-  
16                 ury, taking into consideration current market yields  
17                 on outstanding marketable obligations of the United  
18                 States of comparable maturity. Such invested mon-  
19                 eys shall remain invested until needed to meet re-  
20                 quirements for disbursement under this section.

21                 “(5) REVIEW AND REVISION OF BASELINE  
22                 AMOUNTS.—Not later than December 31, 2008, the  
23                 Secretary of the Interior, in consultation with the  
24                 Secretary of the Treasury, shall—

1               “(A) determine the amount and composition  
2               of outer Continental Shelf revenues that  
3               were received by the United States in each of  
4               the fiscal years 2004 through 2008;

5               “(B) project the amount and composition  
6               of outer Continental Shelf revenues that will be  
7               received in the United States in each of the fis-  
8               cal years 2009 through 2013; and

9               “(C) submit to the Congress a report re-  
10              garding whether any of the dollar amounts set  
11              forth in clauses (v) though (x) of paragraph  
12              (2)(A) or paragraph (2)(B) should be modified  
13              to reflect those projections.

14              “(6) AUTHORIZATION OF APPROPRIATION OF  
15              ADDITIONAL AMOUNTS.—In addition to the amounts  
16              deposited into the Fund under paragraph (2) there  
17              are authorized to be appropriated to the Fund—

18              “(A) for each of fiscal years 2004 through  
19              2013 up to \$500,000,000; and

20              “(B) for each fiscal year after fiscal year  
21              2013 up to 25 percent of qualified outer Conti-  
22              nental Shelf revenues received by the United  
23              States in the preceding fiscal year.

24              “(c) USE OF SECURE ENERGY REINVESTMENT  
25              FUND.—

1           “(1) IN GENERAL.—(A) The Secretary shall use  
2 amounts in the Fund remaining after the application  
3 of subsections (h) and (i) to pay to each Coastal En-  
4 ergy State that has a Secure Energy Reinvestment  
5 Plan approved by the Secretary under this section,  
6 and to coastal political subdivisions of such State,  
7 the amount allocated to the State or coastal political  
8 subdivision, respectively, under this subsection.

9           “(B) The Secretary shall make payments under  
10 this paragraph in December of 2004, and of each  
11 year thereafter, from revenues received by the  
12 United States in the immediately preceding fiscal  
13 year.

14           “(2) ALLOCATION.—The Secretary shall allo-  
15 cate amounts deposited into the Fund in a fiscal  
16 year, and other amounts determined by the Sec-  
17 retary to be available, among Coastal Energy States  
18 that have an approved plan, and to coastal political  
19 subdivisions of such States, as follows:

20           “(A)(i) Of the amounts made available for  
21 each of the first 10 fiscal years for which  
22 amounts are available for allocation under this  
23 paragraph, the allocation for each Coastal En-  
24 ergy State shall be calculated based on the ratio  
25 of qualified outer Continental Shelf revenues

1           generated off the coastline of the Coastal En-  
2           ergy State to the qualified outer Continental  
3           Shelf revenues generated off the coastlines of  
4           all Coastal Energy States for the period begin-  
5           ning January 1, 1992, and ending December  
6           31, 2001.

7                 “(ii) Of the amounts available for a fiscal  
8           year in a subsequent 10-fiscal-year period, the  
9           allocation for each Coastal Energy State shall  
10           be calculated based on such ratio determined by  
11           the Secretary with respect to qualified outer  
12           Continental Shelf revenues generated in each  
13           subsequent corresponding 10-year period.

14                 “(iii) For purposes of this subparagraph,  
15           qualified outer Continental Shelf revenues shall  
16           be considered to be generated off the coastline  
17           of a Coastal Energy State if the geographic  
18           center of the lease tract from which the reve-  
19           nues are generated is located within the area  
20           formed by the extension of the State’s seaward  
21           lateral boundaries, calculated using the strict  
22           and scientifically derived conventions estab-  
23           lished to delimit international lateral boundaries  
24           under the Law of the Sea, as indicated on the  
25           map entitled ‘Calculated Seaward Lateral

1           Boundaries' and dated October 2003, on file in  
2           the Office of the Director, Minerals Manage-  
3           ment Service.

4           “(B) 35 percent of each Coastal Energy  
5           State's allocable share as determined under  
6           subparagraph (A) shall be allocated among and  
7           paid directly to the coastal political subdivisions  
8           of the State by the Secretary based on the fol-  
9           lowing formula:

10           “(i) 25 percent shall be allocated  
11           based on the ratio of each coastal political  
12           subdivision's coastal population to the  
13           coastal population of all coastal political  
14           subdivisions of the Coastal Energy State.

15           “(ii) 25 percent shall be allocated  
16           based on the ratio of each coastal political  
17           subdivision's coastline miles to the coast-  
18           line miles of all coastal political subdivi-  
19           sions of the State. In the case of a coastal  
20           political subdivision without a coastline,  
21           the coastline of the political subdivision for  
22           purposes of this clause shall be one-third  
23           the average length of the coastline of the  
24           other coastal political subdivisions of the  
25           State.

1                     “(iii) 50 percent shall be allocated  
2 based on a formula that allocates 75 per-  
3 cent of the funds based on such coastal po-  
4 litical subdivision’s relative distance from  
5 any leased tract used to calculate that  
6 State’s allocation and 25 percent of the  
7 funds based on the relative level of outer  
8 Continental Shelf oil and gas activities in  
9 a coastal political subdivision to the level of  
10 outer Continental Shelf oil and gas activi-  
11 ties in all coastal political subdivisions in  
12 such State, as determined by the Sec-  
13 retary, except that in the case of a coastal  
14 political subdivision in the State of Cali-  
15 fornia that has a coastal shoreline, that is  
16 not within 200 miles of the geographic cen-  
17 ter of a leased tract or portion of a leased  
18 tract, and in which there is located one or  
19 more oil refineries the allocation under this  
20 clause shall be determined as if that coast-  
21 al political subdivision were located within  
22 a distance of 50 miles from the geographic  
23 center of the closest leased tract with  
24 qualified outer Continental Shelf revenues.

1                 “(3) REALLOCATION.—Any amount allocated to  
2 a Coastal Energy State or coastal political subdivi-  
3 sion of such a State but not disbursed because of a  
4 failure of a Coastal Energy State to have an ap-  
5 proved plan shall be reallocated by the Secretary  
6 among all other Coastal Energy States in a manner  
7 consistent with this subsection, except that the Sec-  
8 retary—

9                 “(A) shall hold the amount in escrow with-  
10 in the Fund until the earlier of the end of the  
11 next fiscal year in which the allocation is made  
12 or the final resolution of any appeal regarding  
13 the disapproval of a plan submitted by the  
14 State under this section; and

15                 “(B) shall continue to hold such amount in  
16 escrow until the end of the subsequent fiscal  
17 year thereafter, if the Secretary determines that  
18 such State is making a good faith effort to de-  
19 velop and submit, or update, a Secure Energy  
20 Reinvestment Plan under subsection (d).

21                 “(4) MINIMUM SHARE.—Notwithstanding any  
22 other provision of this subsection, the amount allo-  
23 cated under this subsection to each Coastal Energy  
24 State each fiscal year shall be not less than 5 per-  
25 cent of the total amount available for that fiscal year

1       for allocation under this subsection to Coastal En-  
2       ergy States, except that for any Coastal Energy  
3       State determined by the Secretary to have an area  
4       formed by the extension of the State's seaward lat-  
5       eral boundary, as designated by the map referenced  
6       in paragraph (2)(A)(iii), of less than 490 square  
7       statute miles, the amount allocated to such State  
8       shall not be less than 10 percent of the total amount  
9       available for that fiscal year for allocation under this  
10      subsection.

11           “(5) RECOMPUTATION.—If the allocation to one  
12       or more Coastal Energy States under paragraph (4)  
13       with respect to a fiscal year is greater than the  
14       amount that would be allocated to such States under  
15       this subsection if paragraph (4) did not apply, then  
16       the allocations under this subsection to all other  
17       Coastal Energy States shall be paid from the  
18       amount remaining after deduction of the amounts  
19       allocated under paragraph (4), but shall be reduced  
20       on a pro rata basis by the sum of the allocations  
21       under paragraph (4) so that not more than 100 per-  
22       cent of the funds available in the Fund for allocation  
23       with respect to that fiscal year is allocated.

24           “(d) SECURE ENERGY REINVESTMENT PLAN.—

1           “(1) DEVELOPMENT AND SUBMISSION OF  
2 STATE PLANS.—The Governor of each State seeking  
3 to receive funds under this section shall prepare, and  
4 submit to the Secretary, a Secure Energy Reinvest-  
5 ment Plan describing planned expenditures of funds  
6 received under this section. The Governor shall in-  
7 clude in the State plan submitted to the Secretary  
8 plans prepared by the coastal political subdivisions  
9 of the State. The Governor and the coastal political  
10 subdivision shall solicit local input and provide for  
11 public participation in the development of the State  
12 plan. In describing the planned expenditures, the  
13 State and coastal political subdivisions shall include  
14 only items that are uses authorized under subsection  
15 (e).

16           “(2) APPROVAL OR DISAPPROVAL.—

17           “(A) IN GENERAL.—The Secretary may  
18 not disburse funds to a State or coastal political  
19 subdivision of a State under this section before  
20 the date the State has an approved plan. The  
21 Secretary shall approve a Secure Energy Rein-  
22 vestment Plan submitted by a State under  
23 paragraph (1) if the Secretary determines that  
24 the expenditures provided for in the plan are

1       uses authorized under subsection (e), and that  
2       the plan contains each of the following:

3                 “(i) The name of the State agency  
4                 that will have the authority to represent  
5                 and act for the State in dealing with the  
6                 Secretary for purposes of this section.

7                 “(ii) A program for the implementa-  
8                 tion of the plan, that (I) has as a goal im-  
9                 proving the environment, (II) has as a goal  
10                 addressing the impacts of oil and gas pro-  
11                 duction from the outer Continental Shelf,  
12                 and (III) includes a description of how the  
13                 State and coastal political subdivisions of  
14                 the State will evaluate the effectiveness of  
15                 the plan.

16                 “(iii) Certification by the Governor  
17                 that ample opportunity has been accorded  
18                 for public participation in the development  
19                 and revision of the plan.

20                 “(iv) Measures for taking into account  
21                 other relevant Federal resources and pro-  
22                 grams. The plan shall be correlated so far  
23                 as practicable with other State, regional,  
24                 and local plans.

1                         “(v) For any State for which the ratio  
2                         determined under subsection (c)(2)(A)(i)  
3                         or (c)(2)(A)(ii), as appropriate, expressed  
4                         as a percentage, exceeds 25 percent, a plan  
5                         to spend not less than 30 percent of the  
6                         total funds provided under this section  
7                         each fiscal year to that State and appro-  
8                         priate coastal political subdivisions, to ad-  
9                         dress the socioeconomic or environmental  
10                         impacts identified in the plan that remain  
11                         significant or progressive after implemen-  
12                         tation of mitigation measures identified in  
13                         the most current environmental impact  
14                         statement (as of the date of the enactment  
15                         of this clause) required under the National  
16                         Environmental Protection Act of 1969 for  
17                         lease sales under this Act.

18                         “(vi) A plan to utilize at least one-half  
19                         of the funds provided pursuant to sub-  
20                         section (c)(2)(B), and a portion of other  
21                         funds provided to such State under this  
22                         section, on programs or projects that are  
23                         coordinated and conducted in partnership  
24                         between the State and coastal political sub-  
25                         division.

1                 “(B) PROCEDURE AND TIMING.—The Sec-  
2                 retary shall approve or disapprove each plan  
3                 submitted in accordance with this subsection  
4                 within 90 days after its submission.

5                 “(3) AMENDMENT OR REVISION.—Any amend-  
6                 ment to or revision of an approved plan shall be pre-  
7                 pared and submitted in accordance with the require-  
8                 ments under this paragraph for the submittal of  
9                 plans, and shall be approved or disapproved by the  
10                 Secretary in accordance with paragraph (2)(B).

11                 “(e) AUTHORIZED USES.—A Coastal Energy State,  
12                 and a coastal political subdivision of such a State, shall  
13                 use amounts paid under this section (including any such  
14                 amounts deposited into a trust fund administered by the  
15                 State or coastal political subdivision dedicated to uses con-  
16                 sistent with this subsection), in compliance with Federal  
17                 and State law and the approved plan of the State, only  
18                 for one or more of the following purposes:

19                 “(1) Projects and activities, including edu-  
20                 cational activities, for the conservation, protection,  
21                 or restoration of coastal areas including wetlands.

22                 “(2) Mitigating damage to, or the protection of,  
23                 fish, wildlife, or natural resources.

24                 “(3) To the extent of such sums as are consid-  
25                 ered reasonable by the Secretary, planning assist-

1       ance and administrative costs of complying with this  
2       section.

3           “(4) Implementation of federally approved  
4       plans or programs for marine, coastal, subsidence,  
5       or conservation management or for protection of re-  
6       sources from natural disasters.

7           “(5) Mitigating impacts of outer Continental  
8       Shelf activities through funding onshore infrastruc-  
9       ture and public service needs.

10          “(f) COMPLIANCE WITH AUTHORIZED USES.—If the  
11       Secretary determines that an expenditure of an amount  
12       made by a Coastal Energy State or coastal political sub-  
13       division is not in accordance with the approved plan of  
14       the State (including the plans of coastal political subdivi-  
15       sions included in such plan), the Secretary shall not dis-  
16       burse any further amounts under this section to that  
17       Coastal Energy State or coastal political subdivision  
18       until—

19           “(1) the amount is repaid to the Secretary; or  
20           “(2) the Secretary approves an amendment to  
21       the plan that authorizes the expenditure.

22          “(g) ARBITRATION OF STATE AND LOCAL DIS-  
23       PUTES.—The Secretary may require, as a condition of any  
24       payment under this section, that a State or coastal polit-  
25       ical subdivision in a State must submit to arbitration—

1           “(1) any dispute between the State or coastal  
2 political subdivision (or both) and the Secretary re-  
3 garding implementation of this section; and

4           “(2) any dispute between the State and political  
5 subdivision regarding implementation of this section,  
6 including any failure to include, in the plan sub-  
7 mitted by the State for purposes of subsection (d),  
8 any spending plan of the coastal political subdivi-  
9 sion.

10          “(h) ADMINISTRATIVE EXPENSES.—Of amounts in  
11 the Fund each fiscal year, the Secretary may use up to  
12 one-half of one percent for the administrative costs of im-  
13 plementing this section.

14          “(i) FUNDING FOR CONSORTIUM.—

15           “(1) IN GENERAL.—Of amounts deposited into  
16 the Fund in each fiscal year 2004 through 2013, 2  
17 percent shall be available to the Secretary of the In-  
18 terior to provide funding for the Coastal Restoration  
19 and Enhancement through Science and Technology  
20 program.

21           “(2) TREATMENT.—Any amount available  
22 under this subsection for a fiscal year shall, for pur-  
23 poses of determining the amount appropriated under  
24 any other provision of law that authorizes appropria-  
25 tions to carry out the program referred to in para-

1 graph (1), be treated as appropriated under that  
2 other provision.

3 “(j) DISPOSITION OF FUNDS.—A Coastal Energy  
4 State or coastal political subdivision may use funds pro-  
5 vided to such entity under this section, subject to sub-  
6 section (e), for any payment that is eligible to be made  
7 with funds provided to States under section 35 of the Min-  
8 eral Leasing Act (30 U.S.C. 191).

9 “(k) REPORTS.—Each fiscal year following a fiscal  
10 year in which a Coastal Energy State or coastal political  
11 subdivision of a Coastal Energy State receives funds under  
12 this section, the Governor of the Coastal Energy State,  
13 in coordination with such State’s coastal political subdivi-  
14 sions, shall account for all funds so received for the pre-  
15 vious fiscal year in a written report to the Secretary. The  
16 report shall include, in accordance with regulations pre-  
17 scribed by the Secretary, a description of all projects and  
18 activities that received such funds. In order to avoid dupli-  
19 cation, such report may incorporate, by reference, any  
20 other reports required to be submitted under other provi-  
21 sions of law.

22 “(l) SIGNS.—The Secretary shall require, as a condi-  
23 tion of any allocation of funds provided with amounts  
24 made available by this section, that each State and coastal  
25 political subdivision shall include on any sign otherwise in-

1 stalled at any site at or near an entrance or public use  
2 focal point area for which such funds are used, a state-  
3 ment that the existence or development of the site (or  
4 both), as appropriate, is a product of such funds.”.

5 (b) ADDITIONAL AMENDMENTS.—Section 31 of the  
6 Outer Continental Shelf Lands Act (43 U.S.C. 1356a) is  
7 amended—

8 (1) by striking subsection (a);

9 (2) in subsection (c) by striking “For fiscal  
10 year 2001, \$150,000,000 is” and inserting “Such  
11 sums as may be necessary to carry out this section  
12 are”;

13 (3) in subsection (d)(1)(B) by striking “, ex-  
14 cept” and all that follows through the end of the  
15 sentence and inserting a period;

16 (4) by redesignating subsections (b) through (g)  
17 in order as subsection (a) through (f); and

18 (5) by striking “subsection (f)” each place it  
19 appears and inserting “subsection (e)”.

20 (c) UTILIZATION OF COASTAL RESTORATION AND  
21 ENHANCEMENT THROUGH SCIENCE AND TECHNOLOGY  
22 PROGRAM.—

23 (1) AUTHORIZATION.—The Secretary of the In-  
24 terior and the Secretary of Commerce may each use  
25 the Coastal Restoration and Enhancement through

1       Science and Technology program for the purposes  
2       of—

3                     (A) assessing the effects of coastal habitat  
4                     restoration techniques;

5                     (B) developing improved ecosystem mod-  
6                     eling capabilities for improved predictions of  
7                     coastal conditions and habitat change and for  
8                     developing new technologies for restoration ac-  
9                     tivities; and

10                  (C) identifying economic options to address  
11                  socioeconomic consequences of coastal degrada-  
12                  tion.

13                  (2) CONDITION.—The Secretary of the Interior,  
14                  in consultation with the Secretary of Commerce,  
15                  shall ensure that the program—

16                  (A) establishes procedures designed to  
17                  avoid duplicative activities among Federal agen-  
18                  cies and entities receiving Federal funds;

19                  (B) coordinates with persons involved in  
20                  similar activities; and

21                  (C) establishes a mechanism to collect, or-  
22                  ganize, and make available information and  
23                  findings on coastal restoration.

24                  (3) REPORT.—Not later than September 30,  
25                  2008, the Secretary of the Interior, in consultation

1       with the Secretary of Commerce, shall transmit a re-  
2       port to the Congress on the effectiveness of any Fed-  
3       eral and State restoration efforts conducted pursu-  
4       ant to this subsection and make recommendations to  
5       improve coordinated coastal restoration efforts.

6                     (4) FUNDING.—For each of fiscal years 2004  
7       through 2013, there is authorized to be appropriated  
8       to the Secretary \$10,000,000 to carry out activities  
9       under this subsection.

10      **Subtitle C—Reforms to the Board  
11       of Directors of the Tennessee  
12       Valley Authority**

13      **SEC. 1431. CHANGE IN COMPOSITION, OPERATION, AND DU-  
14                     TIES OF THE BOARD OF DIRECTORS OF THE  
15                     TENNESSEE VALLEY AUTHORITY.**

16       The Tennessee Valley Authority Act of 1933 (16  
17 U.S.C. 831 et seq.) is amended by striking section 2 and  
18 inserting the following:

19      **“SEC. 2. MEMBERSHIP, OPERATION, AND DUTIES OF THE  
20                     BOARD OF DIRECTORS.**

21      “(a) MEMBERSHIP.—

22                     “(1) APPOINTMENT.—The Board of Directors  
23       of the Corporation (referred to in this Act as the  
24       ‘Board’) shall be composed of 9 members appointed  
25       by the President by and with the advice and consent

1       of the Senate, at least 5 of whom shall be a legal  
2       resident of a State any part of which is in the serv-  
3       ice area of the Corporation.

4           “(2) CHAIRMAN.—The members of the Board  
5       shall select 1 of the members to act as chairman of  
6       the Board.

7           “(b) QUALIFICATIONS.—To be eligible to be ap-  
8       pointed as a member of the Board, an individual—

9               “(1) shall be a citizen of the United States;

10              “(2) shall have management expertise relative  
11       to a large for-profit or nonprofit corporate, govern-  
12       ment, or academic structure;

13              “(3) shall not be an employee of the Corpora-  
14       tion; and

15              “(4) shall make full disclosure to Congress of  
16       any investment or other financial interest that the  
17       individual holds in the energy industry.

18           “(c) RECOMMENDATIONS.—In appointing members  
19       of the Board, the President shall—

20              “(1) consider recommendations from such pub-  
21       lic officials as—

22                  “(A) the Governors of States in the service  
23       area;

24                  “(B) individual citizens;

1               “(C) business, industrial, labor, electric  
2               power distribution, environmental, civic, and  
3               service organizations; and

4               “(D) the congressional delegations of the  
5               States in the service area; and

6               “(2) seek qualified members from among per-  
7               sons who reflect the diversity, including the geo-  
8               graphical diversity, and needs of the service area of  
9               the Corporation.

10             “(d) TERMS.—

11             “(1) IN GENERAL.—A member of the Board  
12             shall serve a term of 5 years. A member of the  
13             Board whose term has expired may continue to serve  
14             after the member’s term has expired until the date  
15             on which a successor takes office, except that the  
16             member shall not serve beyond the end of the ses-  
17             sion of Congress in which the term of the member  
18             expires.

19             “(2) VACANCIES.—A member appointed to fill a  
20             vacancy on the Board occurring before the expira-  
21             tion of the term for which the predecessor of the  
22             member was appointed shall be appointed for the re-  
23             mainder of that term.

24             “(e) QUORUM.—

1           “(1) IN GENERAL.—Five of the members of the  
2         Board shall constitute a quorum for the transaction  
3         of business.

4           “(2) VACANCIES.—A vacancy on the Board  
5         shall not impair the power of the Board to act.

6           “(f) COMPENSATION.—

7           “(1) IN GENERAL.—A member of the Board  
8         shall be entitled to receive—

9            “(A) a stipend of—

10            “(i) \$45,000 per year; or

11            “(ii)(I) in the case of the chairman of  
12         any committee of the Board created by the  
13         Board, \$46,000 per year; or

14            “(II) in the case of the chairman of  
15         the Board, \$50,000 per year; and

16            “(B) travel expenses, including per diem in  
17         lieu of subsistence, in the same manner as per-  
18         sons employed intermittently in Government  
19         service under section 5703 of title 5, United  
20         States Code.

21            “(2) ADJUSTMENTS IN STIPENDS.—The  
22         amount of the stipend under paragraph (1)(A)(i)  
23         shall be adjusted by the same percentage, at the  
24         same time and manner, and subject to the same lim-

1       itations as are applicable to adjustments under sec-  
2       tion 5318 of title 5, United States Code.

3       “(g) DUTIES.—

4           “(1) IN GENERAL.—The Board shall—

5              “(A) establish the broad goals, objectives,  
6              and policies of the Corporation that are appro-  
7              priate to carry out this Act;

8              “(B) develop long-range plans to guide the  
9              Corporation in achieving the goals, objectives,  
10             and policies of the Corporation and provide as-  
11             sistance to the chief executive officer to achieve  
12             those goals, objectives, and policies;

13              “(C) ensure that those goals, objectives,  
14             and policies are achieved;

15              “(D) approve an annual budget for the  
16             Corporation;

17              “(E) adopt and submit to Congress a con-  
18             flict-of-interest policy applicable to members of  
19             the Board and employees of the Corporation;

20              “(F) establish a compensation plan for em-  
21             ployees of the Corporation in accordance with  
22             subsection (i);

23              “(G) approve all compensation (including  
24             salary or any other pay, bonuses, benefits, in-  
25             centives, and any other form of remuneration)

1           of all managers and technical personnel that re-  
2           port directly to the chief executive officer (in-  
3           cluding any adjustment to compensation);

4           “(H) ensure that all activities of the Cor-  
5           poration are carried out in compliance with ap-  
6           plicable law;

7           “(I) create an audit committee, composed  
8           solely of Board members independent of the  
9           management of the Corporation, which shall—

10           “(i) in consultation with the inspector  
11           general of the Corporation, recommend to  
12           the Board an external auditor;

13           “(ii) receive and review reports from  
14           the external auditor of the Corporation and  
15           inspector general of the Corporation; and

16           “(iii) make such recommendations to  
17           the Board as the audit committee con-  
18           siders necessary;

19           “(J) create such other committees of  
20           Board members as the Board considers to be  
21           appropriate;

22           “(K) conduct such public hearings as it  
23           deems appropriate on issues that could have a  
24           substantial effect on—

1                     “(i) the electric ratepayers in the serv-  
2                     ice area; or

3                     “(ii) the economic, environmental, so-  
4                     cial, or physical well-being of the people of  
5                     the service area;

6                     “(L) establish the electricity rates charged  
7                     by the Corporation; and

8                     “(M) engage the services of an external  
9                     auditor for the Corporation.

10                 “(2) MEETINGS.—The Board shall meet at  
11                 least 4 times each year.

12                 “(h) CHIEF EXECUTIVE OFFICER.—

13                 “(1) APPOINTMENT.—The Board shall appoint  
14                 a person to serve as chief executive officer of the  
15                 Corporation.

16                 “(2) QUALIFICATIONS.—

17                 “(A) IN GENERAL.—To serve as chief exec-  
18                 utive officer of the Corporation, a person—

19                     “(i) shall have senior executive-level  
20                     management experience in large, complex  
21                     organizations;

22                     “(ii) shall not be a current member of  
23                     the Board or have served as a member of  
24                     the Board within 2 years before being ap-  
25                     pointed chief executive officer; and

1                 “(iii) shall comply with the conflict-of-  
2                 interest policy adopted by the Board.

3                 “(B) EXPERTISE.—In appointing a chief  
4                 executive officer, the Board shall give particular  
5                 consideration to appointing an individual with  
6                 expertise in the electric industry and with  
7                 strong financial skills.

8                 “(3) TENURE.—The chief executive officer shall  
9                 serve at the pleasure of the Board.

10                 “(i) COMPENSATION PLAN.—

11                 “(1) IN GENERAL.—The Board shall approve a  
12                 compensation plan that specifies all compensation  
13                 (including salary or any other pay, bonuses, benefits,  
14                 incentives, and any other form of remuneration) for  
15                 the chief executive officer and employees of the Cor-  
16                 poration.

17                 “(2) ANNUAL SURVEY.—The compensation plan  
18                 shall be based on an annual survey of the prevailing  
19                 compensation for similar positions in private indus-  
20                 try, including engineering and electric utility compa-  
21                 nies, publicly owned electric utilities, and Federal,  
22                 State, and local governments.

23                 “(3) CONSIDERATIONS.—The compensation  
24                 plan shall provide that education, experience, level of  
25                 responsibility, geographic differences, and retention

1 and recruitment needs will be taken into account in  
2 determining compensation of employees.

3         “(4) POSITIONS AT OR BELOW LEVEL IV.—The  
4 chief executive officer shall determine the salary and  
5 benefits of employees whose annual salary is not  
6 greater than the annual rate payable for positions at  
7 level IV of the Executive Schedule under section  
8 5315 of title 5, United States Code.

9         “(5) POSITIONS ABOVE LEVEL IV.—On the rec-  
10 ommendation of the chief executive officer, the  
11 Board shall approve the salaries of employees whose  
12 annual salaries would be in excess of the annual rate  
13 payable for positions at level IV of the Executive  
14 Schedule under section 5315 of title 5, United  
15 States Code.”.

16 **SEC. 1432. CHANGE IN MANNER OF APPOINTMENT OF**  
17 **STAFF.**

18         Section 3 of the Tennessee Valley Authority Act of  
19 1933 (16 U.S.C. 831b) is amended—

20             (1) by striking the first undesignated paragraph  
21 and inserting the following:

22             “(a) APPOINTMENT BY THE CHIEF EXECUTIVE OF-  
23 FICER.—The chief executive officer shall appoint, with the  
24 advice and consent of the Board, and without regard to  
25 the provisions of the civil service laws applicable to officers

1 and employees of the United States, such managers, as-  
2 sistant managers, officers, employees, attorneys, and  
3 agents as are necessary for the transaction of the business  
4 of the Corporation.”; and

5                 (2) by striking “All contracts” and inserting  
6                 the following:

7                 “(b) WAGE RATES.—All contracts”.

8 **SEC. 1433. CONFORMING AMENDMENTS.**

9                 (a) The Tennessee Valley Authority Act of 1933 (16  
10 U.S.C. 831 et seq.) is amended—

11                 (1) by striking “board of directors” each place  
12                 it appears and inserting “Board of Directors”; and

13                 (2) by striking “board” each place it appears  
14                 and inserting “Board”.

15                 (b) Section 9 of the Tennessee Valley Authority Act  
16 of 1933 (16 U.S.C. 831h) is amended—

17                 (1) by striking “The Comptroller General of the  
18                 United States shall audit” and inserting the fol-  
19                 lowing:

20                 “(c) AUDITS.—The Comptroller General of the  
21                 United States shall audit”; and

22                 (2) by striking “The Corporation shall deter-  
23                 mine” and inserting the following:

24                 “(d) ADMINISTRATIVE ACCOUNTS AND BUSINESS  
25 DOCUMENTS.—The Corporation shall determine”.

- 1       (c) Title 5, United States Code, is amended—  
2               (1) in section 5314, by striking “Chairman,  
3               Board of Directors of the Tennessee Valley Author-  
4               ity.”; and  
5               (2) in section 5315, by striking “Members,  
6               Board of Directors of the Tennessee Valley Author-  
7               ity.”.

8 **SEC. 1434. APPOINTMENTS; EFFECTIVE DATE; TRANSITION.**

- 9       (a) APPOINTMENTS.—  
10              (1) IN GENERAL.—As soon as practicable after  
11              the date of enactment of this Act, the President  
12              shall submit to the Senate nominations of 6 persons  
13              to serve as members of the Board of Directors of the  
14              Tennessee Valley Authority in addition to the mem-  
15              bers serving on the date of enactment of this Act.  
16              (2) INITIAL TERMS.—Notwithstanding section  
17              2(d) of the Tennessee Valley Authority Act of 1933  
18              (as amended by this subtitle), in making the ap-  
19              pointments under paragraph (1), the President shall  
20              appoint—  
21                  (A) 2 members for a term to expire on  
22                  May 18, 2006;  
23                  (B) 2 members for a term to expire on  
24                  May 18, 2008; and

(C) 2 members for a term to expire on May 18, 2010.

(b) EFFECTIVE DATE.—The amendments made by  
this section and sections 1431, 1432, and 1433 take effect  
on the later of the date on which at least 3 persons nomi-  
nated under subsection (a) take office or May 18, 2005.

(c) SELECTION OF CHAIRMAN.—The Board of Directors of the Tennessee Valley Authority shall select 1 of the members to act as chairman of the Board not later than 30 days after the effective date of this section.

(d) CONFLICT-OF-INTEREST POLICY.—The Board of Directors of the Tennessee Valley Authority shall adopt and submit to Congress a conflict-of-interest policy, as required by section 2(g)(1)(E) of the Tennessee Valley Authority Act of 1933 (as amended by this subtitle), as soon as practicable after the effective date of this section.

17 (e) TRANSITION.—A person who is serving as a mem-  
18 ber of the board of directors of the Tennessee Valley Au-  
19 thority on the date of enactment of this Act—

20                   (1) shall continue to serve until the end of the  
21                   current term of the member; but

1                             (3) may not be reappointed.

2                             **Subtitle D—Other Provisions**

3                             **SEC. 1441. CONTINUATION OF TRANSMISSION SECURITY**

4                             **ORDER.**

5                             Department of Energy Order No. 202–03–2, issued  
6 by the Secretary of Energy on August 28, 2003, shall re-  
7 main in effect unless rescinded by Federal statute.

8                             **SEC. 1442. REVIEW OF AGENCY DETERMINATIONS.**

9                             Section 7 of the Natural Gas Act (15 U.S.C. 717f)  
10 is amended by adding at the end the following:

11                         “(i)(1) The United States Court of Appeals for the  
12 District of Columbia Circuit shall have original and exclu-  
13 sive jurisdiction over any civil action—

14                         “(A) for review of any order or action of any  
15 Federal or State administrative agency or officer to  
16 issue, condition, or deny any permit, license, concur-  
17 rence, or approval issued under authority of any  
18 Federal law, other than the Coastal Zone Manage-  
19 ment Act of 1972 (16 U.S.C. 1451 et seq.), required  
20 for the construction of a natural gas pipeline for  
21 which a certificate of public convenience and neces-  
22 sity is issued by the Commission under this section;

23                         “(B) alleging unreasonable delay by any Fed-  
24 eral or State administrative agency or officer in en-

1       tering an order or taking other action described in  
2       subparagraph (A); or

3               “(C) challenging any decision made or action  
4       taken under this subsection.

5               “(2)(A) If the Court finds that the order, action, or  
6       failure to act is not consistent with the public convenience  
7       and necessity (as determined by the Commission under  
8       this section), or would prevent the construction and oper-  
9       ation of natural gas facilities authorized by the certificate  
10      of public convenience and necessity, the permit, license,  
11      concurrence, or approval that is the subject of the order,  
12      action, or failure to act shall be deemed to have been  
13      issued subject to any conditions set forth in the reviewed  
14      order or action that the Court finds to be consistent with  
15      the public convenience and necessity.

16               “(B) For purposes of paragraph (1)(B), the failure  
17      of an agency or officer to issue any such permit, license,  
18      concurrence, or approval within the later of 1 year after  
19      the date of filing of an application for the permit, license,  
20      concurrence, or approval or 60 days after the date of  
21      issuance of the certificate of public convenience and neces-  
22      sity under this section, shall be considered to be unreason-  
23      able delay unless the Court, for good cause shown, deter-  
24      mines otherwise.

1       “(C) The Court shall set any action brought under  
2 paragraph (1) for expedited consideration.”.

3 **SEC. 1443. ATTAINMENT DATES FOR DOWNDOWN OZONE**  
4                   **NONATTAINMENT AREAS.**

5       Section 181 of the Clean Air Act (42 U.S.C.7511)  
6 is amended by adding the following new subsection at the  
7 end thereof:

8       “(d) EXTENDED ATTAINMENT DATE FOR CERTAIN  
9 DOWNDOWN AREAS.—

10       “(1) DEFINITIONS.—(A) The term ‘upwind  
11 area’ means an area that—

12               “(i) significantly contributes to nonattain-  
13               ment in another area, hereinafter referred to as  
14               a ‘downwind area’; and

15               “(ii) is either—

16               “(I) a nonattainment area with a later  
17               attainment date than the downwind area,  
18               or

19               “(II) an area in another State that  
20               the Administrator has found to be signifi-  
21               cantly contributing to nonattainment in  
22               the downwind area in violation of section  
23               110(a)(2)(D) and for which the Adminis-  
24               trator has established requirements  
25               through notice and comment rulemaking to

1                   eliminate the emissions causing such sig-  
2                   nificant contribution.

3                 “(B) The term ‘current classification’ means  
4                   the classification of a downwind area under this sec-  
5                   tion at the time of the determination under para-  
6                   graph (2).

7                 “(2) EXTENSION.—If the Administrator—

8                   “(A) determines that any area is a down-  
9                   wind area with respect to a particular national  
10                  ambient air quality standard for ozone; and

11                  “(B) approves a plan revision for such  
12                  area as provided in paragraph (3) prior to a re-  
13                  classification under subsection (b)(2)(A),

14                  the Administrator, in lieu of such reclassification,  
15                  shall extend the attainment date for such downwind  
16                  area for such standard in accordance with paragraph  
17                  (5).

18                 “(3) REQUIRED APPROVAL.—In order to extend  
19                  the attainment date for a downwind area under this  
20                  subsection, the Administrator must approve a revi-  
21                  sion of the applicable implementation plan for the  
22                  downwind area for such standard that—

23                   “(A) complies with all requirements of this  
24                  Act applicable under the current classification  
25                  of the downwind area, including any require-

1               ments applicable to the area under section  
2               172(c) for such standard; and

3               “(B) includes any additional measures  
4               needed to demonstrate attainment by the ex-  
5               tended attainment date provided under this  
6               subsection.

7               “(4) PRIOR RECLASSIFICATION DETERMINA-  
8               TION.—If, no more than 18 months prior to the date  
9               of enactment of this subsection, the Administrator  
10               made a reclassification determination under sub-  
11               section (b)(2)(A) for any downwind area, and the  
12               Administrator approves the plan revision referred to  
13               in paragraph (3) for such area within 12 months  
14               after the date of enactment of this subsection, the  
15               reclassification shall be withdrawn and the attain-  
16               ment date extended in accordance with paragraph  
17               (5) upon such approval. The Administrator shall  
18               also withdraw a reclassification determination under  
19               subsection (b)(2)(A) made after the date of enact-  
20               ment of this subsection and extend the attainment  
21               date in accordance with paragraph (5) if the Admin-  
22               istrator approves the plan revision referred to in  
23               paragraph (3) within 12 months of the date the re-  
24               classification determination under subsection  
25               (b)(2)(A) is issued. In such instances the ‘current

1 classification' used for evaluating the revision of the  
2 applicable implementation plan under paragraph (3)  
3 shall be the classification of the downwind area  
4 under this section immediately prior to such reclassi-  
5 fication.

6        "(5) EXTENDED DATE.—The attainment date  
7 extended under this subsection shall provide for at-  
8 tainment of such national ambient air quality stand-  
9 ard for ozone in the downwind area as expeditiously  
10 as practicable but no later than the date on which  
11 the last reductions in pollution transport necessary  
12 for attainment in the downwind area are required to  
13 be achieved by the upwind area or areas.”.

14 **SEC. 1444. ENERGY PRODUCTION INCENTIVES.**

15        (a) IN GENERAL.—A State may provide to any enti-  
16 ty—

17            (1) a credit against any tax or fee owed to the  
18 State under a State law, or

19            (2) any other tax incentive,

20 determined by the State to be appropriate, in the amount  
21 calculated under and in accordance with a formula deter-  
22 mined by the State, for production described in subsection

23 (b) in the State by the entity that receives such credit or  
24 such incentive.

1       (b) ELIGIBLE ENTITIES.—Subsection (a) shall apply  
2 with respect to the production in the State of—

3               (1) electricity from coal mined in the State and  
4 used in a facility, if such production meets all appli-  
5 cable Federal and State laws and if such facility  
6 uses scrubbers or other forms of clean coal tech-  
7 nology,

8               (2) electricity from a renewable source such as  
9 wind, solar, or biomass, or

10              (3) ethanol.

11       (c) EFFECT ON INTERSTATE COMMERCE.—Any ac-  
12 tion taken by a State in accordance with this section with  
13 respect to a tax or fee payable, or incentive applicable,  
14 for any period beginning after the date of the enactment  
15 of this Act shall—

16              (1) be considered to be a reasonable regulation  
17 of commerce; and

18              (2) not be considered to impose an undue bur-  
19 den on interstate commerce or to otherwise impair,  
20 restrain, or discriminate, against interstate com-  
21 merce.

22 **SEC. 1445. USE OF GRANULAR MINE TAILINGS.**

23       (a) AMENDMENT.—Subtitle F of the Solid Waste  
24 Disposal Act (42 U.S.C. 6961 et seq.) is amended by add-  
25 ing at the end the following:

1   **“SEC. 6006. USE OF GRANULAR MINE TAILINGS.**

2       “(a) MINE TAILINGS.—

3           “(1) IN GENERAL.—Not later than 180 days  
4       after the date of enactment of this section, the Ad-  
5       ministrator, in consultation with the Secretary of  
6       Transportation and heads of other Federal agencies,  
7       shall establish criteria (including an evaluation of  
8       whether to establish a numerical standard for con-  
9       centration of lead and other hazardous substances)  
10      for the safe and environmentally protective use of  
11      granular mine tailings from the Tar Creek, Okla-  
12      homa Mining District, known as ‘chat’, for—

13           “(A) cement or concrete projects; and

14           “(B) transportation construction projects  
15       (including transportation construction projects  
16       involving the use of asphalt) that are carried  
17       out, in whole or in part, using Federal funds.

18           “(2) REQUIREMENTS.—In establishing criteria  
19       under paragraph (1), the Administrator shall con-  
20       sider—

21           “(A) the current and previous uses of  
22       granular mine tailings as an aggregate for as-  
23       phalt; and

24           “(B) any environmental and public health  
25       risks and benefits derived from the removal,

1            transportation, and use in transportation  
2            projects of granular mine tailings.

3            “(3) PUBLIC PARTICIPATION.—In establishing  
4            the criteria under paragraph (1), the Administrator  
5            shall solicit and consider comments from the public.

6            “(4) APPLICABILITY OF CRITERIA.—On the es-  
7            tablishment of the criteria under paragraph (1), any  
8            use of the granular mine tailings described in para-  
9            graph (1) in a transportation project that is carried  
10          out, in whole or in part, using Federal funds, shall  
11          meet the criteria established under paragraph (1).

12          “(b) EFFECT OF SECTIONS.—Nothing in this section  
13          or section 6005 affects any requirement of any law (in-  
14          cluding a regulation) in effect on the date of enactment  
15          of this section.”.

16          (b) CONFORMING AMENDMENT.—The table of con-  
17          tents of the Solid Waste Disposal Act (42 U.S.C. prec.  
18          6901) is amended by adding at the end of the items relat-  
19          ing to subtitle F the following:

“Sec. 6006. Use of granular mine tailings.”.

1           **TITLE XV—ETHANOL AND**  
2           **MOTOR FUELS**

3           **Subtitle A—General Provisions**

4   **SEC. 1501. RENEWABLE CONTENT OF MOTOR VEHICLE**  
5           **FUEL.**

6           (a) IN GENERAL.—Section 211 of the Clean Air Act

7   (42 U.S.C. 7545) is amended—

8               (1) by redesignating subsection (o) as sub-  
9               section (q); and

10              (2) by inserting after subsection (n) the fol-  
11               lowing:

12           “(o) RENEWABLE FUEL PROGRAM.—

13            “(1) DEFINITIONS.—In this section:

14               “(A) ETHANOL.—(i) The term ‘cellulosic  
15               biomass ethanol’ means ethanol derived from  
16               any lignocellulosic or hemicellulosic matter that  
17               is available on a renewable or recurring basis,  
18               including—

19                “(I) dedicated energy crops and trees;

20                “(II) wood and wood residues;

21                “(III) plants;

22                “(IV) grasses;

23                “(V) agricultural residues; and

24                “(VI) fibers.

1               “(ii) The term ‘waste derived ethanol’  
2       means ethanol derived from—

3               “(I) animal wastes, including poultry  
4       fats and poultry wastes, and other waste  
5       materials; or

6               “(II) municipal solid waste.

7               “(B) RENEWABLE FUEL.—

8               “(i) IN GENERAL.—The term ‘renew-  
9       able fuel’ means motor vehicle fuel that—

10               “(I)(aa) is produced from grain,  
11       starch, oilseeds, or other biomass; or

12               “(bb) is natural gas produced  
13       from a biogas source, including a  
14       landfill, sewage waste treatment plant,  
15       feedlot, or other place where decaying  
16       organic material is found; and

17               “(II) is used to replace or reduce  
18       the quantity of fossil fuel present in a  
19       fuel mixture used to operate a motor  
20       vehicle.

21               “(ii) INCLUSION.—The term ‘renew-  
22       able fuel’ includes cellulosic biomass eth-  
23       anol, waste derived ethanol, and biodiesel  
24       (as defined in section 312(f) of the Energy  
25       Policy Act of 1992 (42 U.S.C. 13220(f))

1           and any blending components derived from  
2           renewable fuel (provided that only the re-  
3           newable fuel portion of any such blending  
4           component shall be considered part of the  
5           applicable volume under the renewable fuel  
6           program established by this subsection).

7           “(C) SMALL REFINERY.—The term ‘small  
8           refinery’ means a refinery for which average ag-  
9           gregate daily crude oil throughput for the cal-  
10          endar year (as determined by dividing the ag-  
11          gregate throughput for the calendar year by the  
12          number of days in the calendar year) does not  
13          exceed 75,000 barrels.

14          “(2) RENEWABLE FUEL PROGRAM.—

15           “(A) IN GENERAL.—Not later than 1 year  
16          after the enactment of this subsection, the Ad-  
17          ministrator shall promulgate regulations ensur-  
18          ing that motor vehicle fuel sold or dispensed to  
19          consumers in the contiguous United States, on  
20          an annual average basis, contains the applicable  
21          volume of renewable fuel as specified in sub-  
22          paragraph (B). Regardless of the date of pro-  
23          mulgation, such regulations shall contain com-  
24          pliance provisions for refiners, blenders, and  
25          importers, as appropriate, to ensure that the re-

1        requirements of this section are met, but shall not  
 2        restrict where renewable fuel can be used, or  
 3        impose any per-gallon obligation for the use of  
 4        renewable fuel. If the Administrator does not  
 5        promulgate such regulations, the applicable per-  
 6        centage referred to in paragraph (4), on a vol-  
 7        ume percentage of gasoline basis, shall be 2.2  
 8        in 2005.

9                 “(B) APPLICABLE VOLUME.—

10                “(i) CALENDAR YEARS 2005 THROUGH  
  11                2012.—For the purpose of subparagraph  
  12                (A), the applicable volume for any of cal-  
  13                endar years 2005 through 2012 shall be  
  14                determined in accordance with the fol-  
  15                lowing table:

| <b>“Calendar year</b> | <b>Applicable volume of<br/>renewable fuel<br/>(in billions of gallons)</b> |
|-----------------------|---|
| 2005 .....            | 3.1   |
| 2006 .....            | 3.3   |
| 2007 .....            | 3.5   |
| 2008 .....            | 3.8   |
| 2009 .....            | 4.1   |
| 2010 .....            | 4.4   |
| 2011 .....            | 4.7   |
| 2012 .....            | 5.0   |

16                “(ii) CALENDAR YEAR 2013 AND  
  17                THEREAFTER.—For the purpose of sub-  
  18                paragraph (A), the applicable volume for  
  19                calendar year 2013 and each calendar year

1           thereafter shall be equal to the product ob-  
2           tained by multiplying—

3                         “(I) the number of gallons of  
4                         gasoline that the Administrator esti-  
5                         mates will be sold or introduced into  
6                         commerce in the calendar year; and

7                         “(II) the ratio that—

8                                 “(aa) 5.0 billion gallons of  
9                         renewable fuels; bears to

10                                 “(bb) the number of gallons  
11                         of gasoline sold or introduced  
12                         into commerce in calendar year  
13                         2012.

14                 “(3) NON-CONTIGUOUS STATE OPT-IN.—Upon  
15                 the petition of a non-contiguous State, the Adminis-  
16                 trator may allow the renewable fuel program estab-  
17                 lished by subtitle A of title XV of the Energy Policy  
18                 Act of 2003 to apply in such non-contiguous State  
19                 at the same time or any time after the Adminis-  
20                 trator promulgates regulations under paragraph (2).  
21                 The Administrator may promulgate or revise regula-  
22                 tions under paragraph (2), establish applicable per-  
23                 centages under paragraph (4), provide for the gen-  
24                 eration of credits under paragraph (6), and take  
25                 such other actions as may be necessary to allow for

1       the application of the renewable fuels program in a  
2       non-contiguous State.

3           “(4) APPLICABLE PERCENTAGES.—

4           “(A) PROVISION OF ESTIMATE OF VOL-  
5       UMES OF GASOLINE SALES.—Not later than Oc-  
6       tober 31 of each of calendar years 2004  
7       through 2011, the Administrator of the Energy  
8       Information Administration shall provide to the  
9       Administrator of the Environmental Protection  
10      Agency an estimate of the volumes of gasoline  
11      that will be sold or introduced into commerce in  
12      the United States during the following calendar  
13      year.

14           “(B) DETERMINATION OF APPLICABLE  
15      PERCENTAGES.—

16           “(i) IN GENERAL.—Not later than  
17       November 30 of each of the calendar years  
18       2004 through 2011, based on the estimate  
19       provided under subparagraph (A), the Ad-  
20       ministrator shall determine and publish in  
21       the Federal Register, with respect to the  
22       following calendar year, the renewable fuel  
23       obligation that ensures that the require-  
24       ments of paragraph (2) are met.

1                         “(ii) REQUIRED ELEMENTS.—The re-  
2                         newable fuel obligation determined for a  
3                         calendar year under clause (i) shall—

4                         “(I) be applicable to refiners,  
5                         blenders, and importers, as appro-  
6                         priate;

7                         “(II) be expressed in terms of a  
8                         volume percentage of gasoline sold or  
9                         introduced into commerce; and

10                         “(III) subject to subparagraph  
11                         (C)(i), consist of a single applicable  
12                         percentage that applies to all cat-  
13                         egories of persons specified in sub-  
14                         clause (I).

15                         “(C) ADJUSTMENTS.—In determining the  
16                         applicable percentage for a calendar year, the  
17                         Administrator shall make adjustments—

18                         “(i) to prevent the imposition of re-  
19                         dundant obligations to any person specified  
20                         in subparagraph (B)(ii)(I); and

21                         “(ii) to account for the use of renew-  
22                         able fuel during the previous calendar year  
23                         by small refineries that are exempt under  
24                         paragraph (11).

1                 “(5) EQUIVALENCY.—For the purpose of para-  
2 graph (2), 1 gallon of either cellulosic biomass eth-  
3anol or waste derived ethanol—

4                 “(A) shall be considered to be the equiva-  
5 lent of 1.5 gallon of renewable fuel; or

6                 “(B) if the cellulosic biomass ethanol or  
7 waste derived ethanol is derived from agricul-  
8 tural residue or is an agricultural byproduct (as  
9 that term is used in section 919 of the Energy  
10 Policy Act of 2003), shall be considered to be  
11 the equivalent of 2.5 gallons of renewable fuel.

12                 “(6) CREDIT PROGRAM.—

13                 “(A) IN GENERAL.—The regulations pro-  
14 mulgated to carry out this subsection shall pro-  
15 vide for the generation of an appropriate  
16 amount of credits by any person that refines,  
17 blends, or imports gasoline that contains a  
18 quantity of renewable fuel that is greater than  
19 the quantity required under paragraph (2).  
20 Such regulations shall provide for the genera-  
21 tion of an appropriate amount of credits for  
22 biodiesel fuel. If a small refinery notifies the  
23 Administrator that it waives the exemption pro-  
24 vided paragraph (11), the regulations shall pro-  
25 vide for the generation of credits by the small

1           refinery beginning in the year following such  
2           notification.

3           “(B) USE OF CREDITS.—A person that  
4           generates credits under subparagraph (A) may  
5           use the credits, or transfer all or a portion of  
6           the credits to another person, for the purpose  
7           of complying with paragraph (2).

8           “(C) LIFE OF CREDITS.—A credit gen-  
9           erated under this paragraph shall be valid to  
10           show compliance—

11           “(i) in the calendar year in which the  
12           credit was generated or the next calendar  
13           year; or

14           “(ii) in the calendar year in which the  
15           credit was generated or next two consecu-  
16           tive calendar years if the Administrator  
17           promulgates regulations under paragraph  
18           (7).

19           “(D) INABILITY TO PURCHASE SUFFICIENT  
20           CREDITS.—The regulations promulgated to  
21           carry out this subsection shall include provi-  
22           sions allowing any person that is unable to gen-  
23           erate or purchase sufficient credits to meet the  
24           requirements under paragraph (2) to carry for-  
25           ward a renewable fuel deficit provided that, in

1           the calendar year following the year in which  
2           the renewable fuel deficit is created, such per-  
3           son shall achieve compliance with the renewable  
4           fuel requirement under paragraph (2), and shall  
5           generate or purchase additional renewable fuel  
6           credits to offset the renewable fuel deficit of the  
7           previous year.

8           “(7) SEASONAL VARIATIONS IN RENEWABLE  
9           FUEL USE.—

10           “(A) STUDY.—For each of the calendar  
11           years 2005 through 2012, the Administrator of  
12           the Energy Information Administration shall  
13           conduct a study of renewable fuels blending to  
14           determine whether there are excessive seasonal  
15           variations in the use of renewable fuels.

16           “(B) REGULATION OF EXCESSIVE SEA-  
17           SONAL VARIATIONS.—If, for any calendar year,  
18           the Administrator of the Energy Information  
19           Administration, based on the study under sub-  
20           paragraph (A), makes the determinations speci-  
21           fied in subparagraph (C), the Administrator  
22           shall promulgate regulations to ensure that 35  
23           percent or more of the quantity of renewable  
24           fuels necessary to meet the requirement of  
25           paragraph (2) is used during each of the peri-

1       ods specified in subparagraph (D) of each sub-  
2       sequent calendar year.

3           “(C) DETERMINATIONS.—The determina-  
4       tions referred to in subparagraph (B) are  
5       that—

6              “(i) less than 35 percent of the quan-  
7       tity of renewable fuels necessary to meet  
8       the requirement of paragraph (2) has been  
9       used during one of the periods specified in  
10      subparagraph (D) of the calendar year;

11             “(ii) a pattern of excessive seasonal  
12       variation described in clause (i) will con-  
13       tinue in subsequent calendar years; and

14             “(iii) promulgating regulations or  
15       other requirements to impose a 35 percent  
16       or more seasonal use of renewable fuels  
17       will not prevent or interfere with the at-  
18       tainment of national ambient air quality  
19       standards or significantly increase the  
20       price of motor fuels to the consumer.

21           “(D) PERIODS.—The two periods referred  
22       to in this paragraph are—

23              “(i) April through September; and

24              “(ii) January through March and Oc-  
25       tober through December.

1                 “(E) EXCLUSIONS.—Renewable fuels  
2         blended or consumed in 2005 in a State which  
3         has received a waiver under section 209(b) shall  
4         not be included in the study in subparagraph  
5         (A).

6                 “(8) WAIVERS.—

7                 “(A) IN GENERAL.—The Administrator, in  
8         consultation with the Secretary of Agriculture  
9         and the Secretary of Energy, may waive the re-  
10         quirement of paragraph (2) in whole or in part  
11         on petition by one or more States by reducing  
12         the national quantity of renewable fuel required  
13         under this subsection—

14                 “(i) based on a determination by the  
15         Administrator, after public notice and op-  
16         portunity for comment, that implementa-  
17         tion of the requirement would severely  
18         harm the economy or environment of a  
19         State, a region, or the United States; or

20                 “(ii) based on a determination by the  
21         Administrator, after public notice and op-  
22         portunity for comment, that there is an in-  
23         adequate domestic supply or distribution  
24         capacity to meet the requirement.

1                 “(B) PETITIONS FOR WAIVERS.—The Ad-  
2 ministrator, in consultation with the Secretary  
3 of Agriculture and the Secretary of Energy,  
4 shall approve or disapprove a State petition for  
5 a waiver of the requirement of paragraph (2)  
6 within 90 days after the date on which the peti-  
7 tion is received by the Administrator.

8                 “(C) TERMINATION OF WAIVERS.—A waiver  
9 granted under subparagraph (A) shall termi-  
10 nate after 1 year, but may be renewed by the  
11 Administrator after consultation with the Sec-  
12 retary of Agriculture and the Secretary of En-  
13 ergy.

14                 “(9) STUDY AND WAIVER FOR INITIAL YEAR OF  
15 PROGRAM.—Not later than 180 days after the enact-  
16 ment of this subsection, the Secretary of Energy  
17 shall complete for the Administrator a study assess-  
18 ing whether the renewable fuels requirement under  
19 paragraph (2) will likely result in significant adverse  
20 consumer impacts in 2005, on a national, regional,  
21 or State basis. Such study shall evaluate renewable  
22 fuel supplies and prices, blendstock supplies, and  
23 supply and distribution system capabilities. Based  
24 on such study, the Secretary shall make specific rec-  
25 commendations to the Administrator regarding waiv-

1       er of the requirements of paragraph (2), in whole or  
2       in part, to avoid any such adverse impacts. Within  
3       270 days after the enactment of this subsection, the  
4       Administrator shall, consistent with the rec-  
5       ommendations of the Secretary, waive, in whole or in  
6       part, the renewable fuels requirement under para-  
7       graph (2) by reducing the national quantity of re-  
8       newable fuel required under this subsection in 2005.  
9       This paragraph shall not be interpreted as limiting  
10      the Administrator's authority to waive the require-  
11      ments of paragraph (2) in whole, or in part, under  
12      paragraph (8) or paragraph (10), pertaining to  
13      waivers.

14      “(10) ASSESSMENT AND WAIVER.—The Admin-  
15      istrator, in consultation with the Secretary of En-  
16      ergy and the Secretary of Agriculture, shall evaluate  
17      the requirement of paragraph (2) and determine,  
18      prior to January 1, 2007, and prior to January 1  
19      of any subsequent year in which the applicable vol-  
20      ume of renewable fuel is increased under paragraph  
21      (2)(B), whether the requirement of paragraph (2),  
22      including the applicable volume of renewable fuel  
23      contained in paragraph (2)(B) should remain in ef-  
24      fect, in whole or in part, during 2007 or any year  
25      or years subsequent to 2007. In evaluating the re-

1 requirement of paragraph (2) and in making any de-  
2 termination under this section, the Administrator  
3 shall consider the best available information and  
4 data collected by accepted methods or best available  
5 means regarding—

6                 “(A) the capacity of renewable fuel pro-  
7 ducers to supply an adequate amount of renew-  
8 able fuel at competitive prices to fulfill the re-  
9 quirement of paragraph (2);

10                 “(B) the potential of the requirement of  
11 paragraph (2) to significantly raise the price of  
12 gasoline, food (excluding the net price impact  
13 on the requirement in paragraph (2) on com-  
14 modities used in the production of ethanol), or  
15 heating oil for consumers in any significant  
16 area or region of the country above the price  
17 that would otherwise apply to such commodities  
18 in the absence of such requirement;

19                 “(C) the potential of the requirement of  
20 paragraph (2) to interfere with the supply of  
21 fuel in any significant gasoline market or region  
22 of the country, including interference with the  
23 efficient operation of refiners, blenders, import-  
24 ers, wholesale suppliers, and retail vendors of  
25 gasoline, and other motor fuels; and

1                 “(D) the potential of the requirement of  
2                 paragraph (2) to cause or promote exceedances  
3                 of Federal, State, or local air quality standards.  
4                 If the Administrator determines, by clear and con-  
5                 vincing information, after public notice and the op-  
6                 portunity for comment, that the requirement of  
7                 paragraph (2) would have significant and meaning-  
8                 ful adverse impact on the supply of fuel and related  
9                 infrastructure or on the economy, public health, or  
10                 environment of any significant area or region of the  
11                 country, the Administrator may waive, in whole or  
12                 in part, the requirement of paragraph (2) in any one  
13                 year for which the determination is made for that  
14                 area or region of the country, except that any such  
15                 waiver shall not have the effect of reducing the ap-  
16                 plicable volume of renewable fuel specified in para-  
17                 graph (2)(B) with respect to any year for which the  
18                 determination is made. In determining economic im-  
19                 pact under this paragraph, the Administrator shall  
20                 not consider the reduced revenues available from the  
21                 Highway Trust Fund (section 9503 of the Internal  
22                 Revenue Code of 1986) as a result of the use of eth-  
23                 anol.

24                 “(11) SMALL REFINERIES.—

1                 “(A) IN GENERAL.—The requirement of  
2                 paragraph (2) shall not apply to small refineries  
3                 until the first calendar year beginning more  
4                 than 5 years after the first year set forth in the  
5                 table in paragraph (2)(B)(i). Not later than De-  
6                 cember 31, 2007, the Secretary of Energy shall  
7                 complete for the Administrator a study to de-  
8                 termine whether the requirement of paragraph  
9                 (2) would impose a disproportionate economic  
10                 hardship on small refineries. For any small re-  
11                 finery that the Secretary of Energy determines  
12                 would experience a disproportionate economic  
13                 hardship, the Administrator shall extend the  
14                 small refinery exemption for such small refinery  
15                 for no less than two additional years.

16                 “(B) ECONOMIC HARSHSHIP.—

17                 “(i) EXTENSION OF EXEMPTION.—A  
18                 small refinery may at any time petition the  
19                 Administrator for an extension of the ex-  
20                 emption from the requirement of para-  
21                 graph (2) for the reason of dispropor-  
22                 tionate economic hardship. In evaluating a  
23                 hardship petition, the Administrator, in  
24                 consultation with the Secretary of Energy,

1 shall consider the findings of the study in  
2 addition to other economic factors.

3                 “(ii) DEADLINE FOR ACTION ON PETI-  
4 TIONS.—The Administrator shall act on  
5 any petition submitted by a small refinery  
6 for a hardship exemption not later than 90  
7 days after the receipt of the petition.

8                 “(C) CREDIT PROGRAM.—If a small refin-  
9 ery notifies the Administrator that it waives the  
10 exemption provided by this Act, the regulations  
11 shall provide for the generation of credits by  
12 the small refinery beginning in the year fol-  
13 lowing such notification.

14                 “(D) OPT-IN FOR SMALL REFINERS.—A  
15 small refinery shall be subject to the require-  
16 ments of this section if it notifies the Adminis-  
17 trator that it waives the exemption under sub-  
18 paragraph (A).

19                 “(12) ETHANOL MARKET CONCENTRATION  
20 ANALYSIS.—

21                 “(A) ANALYSIS.—

22                 “(i) IN GENERAL.—Not later than  
23 180 days after the date of enactment of  
24 this subsection, and annually thereafter,  
25 the Federal Trade Commission shall per-

1           form a market concentration analysis of  
2           the ethanol production industry using the  
3           Herfindahl-Hirschman Index to determine  
4           whether there is sufficient competition  
5           among industry participants to avoid price  
6           setting and other anticompetitive behavior.

7           “(ii) SCORING.—For the purpose of  
8           scoring under clause (i) using the  
9           Herfindahl-Hirschman Index, all mar-  
10          keting arrangements among industry par-  
11          ticipants shall be considered.

12          “(B) REPORT.—Not later than December  
13          1, 2004, and annually thereafter, the Federal  
14          Trade Commission shall submit to Congress  
15          and the Administrator a report on the results  
16          of the market concentration analysis performed  
17          under subparagraph (A)(i).”.

18          (b) PENALTIES AND ENFORCEMENT.—Section  
19          211(d) of the Clean Air Act (42 U.S.C. 7545(d)) is  
20          amended as follows:

21           (1) In paragraph (1)—

22           (A) in the first sentence, by striking “or  
23           (n)” each place it appears and inserting “(n),  
24           or (o)”;

(B) in the second sentence, by striking “or (m)” and inserting “(m), or (o)”.

## 6 (c) SURVEY OF RENEWABLE FUEL MARKET.—

7                         (1) SURVEY AND REPORT.—Not later than De-  
8 cember 1, 2006, and annually thereafter, the Admin-  
9 istrator of the Environmental Protection Agency (in  
10 consultation with the Secretary of Energy acting  
11 through the Administrator of the Energy Informa-  
12 tion Administration) shall—

(i) conventional gasoline containing ethanol;

(ii) reformulated gasoline containing ethanol:

(iii) conventional gasoline containing  
renewable fuel; and

(iv) reformulated gasoline containing  
renewable fuel; and

(B) submit to Congress, and make publicly available, a report on the results of the survey under subparagraph (A).

## **21 SEC. 1502. FUELS SAFE HARBOR.**

(a) IN GENERAL.—Notwithstanding any other provision of Federal or State law, no renewable fuel, as defined by section 211(o)(1) of the Clean Air Act, or methyl tertiary butyl ether (hereinafter in this section referred to as

1   “MTBE”), used or intended to be used as a motor vehicle  
2   fuel, nor any motor vehicle fuel containing such renewable  
3   fuel or MTBE, shall be deemed a defective product by vir-  
4   tue of the fact that it is, or contains, such a renewable  
5   fuel or MTBE, if it does not violate a control or prohibi-  
6   tion imposed by the Administrator of the Environmental  
7   Protection Agency (hereinafter in this section referred to  
8   as the “Administrator”) under section 211 of such Act,  
9   and the manufacturer is in compliance with all requests  
10   for information under subsection (b) of such section 211  
11   of such Act. If the safe harbor provided by this section  
12   does not apply, the existence of a claim of defective prod-  
13   uct shall be determined under otherwise applicable law.  
14   Nothing in this subsection shall be construed to affect the  
15   liability of any person for environmental remediation costs,  
16   drinking water contamination, negligence for spills or  
17   other reasonably foreseeable events, public or private nui-  
18   sance, trespass, breach of warranty, breach of contract,  
19   or any other liability other than liability based upon a  
20   claim of defective product.

21                 (b) EFFECTIVE DATE.—This section shall be effec-  
22       tive as of September 5, 2003, and shall apply with respect  
23       to all claims filed on or after that date.

24   **SEC. 1503. FINDINGS AND MTBE TRANSITION ASSISTANCE.**

25                 (a) FINDINGS.—Congress finds that—

1                         (1) since 1979, methyl tertiary butyl ether  
2                         (hereinafter in this section referred to as “MTBE”)  
3                         has been used nationwide at low levels in gasoline to  
4                         replace lead as an octane booster or anti-knocking  
5                         agent;

6                         (2) Public Law 101–549 (commonly known as  
7                         the “Clean Air Act Amendments of 1990”) (42  
8                         U.S.C. 7401 et seq.) established a fuel oxygenate  
9                         standard under which reformulated gasoline must  
10                         contain at least 2 percent oxygen by weight;

11                         (3) at the time of the adoption of the fuel oxy-  
12                         gen standard, Congress was aware that significant  
13                         use of MTBE would result from the adoption of that  
14                         standard, and that the use of MTBE would likely be  
15                         important to the cost-effective implementation of  
16                         that program;

17                         (4) Congress was aware that gasoline and its  
18                         component additives can and do leak from storage  
19                         tanks;

20                         (5) the fuel industry responded to the fuel oxy-  
21                         genate standard established by Public Law 101–549  
22                         by making substantial investments in—

23                                 (A) MTBE production capacity; and  
24                                 (B) systems to deliver MTBE-containing  
25                         gasoline to the marketplace;

- 1                         (6) having previously required oxygenates like  
2                         MTBE for air quality purposes, Congress has—  
3                             (A) reconsidered the relative value of  
4                         MTBE in gasoline;  
5                             (B) decided to establish a date certain for  
6                         action by the Environmental Protection Agency  
7                         to prohibit the use of MTBE in gasoline; and  
8                             (C) decided to provide for the elimination  
9                         of the oxygenate requirement for reformulated  
10                        gasoline and to provide for a renewable fuels  
11                        content requirement for motor fuel; and  
12                         (7) it is appropriate for Congress to provide  
13                        some limited transition assistance—  
14                             (A) to merchant producers of MTBE who  
15                         produced MTBE in response to a market cre-  
16                        ated by the oxygenate requirement contained in  
17                        the Clean Air Act; and  
18                             (B) for the purpose of mitigating any fuel  
19                         supply problems that may result from the elimi-  
20                        nation of the oxygenate requirement for refor-  
21                        mulated gasoline and from the decision to es-  
22                        tablish a date certain for action by the Environ-  
23                        mental Protection Agency to prohibit the use of  
24                        MTBE in gasoline.

1       (b) PURPOSES.—The purpose of this section is to  
2 provide assistance to merchant producers of MTBE in  
3 making the transition from producing MTBE to producing  
4 other fuel additives.

5       (c) MTBE MERCHANT PRODUCER CONVERSION AS-  
6 SISTANCE.—Section 211(c) of the Clean Air Act (42  
7 U.S.C. 7545(c)) is amended by adding at the end the fol-  
8 lowing:

9               “(5) MTBE MERCHANT PRODUCER CONVER-  
10          SION ASSISTANCE.—

11               “(A) IN GENERAL.—

12               “(i) GRANTS.—The Secretary of En-  
13               ergy, in consultation with the Adminis-  
14               trator, may make grants to merchant pro-  
15               ducers of methyl tertiary butyl ether (here-  
16               inafter in this subsection referred to as  
17               ‘MTBE’) in the United States to assist the  
18               producers in the conversion of eligible pro-  
19               duction facilities described in subparagraph  
20               (C) to the production of iso-octane,  
21               iso-octene, alkylates, or renewable fuels.

22               “(ii) DETERMINATION.—The Admin-  
23               istrator, in consultation with the Secretary  
24               of Energy, may determine that transition  
25               assistance for the production of iso-octane,

6                 “(B) FURTHER GRANTS.—The Secretary  
7                 of Energy, in consultation with the Adminis-  
8                 trator, may also further make grants to mer-  
9                 chant producers of MTBE in the United States  
10                to assist the producers in the conversion of eli-  
11                gible production facilities described in subpara-  
12                graph (C) to the production of such other fuel  
13                additives (unless the Administrator determines  
14                that such fuel additives may reasonably be an-  
15                ticipated to endanger public health or the envi-  
16                ronment) that, consistent with this subsection—

“(ii) will contribute to replacing gaso-  
line volumes lost as a result of amend-  
ments made to subsection (k) of this sec-  
tion by section 1504(a) and 1506 of the  
Energy Policy Act of 2003.

1                 “(C) ELIGIBLE PRODUCTION FACILI-  
2 TIES.—A production facility shall be eligible to  
3 receive a grant under this paragraph if the pro-  
4 duction facility—

5                 “(i) is located in the United States;  
6 and

7                 “(ii) produced MTBE for consump-  
8 tion before April 1, 2003 and ceased pro-  
9 duction at any time after the date of en-  
10 actment of this paragraph.

11                 “(D) AUTHORIZATION OF APPROPRIA-  
12 TIONS.—There are authorized to be appro-  
13 priated to carry out this paragraph  
14 \$250,000,000 for each of fiscal years 2005  
15 through 2012, to remain available until ex-  
16 pended.”.

17                 (d) EFFECT ON STATE LAW.—The amendments  
18 made to the Clean Air Act by this title have no effect re-  
19 garding any available authority of States to limit the use  
20 of methyl tertiary butyl ether in motor vehicle fuel.

21 **SEC. 1504. USE OF MTBE.**

22                 (a) IN GENERAL.—Subject to subsections (e) and (f),  
23 not later than December 31, 2014, the use of methyl ter-  
24 tiary butyl ether (hereinafter in this section referred to

1 as "MTBE") in motor vehicle fuel in any State other than  
2 a State described in subsection (c) is prohibited.

3 (b) REGULATIONS.—The Administrator of the Envi-  
4 ronmental Protection Agency (hereafter referred to in this  
5 section as the "Administrator") shall promulgate regula-  
6 tions to effect the prohibition in subsection (a).

7 (c) STATES THAT AUTHORIZE USE.—A State de-  
8 scribed in this subsection is a State in which the Governor  
9 of the State submits a notification to the Administrator  
10 authorizing the use of MTBE in motor vehicle fuel sold  
11 or used in the State.

12 (d) PUBLICATION OF NOTICE.—The Administrator  
13 shall publish in the Federal Register each notice submitted  
14 by a State under subsection (c).

15 (e) TRACE QUANTITIES.—In carrying out subsection  
16 (a), the Administrator may allow trace quantities of  
17 MTBE, not to exceed 0.5 percent by volume, to be present  
18 in motor vehicle fuel in cases that the Administrator deter-  
19 mines to be appropriate.

20 (f) LIMITATION.—The Administrator, under author-  
21 ity of subsection (a), shall not prohibit or control the pro-  
22 duction of MTBE for export from the United States or  
23 for any other use other than for use in motor vehicle fuel.

1   **SEC. 1505. NATIONAL ACADEMY OF SCIENCES REVIEW AND**  
2                   **PRESIDENTIAL DETERMINATION.**

3       (a) NAS REVIEW.—Not later than May 31, 2013, the  
4   Secretary shall enter into an arrangement with the Na-  
5   tional Academy of Sciences to review the use of methyl  
6   tertiary butyl ether (hereafter referred to in this section  
7   as “MTBE”) in fuel and fuel additives. The review shall  
8   only use the best available scientific information and data  
9   collected by accepted methods or the best available means.  
10   The review shall examine the use of MTBE in fuel and  
11   fuel additives, significant beneficial and detrimental ef-  
12   fects of this use on environmental quality or public health  
13   or welfare including the costs and benefits of such effects,  
14   likely effects of controls or prohibitions on MTBE regard-  
15   ing fuel availability and price, and other appropriate and  
16   reasonable actions that are available to protect the envi-  
17   ronment or public health or welfare from any detrimental  
18   effects of the use of MTBE in fuel or fuel additives. The  
19   review shall be peer-reviewed prior to publication and all  
20   supporting data and analytical models shall be available  
21   to the public. The review shall be completed no later than  
22   May 31, 2014.

23       (b) PRESIDENTIAL DETERMINATION.—No later than  
24   June 30, 2014, the President may make a determination  
25   that restrictions on the use of MTBE to be implemented  
26   pursuant to section 1504 shall not take place and that

1 the legal authority contained in section 1504 to prohibit  
2 the use of MTBE in motor vehicle fuel shall become null  
3 and void.

4 **SEC. 1506. ELIMINATION OF OXYGEN CONTENT REQUIRE-**  
5 **MENT FOR REFORMULATED GASOLINE.**

6 (a) **ELIMINATION.—**

7 (1) **IN GENERAL.**—Section 211(k) of the Clean  
8 Air Act (42 U.S.C. 7545(k)) is amended as follows:

9 (A) In paragraph (2)—

10 (i) in the second sentence of subparagraph  
11 (A), by striking “(including the oxy-  
12 gen content requirement contained in sub-  
13 paragraph (B))”;

14 (ii) by striking subparagraph (B); and

15 (iii) by redesignating subparagraphs  
16 (C) and (D) as subparagraphs (B) and  
17 (C), respectively.

18 (B) In paragraph (3)(A), by striking  
19 clause (v).

20 (C) In paragraph (7)—

21 (i) in subparagraph (A)—

22 (I) by striking clause (i); and

23 (II) by redesignating clauses (ii)  
24 and (iii) as clauses (i) and (ii), respec-  
25 tively; and

5                 (2) EFFECTIVE DATE.—The amendments made  
6 by paragraph (1) take effect 270 days after the date  
7 of enactment of this Act, except that such amend-  
8 ments shall take effect upon such date of enactment  
9 in any State that has received a waiver under sec-  
10 tion 209(b) of the Clean Air Act.

11       (b) MAINTENANCE OF TOXIC AIR POLLUTANT EMIS-  
12 SION REDUCTIONS.—Section 211(k)(1) of the Clean Air  
13 Act (42 U.S.C. 7545(k)(1)) is amended as follows:

17                         “(A) IN GENERAL.—Not later than No-  
18                         vember 15, 1991.”.

19 (2) By adding at the end the following:

20               “(B) MAINTENANCE OF TOXIC AIR POL-  
21               LUTANT EMISSIONS REDUCTIONS FROM REFOR-  
22               MULATED GASOLINE.—

“(i) DEFINITIONS.—In this subparagraph the term ‘PADD’ means a Petroleum Administration for Defense District.

1                         “(ii) REGULATIONS REGARDING EMIS-  
2                         SIONS OF TOXIC AIR POLLUTANTS.—Not  
3                         later than 270 days after the date of en-  
4                         actment of this subparagraph the Adminis-  
5                         trator shall establish, for each refinery or  
6                         importer, standards for toxic air pollutants  
7                         from use of the reformulated gasoline pro-  
8                         duced or distributed by the refinery or im-  
9                         porter that maintain the reduction of the  
10                         average annual aggregate emissions of  
11                         toxic air pollutants for reformulated gaso-  
12                         line produced or distributed by the refinery  
13                         or importer during calendar years 1999  
14                         and 2000, determined on the basis of data  
15                         collected by the Administrator with respect  
16                         to the refinery or importer.

17                         “(iii) STANDARDS APPLICABLE TO  
18                         SPECIFIC REFINERIES OR IMPORTERS.—

19                         “(I) APPLICABILITY OF STAND-  
20                         ARDS.—For any calendar year, the  
21                         standards applicable to a refinery or  
22                         importer under clause (ii) shall apply  
23                         to the quantity of gasoline produced  
24                         or distributed by the refinery or im-  
25                         porter in the calendar year only to the

1                   extent that the quantity is less than  
2                   or equal to the average annual quan-  
3                   tity of reformulated gasoline produced  
4                   or distributed by the refinery or im-  
5                   porter during calendar years 1999  
6                   and 2000.

7                   “(II) APPLICABILITY OF OTHER  
8                   STANDARDS.—For any calendar year,  
9                   the quantity of gasoline produced or  
10                  distributed by a refinery or importer  
11                  that is in excess of the quantity sub-  
12                  ject to subclause (I) shall be subject  
13                  to standards for toxic air pollutants  
14                  promulgated under subparagraph (A)  
15                  and paragraph (3)(B).

16                  “(iv) CREDIT PROGRAM.—The Admin-  
17                  istrator shall provide for the granting and  
18                  use of credits for emissions of toxic air pol-  
19                  lutants in the same manner as provided in  
20                  paragraph (7).

21                  “(v) REGIONAL PROTECTION OF  
22                  TOXICS REDUCTION BASELINES.—

23                  “(I) IN GENERAL.—Not later  
24                  than 60 days after the date of enact-  
25                  ment of this subparagraph, and not

1                   later than April 1 of each calendar  
2                   year that begins after that date of en-  
3                   actment, the Administrator shall pub-  
4                   lish in the Federal Register a report  
5                   that specifies, with respect to the pre-  
6                   vious calendar year—

7                         “(aa) the quantity of refor-  
8                         mulated gasoline produced that is  
9                         in excess of the average annual  
10                  quantity of reformulated gasoline  
11                  produced in 1999 and 2000; and

12                  “(bb) the reduction of the  
13                  average annual aggregate emis-  
14                  sions of toxic air pollutants in  
15                  each PADD, based on retail sur-  
16                  vey data or data from other ap-  
17                  propriate sources.

18                  “(II) EFFECT OF FAILURE TO  
19                  MAINTAIN AGGREGATE TOXICS RE-  
20                  DUCTIONS.—If, in any calendar year,  
21                  the reduction of the average annual  
22                  aggregate emissions of toxic air pol-  
23                  lutants in a PADD fails to meet or  
24                  exceed the reduction of the average  
25                  annual aggregate emissions of toxic

1                   air pollutants in the PADD in cal-  
2                   endar years 1999 and 2000, the Ad-  
3                   ministrator, not later than 90 days  
4                   after the date of publication of the re-  
5                   port for the calendar year under sub-  
6                   clause (I), shall—

7                         “(aa) identify, to the max-  
8                         imum extent practicable, the rea-  
9                         sons for the failure, including the  
10                        sources, volumes, and character-  
11                        istics of reformulated gasoline  
12                        that contributed to the failure;  
13                        and

14                         “(bb) promulgate revisions  
15                        to the regulations promulgated  
16                        under clause (ii), to take effect  
17                        not earlier than 180 days but not  
18                        later than 270 days after the  
19                        date of promulgation, to provide  
20                        that, notwithstanding clause  
21                        (iii)(II), all reformulated gasoline  
22                        produced or distributed at each  
23                        refinery or importer shall meet  
24                        the standards applicable under  
25                        clause (ii) not later than April 1

1 of the year following the report  
2 in subclause (II) and for subse-  
3 quent years.

15 (c) CONSOLIDATION IN REFORMULATED GASOLINE  
16 REGULATIONS.—Not later than 180 days after the date  
17 of enactment of this Act, the Administrator of the Envi-  
18 ronmental Protection Agency shall revise the reformulated  
19 gasoline regulations under subpart D of part 80 of title  
20 40, Code of Federal Regulations, to consolidate the regula-  
21 tions applicable to VOC-Control Regions 1 and 2 under  
22 section 80.41 of that title by eliminating the less stringent  
23 requirements applicable to gasoline designated for VOC-  
24 Control Region 2 and instead applying the more stringent

1 requirements applicable to gasoline designated for VOC-  
2 Control Region 1.

3       (d) SAVINGS CLAUSE.—Nothing in this section is in-  
4 tended to affect or prejudice either any legal claims or ac-  
5 tions with respect to regulations promulgated by the Ad-  
6 ministrator of the Environmental Protection Agency  
7 (hereinafter in this subsection referred to as the “Ad-  
8 istrator”) prior to the date of enactment of this Act re-  
9 garding emissions of toxic air pollutants from motor vehi-  
10 cles or the adjustment of standards applicable to a specific  
11 refinery or importer made under such prior regulations  
12 and the Administrator may apply such adjustments to the  
13 standards applicable to such refinery or importer under  
14 clause (iii)(I) of section 211(k)(1)(B) of the Clean Air Act,  
15 except that—

16           (1) the Administrator shall revise such adjust-  
17       ments to be based only on calendar years 1999–  
18       2000; and

19           (2) for adjustments based on toxic air pollutant  
20       emissions from reformulated gasoline significantly  
21       below the national annual average emissions of toxic  
22       air pollutants from all reformulated gasoline, the  
23       Administrator may revise such adjustments to take  
24       account of the scope of Federal or State prohibitions  
25       on the use of methyl tertiary butyl ether imposed

1 after the date of the enactment of this paragraph,  
2 except that any such adjustment shall require such  
3 refiner or importer, to the greatest extent prac-  
4 ticable, to maintain the reduction achieved during  
5 calendar years 1999–2000 in the average annual ag-  
6 gregate emissions of toxic air pollutants from refor-  
7 mulated gasoline produced or distributed by the re-  
8 finery or importer; *Provided*, that any such adjust-  
9 ment shall not be made at a level below the average  
10 percentage of reductions of emissions of toxic air  
11 pollutants for reformulated gasoline supplied to  
12 PADD I during calendar years 1999–2000.

13 **SEC. 1507. ANALYSES OF MOTOR VEHICLE FUEL CHANGES.**

14 Section 211 of the Clean Air Act (42 U.S.C. 7545)  
15 is amended by inserting after subsection (o) the following:

16 “(p) ANALYSES OF MOTOR VEHICLE FUEL CHANGES  
17 AND EMISSIONS MODEL.—

18 “(1) ANTI-BACKSLIDING ANALYSIS.—

19 “(A) DRAFT ANALYSIS.—Not later than 4  
20 years after the date of enactment of this sub-  
21 section, the Administrator shall publish for pub-  
22 lic comment a draft analysis of the changes in  
23 emissions of air pollutants and air quality due  
24 to the use of motor vehicle fuel and fuel addi-  
25 tives resulting from implementation of the

1       amendments made by subtitle A of title XV of  
2       the Energy Policy Act of 2003.

3           “(B) FINAL ANALYSIS.—After providing a  
4       reasonable opportunity for comment but not  
5       later than 5 years after the date of enactment  
6       of this paragraph, the Administrator shall pub-  
7       lish the analysis in final form.

8           “(2) EMISSIONS MODEL.—For the purposes of  
9       this subsection, as soon as the necessary data are  
10      available, the Administrator shall develop and final-  
11      ize an emissions model that reasonably reflects the  
12      effects of gasoline characteristics or components on  
13      emissions from vehicles in the motor vehicle fleet  
14      during calendar year 2005.”.

15 **SEC. 1508. DATA COLLECTION.**

16       Section 205 of the Department of Energy Organiza-  
17      tion Act (42 U.S.C. 7135) is amended by adding at the  
18      end the following:

19           “(m) RENEWABLE FUELS SURVEY.—(1) In order to  
20      improve the ability to evaluate the effectiveness of the Na-  
21      tion’s renewable fuels mandate, the Administrator shall  
22      conduct and publish the results of a survey of renewable  
23      fuels demand in the motor vehicle fuels market in the  
24      United States monthly, and in a manner designed to pro-  
25      tect the confidentiality of individual responses. In con-

1 ducting the survey, the Administrator shall collect infor-  
2 mation both on a national and regional basis, including  
3 each of the following:

4           “(A) The quantity of renewable fuels produced.

5           “(B) The quantity of renewable fuels blended.

6           “(C) The quantity of renewable fuels imported.

7           “(D) The quantity of renewable fuels de-  
8 manded.

9           “(E) Market price data.

10          “(F) Such other analyses or evaluations as the  
11 Administrator finds is necessary to achieve the pur-  
12 poses of this section.

13          “(2) The Administrator shall also collect or estimate  
14 information both on a national and regional basis, pursu-  
15 ant to subparagraphs (A) through (F) of paragraph (1),  
16 for the 5 years prior to implementation of this subsection.

17          “(3) This subsection does not affect the authority of  
18 the Administrator to collect data under section 52 of the  
19 Federal Energy Administration Act of 1974 (15 U.S.C.  
20 790a).”.

21 **SEC. 1509. REDUCING THE PROLIFERATION OF STATE FUEL  
22 CONTROLS.**

23          (a) EPA APPROVAL OF STATE PLANS WITH FUEL  
24 CONTROLS.—Section 211(c)(4)(C) of the Clean Air Act  
25 (42 U.S.C. 7545(c)(4)(C)) is amended by adding at the

1 end the following: “The Administrator shall not approve  
2 a control or prohibition respecting the use of a fuel or fuel  
3 additive under this subparagraph unless the Adminis-  
4 trator, after consultation with the Secretary of Energy,  
5 publishes in the Federal Register a finding that, in the  
6 Administrator’s judgment, such control or prohibition will  
7 not cause fuel supply or distribution interruptions or have  
8 a significant adverse impact on fuel producibility in the  
9 affected area or contiguous areas.”.

10 (b) STUDY.—The Administrator of the Environ-  
11 mental Protection Agency (hereinafter in this subsection  
12 referred to as the “Administrator”), in cooperation with  
13 the Secretary of Energy, shall undertake a study of the  
14 projected effects on air quality, the proliferation of fuel  
15 blends, fuel availability, and fuel costs of providing a pref-  
16 erence for each of the following:

17 (A) Reformulated gasoline referred to in sub-  
18 section (k) of section 211 of the Clean Air Act.

19 (B) A low RVP gasoline blend that has been  
20 certified by the Administrator as having a Reid  
21 Vapor Pressure of 7.0 pounds per square inch (psi).

22 (C) A low RVP gasoline blend that has been  
23 certified by the Administrator as having a Reid  
24 Vapor Pressure of 7.8 pounds per square inch (psi).

1 In carrying out such study, the Administrator shall obtain  
2 comments from affected parties. The Administrator shall  
3 submit the results of such study to the Congress not later  
4 than 18 months after the date of enactment of this Act,  
5 together with any recommended legislative changes.

6 **SEC. 1510. FUEL SYSTEM REQUIREMENTS HARMONIZATION**

7 **STUDY.**

8 (a) **STUDY.—**

9 (1) **IN GENERAL.**—The Administrator of the  
10 Environmental Protection Agency (hereinafter in  
11 this section referred to as the “Administrator”) and  
12 the Secretary of Energy shall jointly conduct a study  
13 of Federal, State, and local requirements concerning  
14 motor vehicle fuels, including—

15 (A) requirements relating to reformulated  
16 gasoline, volatility (measured in Reid vapor  
17 pressure), oxygenated fuel, and diesel fuel; and

18 (B) other requirements that vary from  
19 State to State, region to region, or locality to  
20 locality.

21 (2) **REQUIRED ELEMENTS.**—The study shall as-  
22 sess—

23 (A) the effect of the variety of require-  
24 ments described in paragraph (1) on the supply,  
25 quality, and price of motor vehicle fuels avail-

1           able to consumers in various States and local-  
2           ties;

3           (B) the effect of the requirements de-  
4           scribed in paragraph (1) on achievement of—  
5               (i) national, regional, and local air  
6               quality standards and goals; and  
7               (ii) related environmental and public  
8               health protection standards and goals;

9           (C) the effect of Federal, State, and local  
10          motor vehicle fuel regulations, including mul-  
11          tiple motor vehicle fuel requirements, on—  
12               (i) domestic refineries;  
13               (ii) the fuel distribution system; and  
14               (iii) industry investment in new capac-  
15               ity;

16           (D) the effect of the requirements de-  
17           scribed in paragraph (1) on emissions from ve-  
18           hicles, refineries, and fuel handling facilities;

19           (E) the feasibility of developing national or  
20           regional motor vehicle fuel slates for the 48  
21           contiguous States that, while improving air  
22           quality at the national, regional and local levels  
23           consistent with the attainment of national am-  
24           bient air quality standards, could—

(i) enhance flexibility in the fuel distribution infrastructure and improve fuel fungibility;

(ii) reduce price volatility and costs to consumers and producers;

(iii) provide increased liquidity to the gasoline market; and

(iv) enhance fuel quality, consistency, and supply;

(F) the feasibility of providing incentives to promote cleaner burning motor vehicle fuel;

(G) the extent to which improvements in air quality and any increases or decreases in the price of motor fuel can be projected to result from the Environmental Protection Agency's Tier II requirements for conventional gasoline and vehicle emission systems, the reformulated gasoline program, the renewable content requirements established by this subtitle, State programs regarding gasoline volatility, and any other requirements imposed by States or localities affecting the composition of motor fuel.

(b) REPORT.—

1                         (1) IN GENERAL.—Not later than December 31,  
2                         2007, the Administrator and the Secretary of En-  
3                         ergy shall submit to Congress a report on the results  
4                         of the study conducted under subsection (a).

5                         (2) RECOMMENDATIONS.—

6                         (A) IN GENERAL.—The report under this  
7                         subsection shall contain recommendations for  
8                         legislative and administrative actions that may  
9                         be taken—

10                         (i) to improve air quality;  
11                         (ii) to reduce costs to consumers and  
12                         producers; and  
13                         (iii) to increase supply liquidity.

14                         (B) REQUIRED CONSIDERATIONS.—The  
15                         recommendations under subparagraph (A) shall  
16                         take into account the need to provide advance  
17                         notice of required modifications to refinery and  
18                         fuel distribution systems in order to ensure an  
19                         adequate supply of motor vehicle fuel in all  
20                         States.

21                         (3) CONSULTATION.—In developing the report  
22                         under this subsection, the Administrator and the  
23                         Secretary of Energy shall consult with—

24                         (A) the Governors of the States;  
25                         (B) automobile manufacturers;

**4 SEC. 1511. COMMERCIAL BYPRODUCTS FROM MUNICIPAL**  
**5 SOLID WASTE AND CELLULOSIC BIOMASS**  
**6 LOAN GUARANTEE PROGRAM.**

7       (a) DEFINITION OF MUNICIPAL SOLID WASTE.—In  
8 this section, the term “municipal solid waste” has the  
9 meaning given the term “solid waste” in section 1004 of  
10 the Solid Waste Disposal Act (42 U.S.C. 6903).

(b) ESTABLISHMENT OF PROGRAM.—The Secretary of Energy (hereinafter in this section referred to as the “Secretary”) shall establish a program to provide guarantees of loans by private institutions for the construction of facilities for the processing and conversion of municipal solid waste and cellulosic biomass into fuel ethanol and other commercial byproducts.

(c) REQUIREMENTS.—The Secretary may provide a loan guarantee under subsection (b) to an applicant if—

1       pledged provide a reasonable assurance of repayment  
2       of the loan to be guaranteed in accordance with the  
3       terms of the loan; and

4                 (3) the loan bears interest at a rate determined  
5       by the Secretary to be reasonable, taking into ac-  
6       count the current average yield on outstanding obli-  
7       gations of the United States with remaining periods  
8       of maturity comparable to the maturity of the loan.

9                 (d) CRITERIA.—In selecting recipients of loan guar-  
10       antees from among applicants, the Secretary shall give  
11       preference to proposals that—

12                         (1) meet all applicable Federal and State per-  
13       mitting requirements;

14                         (2) are most likely to be successful; and

15                         (3) are located in local markets that have the  
16       greatest need for the facility because of—

17                                 (A) the limited availability of land for  
18       waste disposal;

19                                 (B) the availability of sufficient quantities  
20       of cellulosic biomass; or

21                                 (C) a high level of demand for fuel ethanol  
22       or other commercial byproducts of the facility.

23                 (e) MATURITY.—A loan guaranteed under subsection  
24       (b) shall have a maturity of not more than 20 years.

1       (f) TERMS AND CONDITIONS.—The loan agreement  
2 for a loan guaranteed under subsection (b) shall provide  
3 that no provision of the loan agreement may be amended  
4 or waived without the consent of the Secretary.

5       (g) ASSURANCE OF REPAYMENT.—The Secretary  
6 shall require that an applicant for a loan guarantee under  
7 subsection (b) provide an assurance of repayment in the  
8 form of a performance bond, insurance, collateral, or other  
9 means acceptable to the Secretary in an amount equal to  
10 not less than 20 percent of the amount of the loan.

11      (h) GUARANTEE FEE.—The recipient of a loan guar-  
12 antee under subsection (b) shall pay the Secretary an  
13 amount determined by the Secretary to be sufficient to  
14 cover the administrative costs of the Secretary relating to  
15 the loan guarantee.

16      (i) FULL FAITH AND CREDIT.—The full faith and  
17 credit of the United States is pledged to the payment of  
18 all guarantees made under this section. Any such guar-  
19 antee made by the Secretary shall be conclusive evidence  
20 of the eligibility of the loan for the guarantee with respect  
21 to principal and interest. The validity of the guarantee  
22 shall be incontestable in the hands of a holder of the guar-  
23 anteel loan.

24      (j) REPORTS.—Until each guaranteed loan under this  
25 section has been repaid in full, the Secretary shall annu-

1 ally submit to Congress a report on the activities of the  
2 Secretary under this section.

3 (k) AUTHORIZATION OF APPROPRIATIONS.—There  
4 are authorized to be appropriated such sums as are nec-  
5 essary to carry out this section.

6 (l) TERMINATION OF AUTHORITY.—The authority of  
7 the Secretary to issue a loan guarantee under subsection  
8 (b) terminates on the date that is 10 years after the date  
9 of enactment of this Act.

10 **SEC. 1512. RESOURCE CENTER.**

11 (a) DEFINITION.—In this section, the term “RFG  
12 State” means a State in which is located one or more cov-  
13 ered areas (as defined in section 211(k)(10)(D) of the  
14 Clean Air Act (42 U.S.C. 7545(k)(10)(D))).

15 (b) AUTHORIZATION OF APPROPRIATIONS FOR RE-  
16 SOURCE CENTER.—There are authorized to be appro-  
17 priated, for a resource center to further develop bioconver-  
18 sion technology using low-cost biomass for the production  
19 of ethanol at the Center for Biomass-Based Energy at the  
20 University of Mississippi and the University of Oklahoma,  
21 \$4,000,000 for each of fiscal years 2004 through 2006.

22 (c) RENEWABLE FUEL PRODUCTION RESEARCH AND  
23 DEVELOPMENT GRANTS.—

24 (1) IN GENERAL.—The Administrator of the  
25 Environmental Protection Agency shall provide

1 grants for the research into, and development and  
2 implementation of, renewable fuel production tech-  
3 nologies in RFG States with low rates of ethanol  
4 production, including low rates of production of cel-  
5 lulose biomass ethanol.

6 (2) ELIGIBILITY.—

7 (A) IN GENERAL.—The entities eligible to  
8 receive a grant under this subsection are aca-  
9 demic institutions in RFG States, and consortia  
10 made up of combinations of academic institu-  
11 tions, industry, State government agencies, or  
12 local government agencies in RFG States, that  
13 have proven experience and capabilities with  
14 relevant technologies.

15 (B) APPLICATION.—To be eligible to re-  
16 ceive a grant under this subsection, an eligible  
17 entity shall submit to the Administrator an ap-  
18 plication in such manner and form, and accom-  
19 panied by such information, as the Adminis-  
20 trator may specify.

21 (3) AUTHORIZATION OF APPROPRIATIONS.—

22 There are authorized to be appropriated to carry out  
23 this subsection \$25,000,000 for each of fiscal years  
24 2004 through 2008.

## 1 SEC. 1513. CELLULOSIC BIOMASS AND WASTE-DERIVED

## 2 ETHANOL CONVERSION ASSISTANCE.

3 Section 211 of the Clean Air Act (42 U.S.C. 7545)

4 is amended by adding at the end the following:

## 5 "(r) CELLULOSIC BIOMASS AND WASTE-DERIVED

## 6 ETHANOL CONVERSION ASSISTANCE.—

7 "(1) IN GENERAL.—The Secretary of Energy  
8 may provide grants to merchant producers of cel-  
9 lulosic biomass ethanol and waste-derived ethanol in  
10 the United States to assist the producers in building  
11 eligible production facilities described in paragraph  
12 (2) for the production of ethanol.13 "(2) ELIGIBLE PRODUCTION FACILITIES.—A  
14 production facility shall be eligible to receive a grant  
15 under this subsection if the production facility—16 "(A) is located in the United States; and  
17 "(B) uses cellulosic biomass or waste-de-  
18 rived feedstocks derived from agricultural resi-  
19 dues, municipal solid waste, or agricultural by-  
20 products as that term is used in section 919 of  
21 the Energy Policy Act of 2003.

## 22 "(3) AUTHORIZATION OF APPROPRIATIONS.—

23 There are authorized to be appropriated the fol-  
24 lowing amounts to carry out this subsection:

25 "(A) \$100,000,000 for fiscal year 2004.

26 "(B) \$250,000,000 for fiscal year 2005.

1                         “(C) \$400,000,000 for fiscal year 2006.”.

2   **SEC. 1514. BLENDING OF COMPLIANT REFORMULATED GAS-**  
3                         **OLINES.**

4                         Section 211 of the Clean Air Act (42 U.S.C. 7545)  
5   is amended by adding at the end the following:

6                         **“(s) BLENDING OF COMPLIANT REFORMULATED**  
7                         **GASOLINES.—**

8                         “(1) IN GENERAL.—Notwithstanding sub-  
9                         sections (h) and (k) and subject to the limitations in  
10                        paragraph (2) of this subsection, it shall not be a  
11                        violation of this subtitle for a gasoline retailer, dur-  
12                        ing any month of the year, to blend at a retail loca-  
13                        tion batches of ethanol-blended and non-ethanol-  
14                        blended reformulated gasoline, provided that—

15                         “(A) each batch of gasoline to be blended  
16                         has been individually certified as in compliance  
17                         with subsections (h) and (k) prior to being  
18                         blended;

19                         “(B) the retailer notifies the Administrator  
20                         prior to such blending, and identifies the exact  
21                         location of the retail station and the specific  
22                         tank in which such blending will take place;

23                         “(C) the retailer retains and, as requested  
24                         by the Administrator or the Administrator’s  
25                         designee, makes available for inspection such

1           certifications accounting for all gasoline at the  
2           retail outlet; and

3           “(D) the retailer does not, between June 1  
4           and September 15 of each year, blend a batch  
5           of VOC-controlled, or ‘summer’, gasoline with a  
6           batch of non-VOC-controlled, or ‘winter’, gaso-  
7           line (as these terms are defined under sub-  
8           sections (h) and (k)).

9           “(2) LIMITATIONS.—

10          “(A) FREQUENCY LIMITATION.—A retailer shall  
11          only be permitted to blend batches of compliant re-  
12          formulated gasoline under this subsection a max-  
13          imum of two blending periods between May 1 and  
14          September 15 of each calendar year.

15          “(B) DURATION OF BLENDING PERIOD.—Each  
16          blending period authorized under subparagraph (A)  
17          shall extend for a period of no more than 10 con-  
18          secutive calendar days.

19          “(3) SURVEYS.—A sample of gasoline taken  
20          from a retail location that has blended gasoline with-  
21          in the past 30 days and is in compliance with sub-  
22          paragraphs (A), (B), (C), and (D) of paragraph (1)  
23          shall not be used in a VOC survey mandated by 40  
24          C.F.R. Part 80.

1           “(4) STATE IMPLEMENTATION PLANS.—A State  
2 shall be held harmless and shall not be required to  
3 revise its State implementation plan under section  
4 110 to account for the emissions from blended gaso-  
5 line authorized under paragraph (1).

6           “(5) PRESERVATION OF STATE LAW.—Nothing  
7 in this subsection shall—

8           “(A) preempt existing State laws or regu-  
9           lations regulating the blending of compliant  
10          gasolines; or

11          “(B) prohibit a State from adopting such  
12          restrictions in the future.

13          “(6) REGULATIONS.—The Administrator shall  
14          promulgate, after notice and comment, regulations  
15          implementing this subsection within one year after  
16          the date of enactment of this subsection.

17          “(7) EFFECTIVE DATE.—This subsection shall  
18          become effective 15 months after the date of its en-  
19          actment and shall apply to blended batches of refor-  
20          mulated gasoline on or after that date, regardless of  
21          whether the implementing regulations required by  
22          paragraph (6) have been promulgated by the Admin-  
23          istrator by that date.

24          “(8) LIABILITY.—No person other than the  
25          person responsible for blending under this subsection

1 shall be subject to an enforcement action or pen-  
2 alties under subsection (d) solely arising from the  
3 blending of compliant reformulated gasolines by the  
4 retailers.

5       “(9) FORMULATION OF GASOLINE.—This sub-  
6 section does not grant authority to the Adminis-  
7 trator or any State (or any subdivision thereof) to  
8 require reformulation of gasoline at the refinery to  
9 adjust for potential or actual emissions increases due  
10 to the blending authorized by this subsection.”.

## 11       **Subtitle B—Underground Storage 12                    Tank Compliance**

### 13       **SEC. 1521. SHORT TITLE.**

14       This subtitle may be cited as the “Underground Stor-  
15 age Tank Compliance Act of 2004”.

### 16       **SEC. 1522. LEAKING UNDERGROUND STORAGE TANKS.**

17       (a) IN GENERAL.—Section 9004 of the Solid Waste  
18 Disposal Act (42 U.S.C. 6991c) is amended by adding at  
19 the end the following:

20       “(f) TRUST FUND DISTRIBUTION.—

21               “(1) IN GENERAL.—

22               “(A) AMOUNT AND PERMITTED USES OF  
23                    DISTRIBUTION.—The Administrator shall dis-  
24                    tribute to States not less than 80 percent of the  
25                    funds from the Trust Fund that are made

1           available to the Administrator under section  
2           9014(2)(A) for each fiscal year for use in pay-  
3           ing the reasonable costs, incurred under a coop-  
4           erative agreement with any State for—

5                 “(i) actions taken by the State under  
6                 section 9003(h)(7)(A);

7                 “(ii) necessary administrative ex-  
8                 penses, as determined by the Adminis-  
9                 trator, that are directly related to State  
10                fund or State assurance programs under  
11                subsection (c)(1);

12                 “(iii) any State fund or State assur-  
13                 ance program carried out under subsection  
14                 (c)(1) for a release from an underground  
15                storage tank regulated under this subtitle  
16                to the extent that, as determined by the  
17                State in accordance with guidelines devel-  
18                oped jointly by the Administrator and the  
19                States, the financial resources of the owner  
20                and operator of the underground storage  
21                tank (including resources provided by a  
22                program in accordance with subsection  
23                (c)(1)) are not adequate to pay the cost of  
24                a corrective action without significantly im-

1                   pairing the ability of the owner or operator  
2                   to continue in business; or

3                   “(iv) enforcement, by a State or a  
4                   local government, of State or local regula-  
5                   tions pertaining to underground storage  
6                   tanks regulated under this subtitle.

7                   “(B) USE OF FUNDS FOR ENFORCE-  
8                   MENT.—In addition to the uses of funds au-  
9                   thorized under subparagraph (A), the Adminis-  
10                  trator may use funds from the Trust Fund that  
11                  are not distributed to States under subpara-  
12                  graph (A) for enforcement of any regulation  
13                  promulgated by the Administrator under this  
14                  subtitle.

15                  “(C) PROHIBITED USES.—Funds provided  
16                  to a State by the Administrator under subpara-  
17                  graph (A) shall not be used by the State to pro-  
18                  vide financial assistance to an owner or oper-  
19                  ator to meet any requirement relating to under-  
20                  ground storage tanks under subparts B, C, D,  
21                  H, and G of part 280 of title 40, Code of Fed-  
22                  eral Regulations (as in effect on the date of en-  
23                  actment of this subsection).

24                  “(2) ALLOCATION.—

1                 “(A) PROCESS.—Subject to subparagraphs  
2                 (B) and (C), in the case of a State with which  
3                 the Administrator has entered into a coopera-  
4                 tive agreement under section 9003(h)(7)(A),  
5                 the Administrator shall distribute funds from  
6                 the Trust Fund to the State using an allocation  
7                 process developed by the Administrator.

8                 “(B) DIVERSION OF STATE FUNDS.—The  
9                 Administrator shall not distribute funds under  
10                 subparagraph (A)(iii) of subsection (f)(1) to  
11                 any State that has diverted funds from a State  
12                 fund or State assurance program for purposes  
13                 other than those related to the regulation of un-  
14                 derground storage tanks covered by this sub-  
15                 title, with the exception of those transfers that  
16                 had been completed earlier than the date of en-  
17                 actment of this subsection.

18                 “(C) REVISIONS TO PROCESS.—The Ad-  
19                 ministrator may revise the allocation process re-  
20                 ferred to in subparagraph (A) after—

21                         “(i) consulting with State agencies re-  
22                 sponsible for overseeing corrective action  
23                 for releases from underground storage  
24                 tanks; and

1                         “(ii) taking into consideration, at a  
2                         minimum, each of the following:

3                         “(I) The number of confirmed re-  
4                         leases from federally regulated leaking  
5                         underground storage tanks in the  
6                         States.

7                         “(II) The number of federally  
8                         regulated underground storage tanks  
9                         in the States.

10                         “(III) The performance of the  
11                         States in implementing and enforcing  
12                         the program.

13                         “(IV) The financial needs of the  
14                         States.

15                         “(V) The ability of the States to  
16                         use the funds referred to in subpara-  
17                         graph (A) in any year.

18                         “(3) DISTRIBUTIONS TO STATE AGENCIES.—  
19                         Distributions from the Trust Fund under this sub-  
20                         section shall be made directly to a State agency  
21                         that—

22                         “(A) enters into a cooperative agreement  
23                         referred to in paragraph (2)(A); or

24                         “(B) is enforcing a State program ap-  
25                         proved under this section.

1                   “(4) COST RECOVERY PROHIBITION.—Funds  
2 from the Trust Fund provided by States to owners  
3 or operators under paragraph (1)(A)(iii) shall not be  
4 subject to cost recovery by the Administrator under  
5 section 9003(h)(6).”.

6 (b) WITHDRAWAL OF APPROVAL OF STATE  
7 FUNDS.—Section 9004(c) of the Solid Waste Disposal Act  
8 (42 U.S.C. 6991c(c)) is amended by inserting the fol-  
9 lowing new paragraph at the end thereof:

10           “(6) WITHDRAWAL OF APPROVAL.—After an  
11           opportunity for good faith, collaborative efforts to  
12           correct financial deficiencies with a State fund, the  
13           Administrator may withdraw approval of any State  
14           fund or State assurance program to be used as a fi-  
15           nancial responsibility mechanism without with-  
16           drawing approval of a State underground storage  
17           tank program under section 9004(a).”.

18 SEC. 1523. INSPECTION OF UNDERGROUND STORAGE  
19 TANKS.

20       (a) INSPECTION REQUIREMENTS.—Section 9005 of  
21 the Solid Waste Disposal Act (42 U.S.C. 6991d) is amend-  
22 ed by inserting the following new subsection at the end  
23 thereof:

**24        "(c) INSPECTION REQUIREMENTS.—**

1           “(1) UNINSPECTED TANKS.—In the case of un-  
2         derground storage tanks regulated under this sub-  
3         title that have not undergone an inspection since De-  
4         cember 22, 1998, not later than 2 years after the  
5         date of enactment of this subsection, the Adminis-  
6         trator or a State that receives funding under this  
7         subtitle, as appropriate, shall conduct on-site inspec-  
8         tions of all such tanks to determine compliance with  
9         this subtitle and the regulations under this subtitle  
10       (40 C.F.R. 280) or a requirement or standard of a  
11       State program developed under section 9004.

12           “(2) PERIODIC INSPECTIONS.—After completion  
13         of all inspections required under paragraph (1), the  
14         Administrator or a State that receives funding under  
15         this subtitle, as appropriate, shall conduct on-site in-  
16         spections of each underground storage tank regu-  
17         lated under this subtitle at least once every 3 years  
18         to determine compliance with this subtitle and the  
19         regulations under this subtitle (40 C.F.R. 280) or a  
20         requirement or standard of a State program devel-  
21         oped under section 9004. The Administrator may ex-  
22         tend for up to one additional year the first 3-year  
23         inspection interval under this paragraph if the State  
24         demonstrates that it has insufficient resources to

1       complete all such inspections within the first 3-year  
2       period.

3           “(3) INSPECTION AUTHORITY.—Nothing in this  
4       section shall be construed to diminish the Adminis-  
5       trator’s or a State’s authorities under section  
6       9005(a).”.

7           (b) STUDY OF ALTERNATIVE INSPECTION PRO-  
8       GRAMS.—The Administrator of the Environmental Protec-  
9       tion Agency, in coordination with a State, shall gather in-  
10      formation on compliance assurance programs that could  
11      serve as an alternative to the inspection programs under  
12      section 9005(c) of the Solid Waste Disposal Act (42  
13      U.S.C. 6991d(c)) and shall, within 4 years after the date  
14      of enactment of this Act, submit a report to the Congress  
15      containing the results of such study.

16 **SEC. 1524. OPERATOR TRAINING.**

17           (a) IN GENERAL.—Section 9010 of the Solid Waste  
18       Disposal Act (42 U.S.C. 6991i) is amended to read as fol-  
19       lows:

20 **“SEC. 9010. OPERATOR TRAINING.**

21           “(a) GUIDELINES.—

22           “(1) IN GENERAL.—Not later than 2 years  
23       after the date of enactment of the Underground  
24       Storage Tank Compliance Act of 2004, in consulta-  
25       tion and cooperation with States and after public no-

1 tice and opportunity for comment, the Administrator  
2 shall publish guidelines that specify training require-  
3 ments for persons having primary daily on-site man-  
4 agement responsibility for the operation and mainte-  
5 nance of underground storage tanks.

6 “(2) CONSIDERATIONS.—The guidelines de-  
7 scribed in paragraph (1) shall take into account—

8 “(A) State training programs in existence  
9 as of the date of publication of the guidelines;

10 “(B) training programs that are being em-  
11 ployed by tank owners and tank operators as of  
12 the date of enactment of the Underground Stor-  
13 age Tank Compliance Act of 2004;

14 “(C) the high turnover rate of tank opera-  
15 tors and other personnel;

16 “(D) the frequency of improvement in un-  
17 derground storage tank equipment technology;

18 “(E) the nature of the businesses in which  
19 the tank operators are engaged; and

20 “(F) such other factors as the Adminis-  
21 trator determines to be necessary to carry out  
22 this section.

23 “(b) STATE PROGRAMS.—

24 “(1) IN GENERAL.—Not later than 2 years  
25 after the date on which the Administrator publishes

1       the guidelines under subsection (a)(1), each State  
2       that receives funding under this subtitle shall de-  
3       velop State-specific training requirements that are  
4       consistent with the guidelines developed under sub-  
5       section (a)(1).

6           “(2) REQUIREMENTS.—State requirements de-  
7       scribed in paragraph (1) shall—

8              “(A) be consistent with subsection (a);

9              “(B) be developed in cooperation with tank  
10       owners and tank operators;

11              “(C) take into consideration training pro-  
12       grams implemented by tank owners and tank  
13       operators as of the date of enactment of this  
14       section; and

15              “(D) be appropriately communicated to  
16       tank owners and operators.

17           “(3) FINANCIAL INCENTIVE.—The Adminis-  
18       trator may award to a State that develops and im-  
19       plements requirements described in paragraph (1),  
20       in addition to any funds that the State is entitled to  
21       receive under this subtitle, not more than \$200,000,  
22       to be used to carry out the requirements.

23           “(c) OPERATORS.—All persons having primary daily  
24       on-site management responsibility for the operation and  
25       maintenance of any underground storage tank shall—

1           “(1) meet the training requirements developed  
2       under subsection (b); and

3           “(2) repeat the applicable requirements devel-  
4       oped under subsection (b), if the tank for which they  
5       have primary daily on-site management responsibil-  
6       ties is determined to be out of compliance with—

7           “(A) a requirement or standard promul-  
8       gated by the Administrator under section 9003;  
9       or

10          “(B) a requirement or standard of a State  
11       program approved under section 9004.”.

12          (b) STATE PROGRAM REQUIREMENT.—Section  
13 9004(a) of the Solid Waste Disposal Act (42 U.S.C.  
14 6991c(a)) is amended by striking “and” at the end of  
15 paragraph (7), by striking the period at the end of para-  
16 graph (8) and inserting “; and”, and by adding the fol-  
17 lowing new paragraph at the end thereof:

18          “(9) State-specific training requirements as re-  
19       quired by section 9010.”.

20          (c) ENFORCEMENT.—Section 9006(d)(2) of such Act  
21 (42 U.S.C. 6991e) is amended as follows:

22           (1) By striking “or” at the end of subpara-  
23       graph (B).

24           (2) By adding the following new subparagraph  
25       after subparagraph (C):

1               “(D) the training requirements established by  
2               States pursuant to section 9010 (relating to oper-  
3               ator training); or”.

4               (d) TABLE OF CONTENTS.—The item relating to sec-  
5               tion 9010 in table of contents for the Solid Waste Disposal  
6               Act is amended to read as follows:

“Sec. 9010. Operator training.”.

7               **SEC. 1525. REMEDIATION FROM OXYGENATED FUEL ADDI-  
8               TIVES.**

9               Section 9003(h) of the Solid Waste Disposal Act (42  
10              U.S.C. 6991b(h)) is amended as follows:

11              (1) In paragraph (7)(A)—  
12               (A) by striking “paragraphs (1) and (2) of  
13               this subsection” and inserting “paragraphs (1),  
14               (2), and (12)” ; and

15               (B) by striking “and including the authori-  
16               ties of paragraphs (4), (6), and (8) of this sub-  
17               section” and inserting “and the authority under  
18               sections 9011 and 9012 and paragraphs (4),  
19               (6), and (8),”.

20              (2) By adding at the end the following:

21               “(12) REMEDIATION OF OXYGENATED FUEL  
22               CONTAMINATION.—

23               “(A) IN GENERAL.—The Administrator  
24               and the States may use funds made available  
25               under section 9014(2)(B) to carry out correc-

1           tive actions with respect to a release of a fuel  
2           containing an oxygenated fuel additive that pre-  
3           sents a threat to human health or welfare or  
4           the environment.

5           “(B) APPLICABLE AUTHORITY.—The Ad-  
6           ministrator or a State shall carry out subparagraph  
7           (A) in accordance with paragraph (2),  
8           and in the case of a State, in accordance with  
9           a cooperative agreement entered into by the Ad-  
10          ministrator and the State under paragraph  
11          (7).”.

12 **SEC. 1526. RELEASE PREVENTION, COMPLIANCE, AND EN-  
13           FORCEMENT.**

14          (a) RELEASE PREVENTION AND COMPLIANCE.—Sub-  
15          title I of the Solid Waste Disposal Act (42 U.S.C. 6991  
16          et seq.) is amended by adding at the end the following:  
17          **“SEC. 9011. USE OF FUNDS FOR RELEASE PREVENTION AND  
18           COMPLIANCE.**

19          “Funds made available under section 9014(2)(D)  
20          from the Trust Fund may be used to conduct inspections,  
21          issue orders, or bring actions under this subtitle—

22           “(1) by a State, in accordance with a grant or  
23           cooperative agreement with the Administrator, of  
24           State regulations pertaining to underground storage  
25           tanks regulated under this subtitle; and

1               “(2) by the Administrator, for tanks regulated  
2 under this subtitle (including under a State program  
3 approved under section 9004).”.

4               (b) GOVERNMENT-OWNED TANKS.—Section 9003 of  
5 the Solid Waste Disposal Act (42 U.S.C. 6991b) is amend-  
6 ed by adding at the end the following:

7               “(i) GOVERNMENT-OWNED TANKS.—

8               “(1) STATE COMPLIANCE REPORT.—(A) Not  
9 later than 2 years after the date of enactment of  
10 this subsection, each State that receives funding  
11 under this subtitle shall submit to the Administrator  
12 a State compliance report that—

13               “(i) lists the location and owner of each  
14 underground storage tank described in subpara-  
15 graph (B) in the State that, as of the date of  
16 submission of the report, is not in compliance  
17 with section 9003; and

18               “(ii) specifies the date of the last inspec-  
19 tion and describes the actions that have been  
20 and will be taken to ensure compliance of the  
21 underground storage tank listed under clause  
22 (i) with this subtitle.

23               “(B) An underground storage tank described in  
24 this subparagraph is an underground storage tank  
25 that is—

1               “(i) regulated under this subtitle; and  
2               “(ii) owned or operated by the Federal,  
3               State, or local government.

4               “(C) The Administrator shall make each report,  
5               received under subparagraph (A), available to the  
6               public through an appropriate media.

7               “(2) FINANCIAL INCENTIVE.—The Adminis-  
8               trator may award to a State that develops a report  
9               described in paragraph (1), in addition to any other  
10               funds that the State is entitled to receive under this  
11               subtitle, not more than \$50,000, to be used to carry  
12               out the report.

13               “(3) NOT A SAFE HARBOR.—This subsection  
14               does not relieve any person from any obligation or  
15               requirement under this subtitle.”.

16               (c) PUBLIC RECORD.—Section 9002 of the Solid  
17               Waste Disposal Act (42 U.S.C. 6991a) is amended by add-  
18               ing at the end the following:

19               “(d) PUBLIC RECORD.—

20               “(1) IN GENERAL.—The Administrator shall re-  
21               quire each State that receives Federal funds to carry  
22               out this subtitle to maintain, update at least annu-  
23               ally, and make available to the public, in such man-  
24               ner and form as the Administrator shall prescribe

1       (after consultation with States), a record of under-  
2       ground storage tanks regulated under this subtitle.

3           “(2) CONSIDERATIONS.—To the maximum ex-  
4       tent practicable, the public record of a State, respec-  
5       tively, shall include, for each year—

6              “(A) the number, sources, and causes of  
7       underground storage tank releases in the State;

8              “(B) the record of compliance by under-  
9       ground storage tanks in the State with—

10                  “(i) this subtitle; or

11                  “(ii) an applicable State program ap-  
12       proved under section 9004; and

13              “(C) data on the number of underground  
14       storage tank equipment failures in the State.”.

15       (d) INCENTIVE FOR PERFORMANCE.—Section 9006  
16       of the Solid Waste Disposal Act (42 U.S.C. 6991e) is  
17       amended by adding at the end the following:

18           “(e) INCENTIVE FOR PERFORMANCE.—Both of the  
19       following may be taken into account in determining the  
20       terms of a civil penalty under subsection (d):

21              “(1) The compliance history of an owner or op-  
22       erator in accordance with this subtitle or a program  
23       approved under section 9004.

24              “(2) Any other factor the Administrator con-  
25       siders appropriate.”.

1       (e) TABLE OF CONTENTS.—The table of contents for  
2 such subtitle I is amended by adding the following new  
3 item at the end thereof:

“Sec. 9011. Use of funds for release prevention and compliance.”.

4 **SEC. 1527. DELIVERY PROHIBITION.**

5       (a) IN GENERAL.—Subtitle I of the Solid Waste Dis-  
6 posal Act (42 U.S.C. 6991 et seq.) is amended by adding  
7 at the end the following:

8 **“SEC. 9012. DELIVERY PROHIBITION.**

9       “(a) REQUIREMENTS.—

10       “(1) PROHIBITION OF DELIVERY OR DE-  
11 POSIT.—Beginning 2 years after the date of enact-  
12 ment of this section, it shall be unlawful to deliver  
13 to, deposit into, or accept a regulated substance into  
14 an underground storage tank at a facility which has  
15 been identified by the Administrator or a State im-  
16 plementing agency to be ineligible for fuel delivery or  
17 deposit.

18       “(2) GUIDANCE.—Within 1 year after the date  
19 of enactment of this section, the Administrator and  
20 States that receive funding under this subtitle shall,  
21 in consultation with the underground storage tank  
22 owner and product delivery industries, for territory  
23 for which they are the primary implementing agen-  
24 cies, publish guidelines detailing the specific proc-  
25 esses and procedures they will use to implement the

1 provisions of this section. The processes and proce-  
2 dures include, at a minimum—

3 “(A) the criteria for determining which un-  
4 derground storage tank facilities are ineligible  
5 for delivery or deposit;

6 “(B) the mechanisms for identifying which  
7 facilities are ineligible for delivery or deposit to  
8 the underground storage tank owning and fuel  
9 delivery industries;

10 “(C) the process for reclassifying ineligible  
11 facilities as eligible for delivery or deposit; and

12 “(D) a delineation of, or a process for de-  
13 termining, the specified geographic areas sub-  
14 ject to paragraph (4).

15 “(3) DELIVERY PROHIBITION NOTICE.—

16 “(A) ROSTER.—The Administrator and  
17 each State implementing agency that receives  
18 funding under this subtitle shall establish with-  
19 in 24 months after the date of enactment of  
20 this section a Delivery Prohibition Roster list-  
21 ing underground storage tanks under the Ad-  
22 ministrator’s or the State’s jurisdiction that are  
23 determined to be ineligible for delivery or de-  
24 posit pursuant to paragraph (2).

1                 “(B) NOTIFICATION.—The Administrator  
2                 and each State, as appropriate, shall make  
3                 readily known, to underground storage tank  
4                 owners and operators and to product delivery  
5                 industries, the underground storage tanks listed  
6                 on a Delivery Prohibition Roster by:

7                         “(i) posting such Rosters, including  
8                         the physical location and street address of  
9                         each listed underground storage tank, on  
10                  official web sites and, if the Administrator  
11                  or the State so chooses, other electronic  
12                  means;

13                         “(ii) updating these Rosters periodi-  
14                  cally; and

15                         “(iii) installing a tamper-proof tag,  
16                         seal, or other device blocking the fill pipes  
17                         of such underground storage tanks to pre-  
18                         vent the delivery of product into such un-  
19                         derground storage tanks.

20                 “(C) ROSTER UPDATES.—The Adminis-  
21                  trator and the State shall update the Delivery  
22                  Prohibition Rosters as appropriate, but not less  
23                  than once a month on the first day of the  
24                  month.

25                 “(D) TAMPERING WITH DEVICE.—

1                     “(i) PROHIBITION.—It shall be unlaw-  
2                     ful for any person, other than an author-  
3                     ized representative of the Administrator or  
4                     a State, as appropriate, to remove, tamper  
5                     with, destroy, or damage a device installed  
6                     by the Administrator or a State, as appro-  
7                     priate, under subparagraph (B)(iii) of this  
8                     subsection.

9                     “(ii) CIVIL PENALTIES.—Any person  
10                  violating clause (i) of this subparagraph  
11                  shall be subject to a civil penalty not to ex-  
12                  ceed \$10,000 for each violation.

13                  “(4) LIMITATION.—

14                  “(A) RURAL AND REMOTE AREAS.—Sub-  
15                  ject to subparagraph (B), the Administrator or  
16                  a State shall not include an underground stor-  
17                  age tank on a Delivery Prohibition Roster  
18                  under paragraph (3) if an urgent threat to pub-  
19                  lic health, as determined by the Administrator,  
20                  does not exist and if such a delivery prohibition  
21                  would jeopardize the availability of, or access  
22                  to, fuel in any rural and remote areas.

23                  “(B) APPLICABILITY OF LIMITATION.—  
24                  The limitation under subparagraph (A) shall  
25                  apply only during the 180-day period following

1           the date of a determination by the Adminis-  
2           trator or the appropriate State that exercising  
3           the authority of paragraph (3) is limited by  
4           subparagraph (A).

5         “(b) EFFECT ON STATE AUTHORITY.—Nothing in  
6    this section shall affect the authority of a State to prohibit  
7    the delivery of a regulated substance to an underground  
8    storage tank.

9         “(c) DEFENSE TO VIOLATION.—A person shall not  
10   be in violation of subsection (a)(1) if the underground  
11   storage tank into which a regulated substance is delivered  
12   is not listed on the Administrator’s or the appropriate  
13   State’s Prohibited Delivery Roster 7 calendar days prior  
14   to the delivery being made.”.

15         (b) ENFORCEMENT.—Section 9006(d)(2) of such Act  
16   (42 U.S.C. 6991e(d)(2)) is amended as follows:

17           (1) By adding the following new subparagraph  
18   after subparagraph (D):

19           “(E) the delivery prohibition requirement estab-  
20   lished by section 9012,”.

21           (2) By adding the following new sentence at the  
22   end thereof: “Any person making or accepting a de-  
23   livery or deposit of a regulated substance to an un-  
24   derground storage tank at an ineligible facility in

1 violation of section 9012 shall also be subject to the  
2 same civil penalty for each day of such violation.”.

3 (c) TABLE OF CONTENTS.—The table of contents for  
4 such subtitle I is amended by adding the following new  
5 item at the end thereof:

“Sec. 9012. Delivery prohibition.”.

6 **SEC. 1528. FEDERAL FACILITIES.**

7 Section 9007 of the Solid Waste Disposal Act (42  
8 U.S.C. 6991f) is amended to read as follows:

9 **“SEC. 9007. FEDERAL FACILITIES.**

10 “(a) IN GENERAL.—Each department, agency, and  
11 instrumentality of the executive, legislative, and judicial  
12 branches of the Federal Government (1) having jurisdic-  
13 tion over any underground storage tank or underground  
14 storage tank system, or (2) engaged in any activity result-  
15 ing, or which may result, in the installation, operation,  
16 management, or closure of any underground storage tank,  
17 release response activities related thereto, or in the deliv-  
18 ery, acceptance, or deposit of any regulated substance to  
19 an underground storage tank or underground storage tank  
20 system shall be subject to, and comply with, all Federal,  
21 State, interstate, and local requirements, both substantive  
22 and procedural (including any requirement for permits or  
23 reporting or any provisions for injunctive relief and such  
24 sanctions as may be imposed by a court to enforce such  
25 relief), respecting underground storage tanks in the same

1 manner, and to the same extent, as any person is subject  
2 to such requirements, including the payment of reasonable  
3 service charges. The Federal, State, interstate, and local  
4 substantive and procedural requirements referred to in  
5 this subsection include, but are not limited to, all adminis-  
6 trative orders and all civil and administrative penalties  
7 and fines, regardless of whether such penalties or fines  
8 are punitive or coercive in nature or are imposed for iso-  
9 lated, intermittent, or continuing violations. The United  
10 States hereby expressly waives any immunity otherwise  
11 applicable to the United States with respect to any such  
12 substantive or procedural requirement (including, but not  
13 limited to, any injunctive relief, administrative order or  
14 civil or administrative penalty or fine referred to in the  
15 preceding sentence, or reasonable service charge). The rea-  
16 sonable service charges referred to in this subsection in-  
17 clude, but are not limited to, fees or charges assessed in  
18 connection with the processing and issuance of permits,  
19 renewal of permits, amendments to permits, review of  
20 plans, studies, and other documents, and inspection and  
21 monitoring of facilities, as well as any other nondiscrim-  
22 inatory charges that are assessed in connection with a  
23 Federal, State, interstate, or local underground storage  
24 tank regulatory program. Neither the United States, nor  
25 any agent, employee, or officer thereof, shall be immune

1 or exempt from any process or sanction of any State or  
2 Federal Court with respect to the enforcement of any such  
3 injunctive relief. No agent, employee, or officer of the  
4 United States shall be personally liable for any civil pen-  
5 alty under any Federal, State, interstate, or local law con-  
6 cerning underground storage tanks with respect to any act  
7 or omission within the scope of the official duties of the  
8 agent, employee, or officer. An agent, employee, or officer  
9 of the United States shall be subject to any criminal sanc-  
10 tion (including, but not limited to, any fine or imprison-  
11 ment) under any Federal or State law concerning under-  
12 ground storage tanks, but no department, agency, or in-  
13 strumentality of the executive, legislative, or judicial  
14 branch of the Federal Government shall be subject to any  
15 such sanction. The President may exempt any under-  
16 ground storage tank of any department, agency, or instru-  
17 mentality in the executive branch from compliance with  
18 such a requirement if he determines it to be in the para-  
19 mount interest of the United States to do so. No such  
20 exemption shall be granted due to lack of appropriation  
21 unless the President shall have specifically requested such  
22 appropriation as a part of the budgetary process and the  
23 Congress shall have failed to make available such re-  
24 quested appropriation. Any exemption shall be for a period  
25 not in excess of one year, but additional exemptions may

1 be granted for periods not to exceed one year upon the  
2 President's making a new determination. The President  
3 shall report each January to the Congress all exemptions  
4 from the requirements of this section granted during the  
5 preceding calendar year, together with his reason for  
6 granting each such exemption.

7       “(b) REVIEW OF AND REPORT ON FEDERAL UNDERR-  
8 GROUND STORAGE TANKS.—

9           “(1) REVIEW.—Not later than 12 months after  
10          the date of enactment of the Underground Storage  
11          Tank Compliance Act of 2004, each Federal agency  
12          that owns or operates 1 or more underground stor-  
13          age tanks, or that manages land on which 1 or more  
14          underground storage tanks are located, shall submit  
15          to the Administrator, the Committee on Energy and  
16          Commerce of the United States House of Represent-  
17          atives, and the Committee on the Environment and  
18          Public Works of the United States Senate a compli-  
19          ance strategy report that—

20           “(A) lists the location and owner of each  
21          underground storage tank described in this  
22          paragraph;

23           “(B) lists all tanks that are not in compli-  
24          ance with this subtitle that are owned or oper-  
25          ated by the Federal agency;

1               “(C) specifies the date of the last inspec-  
2               tion by a State or Federal inspector of each un-  
3               derground storage tank owned or operated by  
4               the agency;

5               “(D) lists each violation of this subtitle re-  
6               specting any underground storage tank owned  
7               or operated by the agency;

8               “(E) describes the operator training that  
9               has been provided to the operator and other  
10               persons having primary daily on-site manage-  
11               ment responsibility for the operation and main-  
12               tenance of underground storage tanks owned or  
13               operated by the agency; and

14               “(F) describes the actions that have been  
15               and will be taken to ensure compliance for each  
16               underground storage tank identified under sub-  
17               paragraph (B).

18               “(2) NOT A SAFE HARBOR.—This subsection  
19               does not relieve any person from any obligation or  
20               requirement under this subtitle.”.

21 **SEC. 1529. TANKS ON TRIBAL LANDS.**

22               (a) IN GENERAL.—Subtitle I of the Solid Waste Dis-  
23               posal Act (42 U.S.C. 6991 et seq.) is amended by adding  
24               the following at the end thereof:

1   **“SEC. 9013. TANKS ON TRIBAL LANDS.**

2       “(a) STRATEGY.—The Administrator, in coordination  
3     with Indian tribes, shall, not later than 1 year after the  
4     date of enactment of this section, develop and implement  
5     a strategy—

6           “(1) giving priority to releases that present the  
7     greatest threat to human health or the environment,  
8     to take necessary corrective action in response to re-  
9     leases from leaking underground storage tanks lo-  
10    cated wholly within the boundaries of—

11           “(A) an Indian reservation; or  
12           “(B) any other area under the jurisdiction  
13     of an Indian tribe; and

14           “(2) to implement and enforce requirements  
15     concerning underground storage tanks located wholly  
16    within the boundaries of—

17           “(A) an Indian reservation; or  
18           “(B) any other area under the jurisdiction  
19     of an Indian tribe.

20       “(b) REPORT.—Not later than 2 years after the date  
21     of enactment of this section, the Administrator shall sub-  
22    mit to Congress a report that summarizes the status of  
23     implementation and enforcement of this subtitle in areas  
24    located wholly within—

25           “(1) the boundaries of Indian reservations; and

1               “(2) any other areas under the jurisdiction of  
2               an Indian tribe.

3     The Administrator shall make the report under this sub-  
4     section available to the public.

5               “(c) NOT A SAFE HARBOR.—This section does not  
6     relieve any person from any obligation or requirement  
7     under this subtitle.

8               “(d) STATE AUTHORITY.—Nothing in this section  
9     applies to any underground storage tank that is located  
10    in an area under the jurisdiction of a State, or that is  
11    subject to regulation by a State, as of the date of enact-  
12    ment of this section.”.

13              (b) TABLE OF CONTENTS.—The table of contents for  
14    such subtitle I is amended by adding the following new  
15    item at the end thereof:

“See. 9013. Tanks on Tribal lands.”.

**16 SEC. 1530. FUTURE RELEASE CONTAINMENT TECHNOLOGY.**

17     Not later than 2 years after the date of enactment  
18    of this Act, the Administrator of the Environmental Pro-  
19    tection Agency, after consultation with States, shall make  
20    available to the public and to the Committee on Energy  
21    and Commerce of the House of Representatives and the  
22    Committee on Environment and Public Works of the Sen-  
23    ate information on the effectiveness of alternative possible  
24    methods and means for containing releases from under-  
25    ground storage tanks systems.

1   **SEC. 1531. AUTHORIZATION OF APPROPRIATIONS.**

2       (a) IN GENERAL.—Subtitle I of the Solid Waste Dis-  
3 posal Act (42 U.S.C. 6991 et seq.) is amended by adding  
4 at the end the following:

5   **“SEC. 9014. AUTHORIZATION OF APPROPRIATIONS.**

6       “There are authorized to be appropriated to the Ad-  
7 ministrator the following amounts:

8           “(1) To carry out subtitle I (except sections  
9           9003(h), 9005(c), 9011 and 9012) \$50,000,000 for  
10          each of fiscal years 2004 through 2008.

11           “(2) From the Trust Fund, notwithstanding  
12          section 9508(c)(1) of the Internal Revenue Code of  
13          1986:

14              “(A) to carry out section 9003(h) (except  
15              section 9003(h)(12)) \$200,000,000 for each of  
16          fiscal years 2004 through 2008;

17              “(B) to carry out section 9003(h)(12),  
18              \$200,000,000 for each of fiscal years 2004  
19          through 2008;

20              “(C) to carry out sections 9004(f) and  
21              9005(c) \$100,000,000 for each of fiscal years  
22          2004 through 2008; and

23              “(D) to carry out sections 9011 and 9012  
24              \$55,000,000 for each of fiscal years 2004  
25          through 2008.”.

1       (b) TABLE OF CONTENTS.—The table of contents for  
2 such subtitle I is amended by adding the following new  
3 item at the end thereof:

“Sec. 9014. Authorization of appropriations.”.

4 **SEC. 1532. CONFORMING AMENDMENTS.**

5       (a) IN GENERAL.—Section 9001 of the Solid Waste  
6 Disposal Act (42 U.S.C. 6991) is amended as follows:

7               (1) By striking “For the purposes of this sub-  
8 title—” and inserting “In this subtitle:”.

9               (2) By redesignating paragraphs (1), (2), (3),  
10              (4), (5), (6), (7), and (8) as paragraphs (10), (7),  
11              (4), (3), (8), (5), (2), and (6), respectively.

12              (3) By inserting before paragraph (2) (as redes-  
13 ignated by paragraph (2) of this subsection) the fol-  
14 lowing:

15              “(1) INDIAN TRIBE.—

16               “(A) IN GENERAL.—The term ‘Indian  
17 tribe’ means any Indian tribe, band, nation, or  
18 other organized group or community that is rec-  
19 ognized as being eligible for special programs  
20 and services provided by the United States to  
21 Indians because of their status as Indians.

22               “(B) INCLUSIONS.—The term ‘Indian  
23 tribe’ includes an Alaska Native village, as de-  
24 fined in or established under the Alaska Native

1           Claims Settlement Act (43 U.S.C. 1601 et  
2           seq.); and”.

3           (4) By inserting after paragraph (8) (as redes-  
4           gnated by paragraph (2) of this subsection) the fol-  
5           lowing:

6           “(9) TRUST FUND.—The term ‘Trust Fund’  
7           means the Leaking Underground Storage Tank  
8           Trust Fund established by section 9508 of the Inter-  
9           nal Revenue Code of 1986.”.

10          (b) CONFORMING AMENDMENTS.—The Solid Waste  
11         Disposal Act (42 U.S.C. 6901 and following) is amended  
12         as follows:

13           (1) Section 9003(f) (42 U.S.C. 6991b(f)) is  
14         amended—

15           (A) in paragraph (1), by striking  
16           “9001(2)(B)” and inserting “9001(7)(B)”; and

17           (B) in paragraphs (2) and (3), by striking  
18           “9001(2)(A)” each place it appears and insert-  
19           ing “9001(7)(A)”.

20           (2) Section 9003(h) (42 U.S.C. 6991b(h)) is  
21         amended in paragraphs (1), (2)(C), (7)(A), and (11)  
22         by striking “Leaking Underground Storage Tank  
23         Trust Fund” each place it appears and inserting  
24         “Trust Fund”.

## 8 SEC. 1533. TECHNICAL AMENDMENTS.

9 The Solid Waste Disposal Act is amended as follows:

10                   (1) Section 9001(4)(A) (42 U.S.C. 6991(4)(A))  
11       is amended by striking “sustances” and inserting  
12       “substances”.

(A) in subsection (a), by striking “study taking” and inserting “study, taking”;

## 6 TITLE XVI—STUDIES

7 SEC. 1601. STUDY ON INVENTORY OF PETROLEUM AND  
8 NATURAL GAS STORAGE.

9           (a) DEFINITION.—For purposes of this section “pe-  
10 troleum” means crude oil, motor gasoline, jet fuel, dis-  
11 tillates, and propane.

12 (b) STUDY.—The Secretary of Energy shall conduct  
13 a study on petroleum and natural gas storage capacity and  
14 operational inventory levels, nationwide and by major geo-  
15 graphical regions.

16 (c) CONTENTS.—The study shall address—

17                   (1) historical normal ranges for petroleum and  
18                   natural gas inventory levels;

1                   (4) explanations for inventory levels dropping  
2                   below normal ranges; and

3                   (5) the ability of industry to meet United  
4                   States demand for petroleum and natural gas with-  
5                   out shortages or price spikes, when inventory levels  
6                   are below normal ranges.

7                   (d) REPORT TO CONGRESS.—Not later than 1 year  
8                   after the date of enactment of this Act, the Secretary of  
9                   Energy shall submit a report to Congress on the results  
10                  of the study, including findings and any recommendations  
11                  for preventing future supply shortages.

12 **SEC. 1602. NATURAL GAS SUPPLY SHORTAGE REPORT.**

13                  (a) REPORT.—Not later than 6 months after the date  
14                  of enactment of this Act, the Secretary of Energy shall  
15                  submit to Congress a report on natural gas supplies and  
16                  demand. In preparing the report, the Secretary shall con-  
17                  sult with experts in natural gas supply and demand as  
18                  well as representatives of State and local units of govern-  
19                  ment, tribal organizations, and consumer and other orga-  
20                  nizations. As the Secretary deems advisable, the Secretary  
21                  may hold public hearings and provide other opportunities  
22                  for public comment. The report shall contain recomenda-  
23                  tions for Federal actions that, if implemented, will result  
24                  in a balance between natural gas supply and demand at  
25                  a level that will ensure, to the maximum extent prac-

1 ticable, achievement of the objectives established in sub-  
2 section (b).

3 (b) OBJECTIVES OF REPORT.—In preparing the re-  
4 port, the Secretary shall seek to develop a series of rec-  
5 ommendations that will result in a balance between nat-  
6 ural gas supply and demand adequate to—

7 (1) provide residential consumers with natural  
8 gas at reasonable and stable prices;

9 (2) accommodate long-term maintenance and  
10 growth of domestic natural gas-dependent industrial,  
11 manufacturing, and commercial enterprises;

12 (3) facilitate the attainment of national ambient  
13 air quality standards under the Clean Air Act;

14 (4) permit continued progress in reducing emis-  
15 sions associated with electric power generation; and

16 (5) support development of the preliminary  
17 phases of hydrogen-based energy technologies.

18 (c) CONTENTS OF REPORT.—The report shall provide  
19 a comprehensive analysis of natural gas supply and de-  
20 mand in the United States for the period from 2004 to  
21 2015. The analysis shall include, at a minimum—

22 (1) estimates of annual domestic demand for  
23 natural gas that take into account the effect of Fed-  
24 eral policies and actions that are likely to increase  
25 and decrease demand for natural gas;

- 1                         (2) projections of annual natural gas supplies,  
2                         from domestic and foreign sources, under existing  
3                         Federal policies;
- 4                         (3) an identification of estimated natural gas  
5                         supplies that are not available under existing Fed-  
6                         eral policies;
- 7                         (4) scenarios for decreasing natural gas demand  
8                         and increasing natural gas supplies comparing rel-  
9                         ative economic and environmental impacts of Fed-  
10                         eral policies that—
- 11                         (A) encourage or require the use of natural  
12                         gas to meet air quality, carbon dioxide emission  
13                         reduction, or energy security goals;
- 14                         (B) encourage or require the use of energy  
15                         sources other than natural gas, including coal,  
16                         nuclear, and renewable sources;
- 17                         (C) support technologies to develop alter-  
18                         native sources of natural gas and synthetic gas,  
19                         including coal gasification technologies;
- 20                         (D) encourage or require the use of energy  
21                         conservation and demand side management  
22                         practices; and
- 23                         (E) affect access to domestic natural gas  
24                         supplies; and

- 1                         (5) recommendations for Federal actions to  
2                         achieve the objectives of the report, including rec-  
3                         ommendations that—  
4                             (A) encourage or require the use of energy  
5                         sources other than natural gas, including coal,  
6                         nuclear, and renewable sources;  
7                             (B) encourage or require the use of energy  
8                         conservation or demand side management prac-  
9                         tices;  
10                         (C) support technologies for the develop-  
11                         ment of alternative sources of natural gas and  
12                         synthetic gas, including coal gasification tech-  
13                         nologies; and  
14                         (D) will improve access to domestic natural  
15                         gas supplies.

16 **SEC. 1603. SPLIT-ESTATE FEDERAL OIL AND GAS LEASING**  
17 **AND DEVELOPMENT PRACTICES.**

- 18                         (a) REVIEW.—In consultation with affected private  
19                         surface owners, oil and gas industry, and other interested  
20                         parties, the Secretary of the Interior shall undertake a re-  
21                         view of the current policies and practices with respect to  
22                         management of Federal subsurface oil and gas develop-  
23                         ment activities and their effects on the privately owned  
24                         surface. This review shall include—

1                             (1) a comparison of the rights and responsibilities under existing mineral and land law for the owner of a Federal mineral lease, the private surface owners and the Department;

5                             (2) a comparison of the surface owner consent provisions in section 714 of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1304) concerning surface mining of Federal coal deposits and the surface owner consent provisions for oil and gas development, including coalbed methane production; and

12                             (3) recommendations for administrative or legislative action necessary to facilitate reasonable access for Federal oil and gas activities while addressing surface owner concerns and minimizing impacts to private surface.

17                             (b) REPORT.—The Secretary of the Interior shall report the results of such review to Congress not later than 180 days after the date of enactment of this Act.

20 **SEC. 1604. RESOLUTION OF FEDERAL RESOURCE DEVELOPMENT CONFLICTS IN THE POWDER RIVER BASIN.**

23                             The Secretary of the Interior shall—

24                             (1) undertake a review of existing authorities to resolve conflicts between the development of Federal

1       coal and the development of Federal and non-Fed-  
2       eral coalbed methane in the Powder River Basin in  
3       Wyoming and Montana; and

4               (2) not later than 6 months after the date of  
5       enactment of this Act, report to Congress on alter-  
6       natives to resolve these conflicts and identification of  
7       a preferred alternative with specific legislative lan-  
8       guage, if any, required to implement the preferred  
9       alternative.

10 **SEC. 1605. STUDY OF ENERGY EFFICIENCY STANDARDS.**

11       The Secretary of Energy shall contract with the Na-  
12       tional Academy of Sciences for a study, to be completed  
13       within 1 year after the date of enactment of this Act, to  
14       examine whether the goals of energy efficiency standards  
15       are best served by measurement of energy consumed, and  
16       efficiency improvements, at the actual site of energy con-  
17       sumption, or through the full fuel cycle, beginning at the  
18       source of energy production. The Secretary shall submit  
19       the report to Congress.

20 **SEC. 1606. TELECOMMUTING STUDY.**

21               (a) STUDY REQUIRED.—The Secretary, in consulta-  
22       tion with the Commission, the Director of the Office of  
23       Personnel Management, the Administrator of General  
24       Services, and the Administrator of NTIA, shall conduct  
25       a study of the energy conservation implications of the

1 widespread adoption of telecommuting by Federal employ-  
2 ees in the United States.

3 (b) REQUIRED SUBJECTS OF STUDY.—The study re-  
4 quired by subsection (a) shall analyze the following sub-  
5 jects in relation to the energy saving potential of telecom-  
6 muting by Federal employees:

7 (1) Reductions of energy use and energy costs  
8 in commuting and regular office heating, cooling,  
9 and other operations.

10 (2) Other energy reductions accomplished by  
11 telecommuting.

12 (3) Existing regulatory barriers that hamper  
13 telecommuting, including barriers to broadband tele-  
14 communications services deployment.

15 (4) Collateral benefits to the environment, fam-  
16 ily life, and other values.

17 (c) REPORT REQUIRED.—The Secretary shall submit  
18 to the President and Congress a report on the study re-  
19 quired by this section not later than 6 months after the  
20 date of enactment of this Act. Such report shall include  
21 a description of the results of the analysis of each of the  
22 subject described in subsection (b).

23 (d) DEFINITIONS.—As used in this section:

24 (1) SECRETARY.—The term “Secretary” means  
25 the Secretary of Energy.

1                             (2) COMMISSION.—The term “Commission”  
2 means the Federal Communications Commission.

3                             (3) NTIA.—The term “NTIA” means the Na-  
4 tional Telecommunications and Information Admin-  
5 istration of the Department of Commerce.

6                             (4) TELECOMMUTING.—The term “telecom-  
7 muting” means the performance of work functions  
8 using communications technologies, thereby elimi-  
9 nating or substantially reducing the need to com-  
10 mute to and from traditional worksites.

11                             (5) FEDERAL EMPLOYEE.—The term “Federal  
12 employee” has the meaning provided the term “em-  
13 ployee” by section 2105 of title 5, United States  
14 Code.

15 **SEC. 1607. LIHEAP REPORT.**

16                             Not later than 1 year after the date of enactment  
17 of this Act, the Secretary of Health and Human Services  
18 shall transmit to Congress a report on how the Low-In-  
19 come Home Energy Assistance Program could be used  
20 more effectively to prevent loss of life from extreme tem-  
21 peratures. In preparing such report, the Secretary shall  
22 consult with appropriate officials in all 50 States and the  
23 District of Columbia.

1   **SEC. 1608. OIL BYPASS FILTRATION TECHNOLOGY.**

2       The Secretary of Energy and the Administrator of  
3     the Environmental Protection Agency shall—

4           (1) conduct a joint study of the benefits of oil  
5     bypass filtration technology in reducing demand for  
6     oil and protecting the environment;

7           (2) examine the feasibility of using oil bypass  
8     filtration technology in Federal motor vehicle fleets;  
9     and

10          (3) include in such study, prior to any deter-  
11     mination of the feasibility of using oil bypass filtra-  
12     tion technology, the evaluation of products and var-  
13     ious manufacturers.

14   **SEC. 1609. TOTAL INTEGRATED THERMAL SYSTEMS.**

15       The Secretary of Energy shall—

16           (1) conduct a study of the benefits of total inte-  
17     grated thermal systems in reducing demand for oil  
18     and protecting the environment; and

19           (2) examine the feasibility of using total inte-  
20     grated thermal systems in Department of Defense  
21     and other Federal motor vehicle fleets.

22   **SEC. 1610. UNIVERSITY COLLABORATION.**

23       Not later than 2 years after the date of enactment  
24     of this Act, the Secretary of Energy shall transmit to Con-  
25     gress a report that examines the feasibility of promoting  
26     collaborations between large institutions of higher edu-

1 cation and small institutions of higher education through  
2 grants, contracts, and cooperative agreements made by the  
3 Secretary for energy projects. The Secretary shall also  
4 consider providing incentives for the inclusion of small in-  
5 stitutions of higher education, including minority-serving  
6 institutions, in energy research grants, contracts, and co-  
7 operative agreements.

8 **SEC. 1611. RELIABILITY AND CONSUMER PROTECTION AS-**

9 **SESSMENT.**

10 Not later than 5 years after the date of enactment  
11 of this Act, and each 5 years thereafter, the Federal En-  
12 ergy Regulatory Commission shall assess the effects of the  
13 exemption of electric cooperatives and government-owned  
14 utilities from Commission regulation under section 201(f)  
15 of the Federal Power Act. The assessment shall include  
16 any effects on—

17 (1) reliability of interstate electric transmission  
18 networks;

19 (2) benefit to consumers, and efficiency, of  
20 competitive wholesale electricity markets;

21 (3) just and reasonable rates for electricity con-  
22 sumers; and

23 (4) the ability of the Commission to protect  
24 electricity consumers.

1 If the Commission finds that the 201(f) exemption results  
2 in adverse effects on consumers or electric reliability, the  
3 Commission shall make appropriate recommendations to  
4 Congress pursuant to section 311 of the Federal Power  
5 Act.

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