

110TH CONGRESS
1ST SESSION

H. R. 1945

To improve the energy efficiency of the United States.

IN THE HOUSE OF REPRESENTATIVES

APRIL 19, 2007

Mr. SHAYS (for himself and Mr. HINCHEY) introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Ways and Means, Natural Resources, Transportation and Infrastructure, and Science and Technology, 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

A BILL

To improve the energy efficiency of the United States.

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 For Our Future Act”.

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

Sec. 1. Short title; table of contents.

TITLE I—SAVE OIL

Sec. 101. Help consumers buy more fuel efficient cars.

- Sec. 102. Energy efficient motor vehicles manufacturing credit.
- Sec. 103. Transit-oriented development corridors.
- Sec. 104. Automobile Fuel Economy Standards.
- Sec. 105. Inclusion of sports utility vehicles in limitation on depreciation of certain luxury automobiles.
- Sec. 106. Fuel efficiency standards for replacement tires.
- Sec. 107. Heavy duty vehicle fuel economy requirements.

TITLE II—REDUCE HEAT AND ELECTRIC BILLS

Subtitle A—General Programs

- Sec. 201. Weatherization assistance.
- Sec. 202. Energy Star programs.
- Sec. 203. Renewable electricity production credit.
- Sec. 204. Efficiency resource standard.
- Sec. 205. Federal renewable portfolio standard.
- Sec. 206. Net metering.

Subtitle B—Energy Efficiency Incentive

- Sec. 211. Performance based energy improvements for non-business property.
- Sec. 212. Extension and modification of credit for nonbusiness energy property.
- Sec. 213. Extension and clarification of new energy efficient home credit.
- Sec. 214. Extension and modification of deduction for energy efficient commercial buildings.
- Sec. 215. Deduction for energy efficient low-rise buildings.
- Sec. 216. Energy efficient property deduction.
- Sec. 217. Credit for energy savings certifications.

TITLE III—SAVE TAX PAYERS MONEY

- Sec. 301. Repeal of certain provisions of the Energy Policy Act of 2005.
- Sec. 302. Repeal of certain tax provisions of the Energy Policy Act of 2005.

TITLE IV—STATE AND LOCAL AUTHORITY

- Sec. 401. State consumer product energy efficiency standards.
- Sec. 402. Appeals from consistency determinations under Coastal Zone Management Act of 1972.
- Sec. 403. Siting of interstate electric transmission facilities.
- Sec. 404. New natural gas storage facilities.
- Sec. 405. Process coordination; hearings; rules of procedure.
- Sec. 406. Repeal of preemption of State law relating to automobile fuel economy standards.

TITLE V—RENEWABLE ENERGY RESEARCH AND DEVELOPMENT

- Sec. 501. Advanced biofuel technologies.
- Sec. 502. Advanced hydrogen storage technologies.
- Sec. 503. Advanced solar photovoltaic technologies.
- Sec. 504. Advanced wind energy technologies.
- Sec. 505. Continuing programs.
- Sec. 506. Plug-in hybrid electric vehicle technology program.
- Sec. 507. Photovoltaic demonstration program.

TITLE I—SAVE OIL**SEC. 101. HELP CONSUMERS BUY MORE FUEL EFFICIENT
CARS.**

(a) REPEAL OF LIMIT ON NUMBER OF CARS ELIGIBLE FOR CREDIT.—Section 30B of the Internal Revenue Code of 1986 (relating to alternative motor vehicle credit) is amended by striking subsection (f).

(b) EMISSIONS STANDARDS.—Clause (iv) of section 30B(c)(3)(A) of such Code is amended to read as follows:

“(iv) for 2004 and later model vehicles, has received a certificate that such vehicle meets or exceeds the Bin 5 Tier II emission standard established in regulations prescribed by the Administrator of the Environmental Protection Agency under section 202(i) of the Clean Air Act for that make and model year vehicle,”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 1341(a) of the Energy Tax Incentives Act of 2005.

SEC. 102. ENERGY EFFICIENT MOTOR VEHICLES MANUFACTURING CREDIT.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to foreign tax credit, etc.) is amended by
2 adding at the end the following new section:

3 **“SEC. 30D. ENERGY EFFICIENT MOTOR VEHICLES MANU-
4 FACTURING CREDIT.**

5 “(a) CREDIT ALLOWED.—In the case of an eligible
6 taxpayer, subject to a credit allocation under subsection
7 (e) to such eligible taxpayer, there shall be allowed as a
8 credit against the tax imposed by this chapter for the tax-
9 able year to an amount equal to the sum of—

10 “(1) the initial investment credit determined
11 under subsection (b) for the taxable year,

12 “(2) the fuel economy achievement credit deter-
13 mined under subsection (c) for such taxable year,
14 and

15 “(3) the eligible components R&D credit deter-
16 mined under subsection (d) for such taxable year.

17 “(b) INITIAL INVESTMENT CREDIT.—For purposes
18 of this section, the initial investment credit is equal to 20
19 percent of the qualified investment of an eligible taxpayer
20 with respect to energy efficient motor vehicles during the
21 taxable year beginning in 2008.

22 “(c) FUEL ECONOMY ACHIEVEMENT CREDIT.—For
23 purposes of this section—

24 “(1) IN GENERAL.—In the case of an eligible
25 taxpayer who meets the requirements of paragraph

1 (2) for a model year ending in a taxable year speci-
2 fied in the table contained in paragraph (3), the fuel
3 economy achievement credit for such taxable year is
4 equal to 30 percent of the sum of—

5 “(A) at the election of the eligible tax-
6 payer, such qualified investment for any pre-
7 ceding taxable year beginning after 2007 if
8 such taxable year has not previously been taken
9 into account under this subsection by such tax-
10 payer, plus

11 “(B) at the election of the eligible tax-
12 payer, the qualified investment with respect to
13 energy efficient motor vehicles of the eligible
14 taxpayer for the taxable year beginning in
15 2017.

16 “(2) DEMONSTRATED COMBINED FLEET ECON-
17 OMY IMPROVEMENTS.—The requirements of this
18 paragraph are met for any model year ending in a
19 taxable year if the eligible taxpayer can demonstrate
20 to the satisfaction of the Secretary that the percent-
21 age by which the taxpayer’s overall combined fuel
22 economy standard for the taxpayer’s vehicle fleet for
23 such model year exceeds such standard for such tax-
24 payer’s 2007 model year as reported to the National
25 Highway Traffic Safety Administration under sec-

1 tion 32907 of title 49, United States Code, is not
 2 less than the percentage determined for such model
 3 year under paragraph (3).

4 “(3) PERCENTAGE INCREASE.—The percentage
 5 determined under this paragraph for any taxable
 6 year is equal to—

“Model year ending in taxable year	Percentage increase
2010	5
2011	10
2012	15
2013	20
2014	27.5
2015	35
2016	42.5
2017	50.

7 “(d) ELIGIBLE COMPONENTS R&D CREDIT.—For
 8 purposes of this section, the eligible R&D credit for any
 9 taxable year is equal to 30 percent of the research and
 10 development costs paid or incurred by an eligible taxpayer
 11 for such taxable year with respect to eligible components
 12 used or to be used in the manufacture of energy efficient
 13 motor vehicles.

14 “(e) LIMITATION.—

15 “(1) INITIAL INVESTMENT CREDIT AND FUEL
 16 ECONOMY ACHIEVEMENT CREDIT.—Subject to para-
 17 graph (2), the aggregate amount of initial invest-
 18 ment credits and fuel economy achievement credits
 19 allowed under subsection (a) for any taxable year be-
 20 ginning in a calendar year after 2007 shall be allo-

1 cated by the Secretary among all eligible tax-
2 payers—

3 “(A) based on each eligible taxpayer’s per-
4 centage of the total qualified investment of all
5 such taxpayers, and

6 “(B) such that such aggregate amount
7 does not exceed—

8 “(i) \$1,000,000,000, plus

9 “(ii) any amount of credit unallocated
10 during any preceding calendar year.

11 “(2) ELIGIBLE COMPONENTS R&D CREDIT.—Of
12 the dollar amount available for allocation under
13 paragraph (1) for any taxable year, 10 percent of
14 such amount shall be allocated in the same manner
15 by the Secretary among all eligible taxpayers with
16 respect to the eligible components R&D credit.

17 “(f) QUALIFIED INVESTMENT.—For purposes of this
18 section—

19 “(1) IN GENERAL.—The qualified investment
20 for any taxable year is equal to the incremental costs
21 incurred during such taxable year—

22 “(A) to re-equip or expand any manufac-
23 turing facility of the eligible taxpayer to
24 produce energy efficient motor vehicles or to
25 produce eligible components, and

1 “(B) for engineering integration of such
2 vehicles and components as described in sub-
3 section (h).

4 “(2) CONTRIBUTION RULES.—In the event a fa-
5 cility of the eligible taxpayer produces both energy
6 efficient motor vehicles and conventional motor vehi-
7 cles, or eligible and non-eligible components, only the
8 qualified investment attributable to production of en-
9 ergy efficient motor vehicles and the research and
10 development costs attributable to eligible components
11 shall be taken into account.

12 “(g) ENERGY EFFICIENT MOTOR VEHICLES AND EL-
13 IGIBLE COMPONENTS.—For purposes of this section—

14 “(1) ENERGY EFFICIENT MOTOR VEHICLE.—
15 The term ‘energy efficient motor vehicle’ means—

16 “(A) any new advanced lean burn tech-
17 nology motor vehicle (as defined in section
18 30B(c)(3) determined without regard to sub-
19 paragraph (A)(iv)(II) thereof or the weight lim-
20 itation under subparagraph (A)(iv)(I) thereof),

21 “(B) any new qualified hybrid motor vehi-
22 cle (as defined in section 30B(d)(3)(A) deter-
23 mined without regard to subparagraph
24 (A)(ii)(II) thereof, the weight limitation under

1 subparagraph (A)(ii)(I) thereof, and subpara-
2 graph (A)(iv) thereof), or

3 “(C) any other new technology motor vehi-
4 cle identified by the Secretary as offering a sub-
5 stantial increase in fuel economy.

6 “(2) ELIGIBLE COMPONENTS.—The term ‘eligi-
7 ble component’ means any component inherent to
8 any energy efficient motor vehicle, including—

9 “(A) with respect to any gasoline-electric
10 new qualified hybrid motor vehicle—

11 “(i) electric motor or generator,

12 “(ii) power split device,

13 “(iii) power control unit,

14 “(iv) power controls,

15 “(v) integrated starter generator, or

16 “(vi) battery,

17 “(B) with respect to any new advanced
18 lean burn technology motor vehicle—

19 “(i) diesel engine,

20 “(ii) turbocharger,

21 “(iii) fuel injection system, or

22 “(iv) after-treatment system, such as
23 a particle filter or NOx absorber, and

1 “(C) with respect to any energy efficient
2 motor vehicle, any other component approved
3 by the Secretary.

4 “(h) ENGINEERING INTEGRATION COSTS.—For pur-
5 poses of subsection (f)(1)(B), costs for engineering inte-
6 gration are costs incurred prior to the market introduction
7 of energy efficient vehicles for engineering tasks related
8 to—

9 “(1) incorporating eligible components into the
10 design of energy efficient motor vehicles, and

11 “(2) designing new tooling and equipment for
12 production facilities which produce eligible compo-
13 nents or energy efficient motor vehicles.

14 “(i) ELIGIBLE TAXPAYER.—For purposes of this sec-
15 tion, the term ‘eligible taxpayer’ means, with respect to
16 any taxable year, any taxpayer if more than 25 percent
17 of the taxpayer’s gross receipts for the taxable year is de-
18 rived from the manufacture of motor vehicles or any com-
19 ponent parts of such vehicles.

20 “(j) LIMITATION BASED ON AMOUNT OF TAX.—The
21 credit allowed under subsection (a) for the taxable year
22 shall not exceed the excess of—

23 “(1) the sum of—

24 “(A) the regular tax liability (as defined in
25 section 26(b)) for such taxable year, plus

1 “(B) the tax imposed by section 55 for
2 such taxable year, over

3 “(2) the sum of the credits allowable under sub-
4 part A and sections 27, 30, 30B, and 30C for the
5 taxable year.

6 “(k) REDUCTION IN BASIS.—For purposes of this
7 subtitle, if a credit is allowed under this section for any
8 expenditure with respect to any property, the increase in
9 the basis of such property which would (but for this para-
10 graph) result from such expenditure shall be reduced by
11 the amount of the credit so allowed.

12 “(l) NO DOUBLE BENEFIT.—

13 “(1) COORDINATION WITH OTHER DEDUCTIONS
14 AND CREDITS.—The amount of any deduction or
15 other credit allowable under this chapter for any
16 cost taken into account in determining the amount
17 of the credit under subsection (a) shall be reduced
18 by the amount of such credit attributable to such
19 cost.

20 “(2) RESEARCH AND DEVELOPMENT COSTS.—

21 “(A) IN GENERAL.—Except as provided in
22 subparagraph (B), any amount described in
23 subsection (d) taken into account in deter-
24 mining the amount of the credit under sub-
25 section (a) for any taxable year shall not be

1 taken into account for purposes of determining
2 the credit under section 41 for such taxable
3 year.

4 “(B) COSTS TAKEN INTO ACCOUNT IN DE-
5 TERMINING BASE PERIOD RESEARCH EX-
6 PENSES.—Any amounts described in subsection
7 (d) taken into account in determining the
8 amount of the credit under subsection (a) for
9 any taxable year which are qualified research
10 expenses (within the meaning of section 41(b))
11 shall be taken into account in determining base
12 period research expenses for purposes of apply-
13 ing section 41 to subsequent taxable years.

14 “(m) BUSINESS CARRYOVERS ALLOWED.—If the
15 credit allowable under subsection (a) for a taxable year
16 exceeds the limitation under subsection (j) for such tax-
17 able year, such excess (to the extent of the credit allowable
18 with respect to property subject to the allowance for depre-
19 ciation) shall be allowed as a credit carryback and
20 carryforward under rules similar to the rules of section
21 39.

22 “(n) DEFINITIONS AND SPECIAL RULES.—For pur-
23 poses of this section—

24 “(1) DEFINITIONS.—Any term which is used in
25 this section and in chapter 329 of title 49, United

1 States Code, shall have the meaning given such term
2 by such chapter.

3 “(2) SPECIAL RULES.—Rules similar to the
4 rules of paragraphs (4) and (5) of section 179A(e)
5 and paragraphs (1) and (2) of section 41(f) shall
6 apply.

7 “(o) ELECTION NOT TO TAKE CREDIT.—No credit
8 shall be allowed under subsection (a) for any property if
9 the taxpayer elects not to have this section apply to such
10 property.

11 “(p) REGULATIONS.—The Secretary shall prescribe
12 such regulations as necessary to carry out the provisions
13 of this section.

14 “(q) TERMINATION.—This section shall not apply to
15 any qualified investment made after December 31, 2017.”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) Section 1016(a) of such Code is amended
18 by striking “and” at the end of paragraph (36), by
19 striking the period at the end of paragraph (37) and
20 inserting “, and”, and by adding at the end the fol-
21 lowing new paragraph:

22 “(38) to the extent provided in section
23 30D(k).”.

24 (2) Section 6501(m) of such Code is amended
25 by inserting “30D(o),” after “30C(e)(5),”.

1 (3) The table of sections for subpart B of part
2 IV of subchapter A of chapter 1 of such Code is
3 amended by inserting after the item relating to sec-
4 tion 30C the following new item:

“Sec. 30D. Energy efficient motor vehicles manufacturing credit.”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this subsection shall apply to amounts incurred in taxable
7 years beginning after December 31, 2007.

8 **SEC. 103. TRANSIT-ORIENTED DEVELOPMENT CORRIDORS.**

9 (a) DEFINITIONS.—In this section, the following defi-
10 nitions apply:

11 (1) DEFINITIONS FROM TITLE 49, UNITED
12 STATES CODE.—The terms “capital project”, “local
13 governmental authority”, “public transportation”,
14 and “urbanized area” have the meanings such terms
15 have under section 5302(a) of title 49, United
16 States Code.

17 (2) STATE.—The term “State” means a State
18 of the United States, the District of Columbia, Puer-
19 to Rico, the Northern Mariana Islands, Guam,
20 American Samoa, and the United States Virgin Is-
21 lands.

22 (3) TRANSIT-ORIENTED DEVELOPMENT COR-
23 RIDOR.—The term “transit-oriented development
24 corridor” means rights-of-way for fixed-guideway
25 public transportation facilities, including commercial

1 development that is connected with any such facility
2 physically and functionally.

3 (b) IN GENERAL.—In consultation with State trans-
4 portation departments and metropolitan planning organi-
5 zations, the Secretary of Transportation shall designate,
6 in urbanized areas, at least 20 transit-oriented develop-
7 ment corridors by 2015 and 50 transit-oriented develop-
8 ment corridors by 2025.

9 (c) TRANSIT GRANTS.—The Secretary of Transpor-
10 tation shall award grants to a State or local governmental
11 authority to construct or improve transit facilities, bicycle
12 transportation facilities, and pedestrian walkways in a
13 transit-oriented development corridor, including capital
14 projects.

15 (d) RESEARCH AND DEVELOPMENT.—In order to
16 support effective deployment of grants and incentives
17 under this section, the Secretary of Transportation shall
18 establish a transit-oriented development corridors research
19 and development program for the conduct of research on
20 best practices and performance criteria for transit-ori-
21 ented development corridors.

22 (e) AUTHORIZATION OF APPROPRIATIONS.—There
23 are authorized to be appropriated to carry out this section
24 \$500,000,000 for each of fiscal years 2008 through 2019,

1 of which \$2,000,000 per fiscal year is authorized for the
2 research and development program under subsection (d).

3 (f) LABOR STANDARDS.—The Secretary of Transpor-
4 tation shall not provide a grant under this section unless
5 the Secretary receives reasonable assurances from a State
6 that laborers and mechanics employed by contractors or
7 subcontractors in the performance of construction or mod-
8 ernization on the a transit project will be paid wages not
9 less than those prevailing on similar construction or mod-
10 ernization in the locality as determined by the Secretary
11 of Labor under subchapter IV of chapter 31 of title 40,
12 United States Code (known as the Davis-Bacon Act).

13 **SEC. 104. AUTOMOBILE FUEL ECONOMY STANDARDS.**

14 (a) PHASED INCREASES IN FUEL ECONOMY STAND-
15 ARDS.—

16 (1) PASSENGER AUTOMOBILES.—

17 (A) MINIMUM STANDARDS.—Section
18 32902(b) of title 49, United States Code, is
19 amended to read as follows:

20 “(b) PASSENGER AUTOMOBILES.—Except as other-
21 wise provided under this section, the average fuel economy
22 standard for passenger automobiles manufactured by a
23 manufacturer in a model year—

24 “(1) after model year 1984 and before model
25 year 2008 shall be 25 miles per gallon;

1 “(2) after model year 2007 and before model
2 year 2011 shall be 28 miles per gallon;

3 “(3) after model year 2010 and before model
4 year 2014 shall be 32 miles per gallon;

5 “(4) after model year 2013 and before model
6 year 2017 shall be 36 miles per gallon; and

7 “(5) after model year 2016 shall be 40 miles
8 per gallon.”.

9 (B) HIGHER STANDARDS SET BY REGULA-
10 TION.—Section 32902(c) of title 49, United
11 States Code, is amended—

12 (i) by striking paragraph (2); and

13 (ii) in paragraph (1)—

14 (I) by striking “(1) Subject to
15 paragraph (2) of this subsection, the”
16 and inserting “The”; and

17 (II) by striking “amending the
18 standard” and inserting “increasing
19 the standard otherwise applicable”.

20 (b) INCREASED INCLUSIVENESS OF DEFINITIONS OF
21 AUTOMOBILE AND PASSENGER AUTOMOBILE.—

22 (1) AUTOMOBILE.—

23 (A) IN GENERAL.—Section 32901(a)(3) of
24 title 49, United States Code, is amended—

1 (i) by striking “6,000 pounds” each
2 place it appears and inserting “12,000
3 pounds”; and

4 (ii) in subparagraph (B)—

5 (I) by striking “10,000 pounds”
6 and inserting “14,000 pounds”; and

7 (II) in clause (ii), by striking “an
8 average fuel economy standard” and
9 all that follows through “conservation
10 or”.

11 (B) SPECIAL RULE.—Section 32908(a)(1)
12 of such title is amended by striking “8,500
13 pounds” and inserting “14,000 pounds”.

14 (2) PASSENGER AUTOMOBILE.—Section
15 32901(a)(16) of title 49, United States Code, is
16 amended to read as follows:

17 “(16) ‘passenger automobile’ means an auto-
18 mobile having a gross vehicle weight of 10,000
19 pounds or less that is designed to be used principally
20 for the transportation of persons;”.

21 (3) APPLICABILITY.—The amendments made
22 by this section shall apply with respect to auto-
23 mobiles manufactured for model years beginning
24 after the date of enactment of this Act.

25 (c) CIVIL PENALTIES.—

1 (1) INCREASED PENALTY FOR VIOLATIONS OF
2 FUEL ECONOMY STANDARDS.—Section 32912(b) of
3 title 49, United States Code, is amended—

4 (A) by inserting “(1)” before “Except as
5 provided”;

6 (B) by striking “\$5” and inserting “the
7 dollar amount applicable under paragraph (2)”;

8 (C) by redesignating paragraphs (1), (2),
9 and (3) as subparagraphs (A), (B), and (C), re-
10 spectively; and

11 (D) by adding at the end the following:

12 “(2)(A) The dollar amount referred to in para-
13 graph (1) is \$10, as increased from time to time
14 under subparagraph (B);

15 “(B) Effective on October 1 of each year, the
16 dollar amount applicable under subparagraph (A)
17 shall be increased by the percentage (rounded to the
18 nearest $\frac{1}{10}$ of 1 percent) by which the price index
19 for July of such year exceeds the price index for
20 July of the preceding year. The amount calculated
21 under the preceding sentence shall be rounded to the
22 nearest \$0.10.

23 “(C) In this paragraph, the term ‘price index’
24 means the Consumer Price Index for all-urban con-

1 sumers published monthly by the Department of
2 Labor.”.

3 (2) CONFORMING AMENDMENT.—Section
4 32912(c)(1) of title 49, United States Code, is
5 amended—

6 (A) by striking subparagraph (B); and

7 (B) by redesignating subparagraphs (C)
8 and (D) as subparagraphs (B) and (C), respec-
9 tively.

10 (3) APPLICABILITY.—The amendments made
11 by subsection (a) shall apply with respect to auto-
12 mobiles manufactured for model years beginning
13 after the date of enactment of this Act.

14 **SEC. 105. INCLUSION OF SPORTS UTILITY VEHICLES IN**
15 **LIMITATION ON DEPRECIATION OF CERTAIN**
16 **LUXURY AUTOMOBILES.**

17 (a) IN GENERAL.—Subparagraph (A) of section
18 280F(d)(5) of the Internal Revenue Code of 1986 (defin-
19 ing passenger automobile) is amended by striking clause
20 (ii) and all that follows and inserting the following new
21 clause:

22 “(ii) (I) except as provided in sub-
23 clause (II) or (III), which is rated at 6,000
24 pounds unloaded gross vehicle weight or
25 less,

1 “(II) in the case of a truck or van,
2 which is rated at 6,000 pounds gross vehi-
3 cle weight or less, or

4 “(III) in the case of a sports utility
5 vehicle not described in subclause (I),
6 which is rated at more than 6,000 pounds
7 but not more than 14,000 pounds gross ve-
8 hicle weight.”.

9 (b) DEFINITION.—Paragraph (5) of section 280F(d)
10 of such Code is amended by adding at the end the fol-
11 lowing new subparagraph:

12 “(C) SPORTS UTILITY VEHICLES.—The
13 term ‘sports utility vehicle’ does not include any
14 vehicle which—

15 “(i) does not have the primary load
16 carrying device or container attached,

17 “(ii) has a seating capacity of more
18 than 12 individuals,

19 “(iii) is designed for more than 9 indi-
20 viduals in seating rearward of the driver’s
21 seat,

22 “(iv) is equipped with an open cargo
23 area, or a covered box not readily acces-
24 sible from the passenger compartment, of
25 at least 72.0 inches in interior length, or

1 “(d) NATIONAL TIRE FUEL EFFICIENCY PRO-
2 GRAM.—(1) The Secretary shall develop and carry out a
3 national tire efficiency program for tires designed for use
4 on passenger cars and light trucks. The program shall in-
5 clude the following:

6 “(A) Policies and procedures for testing
7 and labeling tires for fuel economy to enable
8 tire buyers to make informed purchasing deci-
9 sions about the fuel economy of tires.

10 “(B) Policies and procedures to promote
11 the purchase of energy-efficient replacement
12 tires, including purchase incentives, website list-
13 ings on the Internet, printed fuel economy
14 guide booklets, and mandatory requirements for
15 tire retailers to provide tire buyers with fuel-ef-
16 ficiency information on tires.

17 “(C) Minimum fuel economy standards for
18 tires, promulgated by the Secretary.

19 “(2) The minimum fuel economy standards for tires
20 required under paragraph (1)(C) shall—

21 “(A) ensure that, in conjunction with the re-
22 quirements of paragraph (2)(B), the average fuel
23 economy of replacement tires is equal to or better
24 than the average fuel economy of tires sold as origi-
25 nal equipment;

1 “(B) secure the maximum technically feasible
2 and cost-effective fuel savings;

3 “(C) not adversely affect tire safety;

4 “(D) not adversely affect the average tire life of
5 replacement tires;

6 “(E) incorporate the results from—

7 “(i) laboratory testing; and

8 “(ii) to the extent appropriate and avail-
9 able, on-road fleet testing programs conducted
10 by manufacturers; and

11 “(F) not adversely affect efforts to manage
12 scrap tires.

13 “(3) The policies, procedures, and standards devel-
14 oped under paragraph (1) shall apply to all tire types and
15 models that are covered by the Uniform Tire Quality
16 Grading Standards in section 575.104 of title 49, Code
17 of Federal Regulations (or any successor regulation).

18 “(4) Not less than every 3 years, the Secretary shall
19 review the minimum fuel economy standards in effect for
20 tires under this subsection and revise the standards as
21 necessary to ensure compliance with requirements under
22 paragraph (2). The Secretary may not reduce the average
23 fuel economy standards applicable to replacement tires.

24 “(5) Nothing in this section shall be construed to pre-
25 empt any provisions of State law relating to higher fuel

1 economy standards applicable to replacement tires de-
2 signed for use on passenger cars and light trucks. Nothing
3 in this chapter shall apply to—

4 “(A) a tire or group of tires with the same
5 product identification number, plant, and year, for
6 which the volume of tires produced or imported is
7 less than 15,000 annually;

8 “(B) a deep tread, winter-type snow tire, space-
9 saver tire, or temporary use spare tire;

10 “(C) a tire with a normal rim diameter of 12
11 inches or less;

12 “(D) a motorcycle tire; or

13 “(E) a tire manufactured specifically for use in
14 an off-road motorized recreational vehicle.

15 “(6) In this subsection, the term ‘fuel economy’, with
16 respect to tires, means the extent to which the tire con-
17 tribute to the fuel economy of the motor vehicles on which
18 the tire are mounted.”.

19 (b) CONFORMING AMENDMENT.—Section
20 30103(b)(1) of title 49, United States Code, is amended
21 by striking “When” and inserting “Except as provided in
22 section 30123(d) of this title, when”.

23 (c) IMPLEMENTATION.—The Secretary of Transpor-
24 tation shall ensure that the national tire fuel efficiency
25 program required under section 30123(d) of title 49,

1 United States Code (as added by subsection (a)(2)), is ad-
2 ministered so as to apply the policies, procedures, and
3 standards developed under paragraph (2) of such sub-
4 section beginning not later than March 31, 2008.

5 **SEC. 107. HEAVY DUTY VEHICLE FUEL ECONOMY REQUIRE-**
6 **MENTS.**

7 (a) FUEL ECONOMY STANDARDS FOR HEAVY DUTY
8 TRUCKS.—Part C of subtitle VI of title 49, United States
9 Code, is amended by adding after chapter 329 the fol-
10 lowing new chapter:

11 **“CHAPTER 330—HEAVY DUTY VEHICLE**
12 **FUEL ECONOMY REQUIREMENTS**

13 **“§ 33001. General**

14 (1) PURPOSE AND POLICY.—The purpose of
15 this chapter is to reduce petroleum consumption by
16 heavy duty motor vehicles to the maximum extent
17 feasible. Therefore it is necessary to prescribe fuel
18 economy requirements for heavy duty motor vehicles.

19 (2) DEFINITION.—In this chapter, ‘heavy duty
20 motor vehicle’ means a vehicle of greater than
21 10,000 pounds gross vehicle weight that is driven or
22 drawn by mechanical power and manufactured pri-
23 marily for use on public streets, roads, and high-
24 ways, but does not include a vehicle operated only on
25 a rail line.

1 **“§ 33002. Requirements**

2 “(1) GENERAL REQUIREMENTS.—The Secretary
3 of Transportation shall prescribe heavy duty motor
4 vehicle fuel economy requirements, which may be
5 complete vehicle fuel economy standards or some
6 combination of engine fuel economy standards and
7 requirements for other vehicle components and ac-
8 cessories. Such requirements shall be established for
9 as many categories of heavy duty motor vehicle as
10 feasible and at a minimum shall be prescribed for
11 tractor-trailers of 26,000 lbs. or more gross vehicle
12 weight. The requirements shall be practicable, meet
13 the need for heavy duty motor vehicle fuel consump-
14 tion reduction, and be stated in objective terms.

15 “(2) TESTING PROTOCOLS.—The Administrator
16 of the Environmental Protection Agency shall pre-
17 scribe test protocols for determining compliance with
18 standards and other requirements prescribed by the
19 Secretary.

20 “(3) CONSIDERATIONS.—When prescribing
21 heavy duty motor vehicle fuel economy standards
22 under paragraph (1), the Secretary shall—

23 “(A) consider relevant available heavy duty
24 motor vehicle fuel consumption information;

25 “(B) consider whether a proposed standard
26 is reasonable, practicable, and appropriate for

1 the particular type of heavy duty motor vehicle
2 for which it is prescribed; and

3 “(C) consider the extent to which the
4 standard will carry out section 33001 of this
5 title.

6 “(4) COOPERATION.—The Secretary may ad-
7 vise, assist, and cooperate with departments, agen-
8 cies, and instrumentalities of the Federal govern-
9 ment, States, and other public and private agencies
10 in developing fuel economy standards for heavy duty
11 motor vehicles.

12 “(5) EFFECTIVE DATES OF STANDARDS.—The
13 Secretary shall specify the effective date and heavy
14 duty model years of a fuel economy standard pre-
15 scribed under this chapter in the order prescribing
16 the standard.

17 “(6) 5-YEAR PLAN FOR TESTING PROTOCOLS.—
18 The Secretary shall establish and periodically review
19 and update on a continuing basis a 5-year plan for
20 testing motor vehicle fuel economy requirements pre-
21 scribed under this chapter. In developing the plan
22 and establishing testing priorities, the Secretary
23 shall consider factors the Secretary considers appro-
24 priate, consistent with section 33001 of this title and

1 the Secretary’s other duties and powers under this
2 chapter.”.

3 (b) CLERICAL AMENDMENT.—The table of sections
4 of subtitle VI of title 49, United States Code, is amended
5 by inserting after the item relating to chapter 329, the
6 following new item:

“330. Heavy Duty Vehicle Fuel Economy Require-
ments.....33001”.

7 **TITLE II—REDUCE HEAT AND**
8 **ELECTRIC BILLS**
9 **Subtitle A—General Programs**

10 **SEC. 201. WEATHERIZATION ASSISTANCE.**

11 Section 422 of the Energy Conservation and Produc-
12 tion Act (42 U.S.C. 6872) is amended—

13 (1) by striking “\$500,000,000” and inserting
14 “\$1,000,000,000”;

15 (2) by striking “\$600,000,000” and inserting
16 “\$1,200,000,000”; and

17 (3) by striking “\$700,000,000” and inserting
18 “\$1,400,000,000”.

19 **SEC. 202. ENERGY STAR PROGRAMS.**

20 There are authorized to be appropriated for carrying
21 out the Energy Star program under section 324A of the
22 Energy Policy and Conservation Act—

1 (1) to the Administrator of the Environmental
2 Protection Agency \$100,000,000 for each fiscal
3 year; and

4 (2) to the Secretary of Energy \$12,000,000 for
5 each fiscal year.

6 **SEC. 203. RENEWABLE ELECTRICITY PRODUCTION CREDIT.**

7 (a) EXTENSION.—Section 45(d) of the Internal Rev-
8 enue Code of 1986 (relating to qualified facilities) is
9 amended—

10 (1) by striking “January 1, 2009” each place
11 it appears in paragraphs (1), (2), (3), (5), (6), and
12 (7) and inserting “January 1, 2014”, and

13 (2) by striking “January 1, 2009 (January 1,
14 2006, in the case of a facility using solar energy)”
15 in paragraph (4) and inserting “January 1, 2014
16 (January 1, 2012, in the case of a facility using
17 solar energy)”.

18 (b) EXTENSION OF CREDIT FOR RESIDENTIAL EN-
19 ERGY EFFICIENT PROPERTY.—Subsection (g) of section
20 25D of such Code (relating to termination) is amended
21 by striking “December 31, 2007” and inserting “Decem-
22 ber 31, 2014”.

1 **SEC. 204. EFFICIENCY RESOURCE STANDARD.**

2 (a) AMENDMENT.—Title VII of the Public Utility
 3 Regulatory Policies Act of 1978 is amended by adding the
 4 following new section at the end thereof:

5 **“SEC. 610. EFFICIENCY RESOURCE STANDARD FOR RETAIL**
 6 **ELECTRICITY AND NATURAL GAS SUPPLIERS.**

7 “(a) RESOURCE STANDARD.—Each retail electricity
 8 and natural gas supplier shall undertake energy savings
 9 measures in each calendar year from 2007 through 2011
 10 and thereafter that produce electricity demand savings
 11 and electricity and natural gas usage savings, as a per-
 12 centage of the supplier’s base amount as shown in the fol-
 13 lowing table. These targets represent savings realized from
 14 measures installed in the current year, plus cumulative
 15 savings realized from measures installed in all previous
 16 years. Each retail electricity and natural gas supplier sub-
 17 ject to this subsection may use any electricity or natural
 18 gas savings measures available to it to achieve compliance
 19 with the performance standard established under this sec-
 20 tion, so long as the electricity and natural gas savings
 21 achieved by such measures can be calculated and verified
 22 pursuant to the rules promulgated under subsection (b).

Year	Reductions in peak electricity demand	Reductions in electricity and natural gas usage
2007	0.25%	0.25%

Year	Reductions in peak electricity demand	Reductions in electricity and natural gas usage
2008	0.75%	0.75%
2009	1.75%	1.5%
2010	2.75%	2.25%
2011 and thereafter	3.75%	3.0%

1 “(b) DETERMINATION OF COMPLIANCE.—The Sec-
2 retary shall promulgate rules not later than one year after
3 the enactment of this section regarding the means to be
4 used to calculate and verify compliance with the perform-
5 ance standard established under subsection (a). Each re-
6 tail electric and natural gas supplier subject to this section
7 shall calculate its compliance with such standard in ac-
8 cordance with such rules. The rules shall include each of
9 the following:

10 “(1) Procedures and standards for defining and
11 measuring electricity savings achieved or obtained by
12 electricity and natural gas suppliers (hereinafter in
13 this section referred to as ‘electricity and natural
14 gas savings’) from customer facility end-uses that
15 occur in a calendar year from all measures in place
16 in that year (including measures implemented in
17 previous years that produce electricity and natural
18 gas savings in such calendar year).

1 “(2) Procedures and standards for verification
2 of electricity and natural gas savings reported by the
3 retail electricity and natural gas supplier.

4 “(3) Requirements for the contents and format
5 of a bi-annual report from each retail electricity and
6 natural gas supplier demonstrating its compliance
7 with the requirements of subsection (a). The bi-an-
8 nual report must include sufficient detail regarding
9 the calculation of electricity and natural gas savings
10 to enable the regulatory authority to verify and en-
11 force compliance with the requirements of this sec-
12 tion and the regulations under this section.

13 “(c) CREDIT AND TRADING SYSTEM.—(1) After con-
14 sultation with the Administrator of the Environmental
15 Protection Agency, the Secretary shall promulgate rules
16 establishing a nationwide credit and credit trading system
17 for electricity and natural gas savings. Under such rules
18 the Secretary may certify as credits electricity or natural
19 savings achieved by a retail electricity or natural gas sup-
20 plier in a given year in excess of the quantity of electricity
21 or natural gas savings required that calendar year for such
22 supplier to meet the resource standard, as long as such
23 savings comply with the rules established under subsection
24 (b). The Secretary shall also certify as credits customer
25 energy savings created by retail electric or natural gas

1 suppliers or other entities, as long as such savings comply
2 with the rules established under subsection (b). An elec-
3 tricity savings credit shall equal one kilowatt hour; a nat-
4 ural gas savings credit shall constitute one therm.

5 “(2) The Secretary shall not award credits to any re-
6 tail electricity or natural gas supplier subject to State ad-
7 ministration and enforcement under subsection (d) unless
8 the Secretary has determined that such administration
9 and enforcement are at least equivalent to administration
10 and enforcement by the Secretary.

11 “(3) An electricity or natural gas savings credit is
12 not a property right. Nothing in this or any other provi-
13 sion of law shall be construed to limit the authority of
14 the United States to terminate or limit such credits.

15 “(4) A retail electric or natural gas supplier may sell
16 such credit to any other entity, and other entities may sell
17 such credits to retail electric or natural gas suppliers, in
18 accordance with the accounting and verification rules es-
19 tablished by the Secretary. Such credit may be used by
20 a purchasing retail electricity or natural gas supplier for
21 purposes of complying with the resource standards set
22 forth in subsection (a).

23 “(5) In order to receive an electricity or natural gas
24 savings credit, the recipient of an electricity savings credit
25 shall pay a fee, calculated by the Secretary, in an amount

1 that is equal to the administrative costs of issuing, record-
2 ing, monitoring the sale or exchange of, and tracking the
3 credit or does not exceed five percent of the dollar value
4 of the credit, whichever is lower. The Secretary shall re-
5 tain the fee and use it to pay these administrative costs.

6 “(6) A credit may be counted toward compliance with
7 subsection (a) only once. A retail electricity or natural gas
8 supplier may satisfy the requirements of subsection (a)
9 through the accumulation of—

10 “(A) electricity or natural gas savings credits
11 obtained by purchase or exchange under paragraph
12 (7);

13 “(B) electricity or natural gas savings credits
14 borrowed against future years under paragraph (8);
15 or

16 “(C) any combination of credits under subpara-
17 graphs (A) and (B).

18 “(7) An electricity or natural gas savings credit may
19 be sold or exchanged by the entity to whom issued or by
20 any other entity that acquires the credit. An energy effi-
21 ciency credit for any year that is not used to satisfy the
22 minimum energy savings requirement of subsection (a) for
23 that year may be carried forward for use within the next
24 4 years.

1 “(8) During the first year covered by the standards,
2 a retail electricity or natural gas supplier that has reason
3 to believe that it will not have sufficient electricity savings
4 credits to comply with subsection (a) may—

5 “(A) submit a plan to the Secretary dem-
6 onstrating that the retail electricity or natural gas
7 supplier will earn sufficient credits within the next
8 two calendar years which, when taken into account,
9 will enable the retail electricity or natural gas sup-
10 plier to meet the requirements of subsection (a) for
11 the calendar year involved; and

12 “(B) upon the approval of the plan by the Sec-
13 retary, apply credits that the plan demonstrates will
14 be earned within the next two calendar years to
15 meet the requirements of subsection (a) for the cal-
16 endar year involved.

17 “(9) Any retail electricity or natural gas supplier may
18 elect to comply with the requirements of this section in
19 any calendar year by paying a fee of 3 cents per kilowatt
20 hour, and 30 cents per therm, for any portion of the elec-
21 tricity or natural gas savings it would be obligated to
22 achieve in that year by not later than March 31 of the
23 following year. Funds produced from such fees shall be
24 deposited in an escrow account established by the Sec-
25 retary, and shall be distributed to the States for their use

1 in creating electricity or natural gas savings at customer
2 facilities.

3 “(d) ENFORCEMENT OF COMPLIANCE.—(1) If the
4 State regulatory authority with ratemaking jurisdiction
5 over a State-regulated retail electricity or natural gas sup-
6 plier notifies the Secretary that it will enforce compliance
7 by such supplier with the performance standards under
8 subsection (a) of this section, such State regulatory au-
9 thority shall have the authority to administer and enforce
10 such standards for such supplier under State law. If the
11 State regulatory authority does not so notify the Sec-
12 retary, the Secretary shall exercise such authority until re-
13 ceiving such notice from the State regulatory authority.

14 “(2) Not later than July 1 of the calendar years
15 2008, 2010, 2012, 2014, and 2016, each retail electricity
16 and natural gas supplier shall submit the compliance re-
17 port required under subsection (b) to—

18 “(A) the appropriate State regulatory authority,
19 if such authority has notified the Secretary under
20 subsection (d), or

21 “(B) the Secretary to determine and enforce
22 compliance with the standards.

23 “(3) In the case of any retail electricity or natural
24 gas supplier for which the Secretary is enforcing compli-
25 ance with the standards under this section, if such sup-

1 plier fails to comply with such standards for two consecu-
2 tive calendar years, the Secretary shall determine the
3 number of kilowatt hours of electricity savings, or therms
4 of natural gas savings, by which the supplier has fallen
5 short of the standards, and, by order, require such sup-
6 plier, after notice and opportunity for hearing, to deposit
7 in an escrow account to be designated by the Secretary
8 an amount equal to 3.5 cents per kilowatt hour for each
9 such kilowatt hour, and 35 cents per therm for each such
10 therm. The holder of such escrow account shall annually
11 distribute the total amount of such account to the States
12 to be used by the States for the purpose of achieving cus-
13 tomer electricity and natural gas savings. Any retail elec-
14 tricity or natural gas supplier required to make such a
15 payment may, within 60 calendar days after the issuance
16 of such order, bring an action in the United States Court
17 of Appeals for the District of Columbia for judicial review
18 of such order. Such court shall have jurisdiction to enter
19 a judgment affirming, modifying, or setting aside such
20 order or remanding such order in whole or in part to the
21 Secretary.

22 “(e) INFORMATION COLLECTION.—The Secretary
23 may collect the information necessary to verify and
24 audit—

1 “(1) the annual electric energy sales, natural
2 gas sales, electricity savings, and natural gas savings
3 of any entity applying for electricity or natural gas
4 savings credits under this section,

5 “(2) the validity of electricity or natural gas
6 savings credits submitted by a retail electricity or
7 natural gas supplier to the Secretary, and

8 “(3) the quantity of electricity and natural gas
9 sales of all retail electricity and natural gas sup-
10 pliers.

11 “(f) STATE LAW.—Nothing in this section shall su-
12 persede or otherwise affect any State or local law requiring
13 or otherwise relating to reductions in total annual elec-
14 tricity or natural gas energy consumption by or peak
15 power consumption by electric consumers to the extent
16 that such State or local law requires more stringent reduc-
17 tions than those required under this section. Any retail
18 electricity or natural gas supplier that achieves reductions
19 referred to in this section in accordance with State re-
20 quirements shall be entitled to full credit under this sec-
21 tion for such reductions to the extent that such reductions
22 meet the requirements of this section and the regulations
23 under this section (including verification and monitoring
24 requirements).

25 “(g) DEFINITIONS.—For purposes of this section:

1 “(1) The term ‘retail electricity or natural sup-
2 plier’ means a person that sells electric energy or
3 natural gas to consumers and sold not less than
4 1,000,000 megawatt-hours of electric energy or
5 20,000,000 therms of natural gas to consumers for
6 purposes other than resale during the preceding cal-
7 endar year; except that such term does not include
8 the United States, a State or any political subdivi-
9 sion of a State, or any agency, authority, or instru-
10 mentality of any one or more of the foregoing, or a
11 rural electric cooperative.

12 “(2) The term ‘retail electricity or natural gas
13 supplier’s base amount’ means the total amount of
14 electric energy or natural gas sold by the retail elec-
15 tricity or natural gas supplier to customers during
16 the most recent calendar year for which information
17 is available.

18 “(3) The term ‘electricity savings’ means reduc-
19 tions in end-use electricity consumption in customer
20 facilities relative to consumption at those same fa-
21 cilities in a base year as defined in rules issued by
22 the Secretary, or in the case of new facilities, rel-
23 ative to reference facilities defined in rules issued by
24 the Secretary, or distributed generation efficiency
25 measures, including fuel cells and combined heat

1 and power (CHP) technologies, that provide elec-
2 tricity only for onsite customer use.

3 “(4) The term ‘natural gas savings’ means re-
4 ductions in end-use natural gas consumption in cus-
5 tomer facilities relative to consumption at those
6 same facilities in a base year as defined in rules
7 issued by the Secretary, or in the case of new facili-
8 ties, relative to reference facilities defined in rules
9 issued by the Secretary.”.

10 (b) TABLE OF CONTENTS.—The table of contents for
11 title VII of the Public Utility Regulatory Policies Act of
12 1978 is amended by adding the following new item at the
13 end thereof:

“Sec. 610. Efficiency resource standard for retail electricity and natural gas
suppliers.”.

14 **SEC. 205. FEDERAL RENEWABLE PORTFOLIO STANDARD.**

15 (a) IN GENERAL.—Title VI of the Public Utility Reg-
16 ulatory Policies Act of 1978 is amended by adding at the
17 end the following:

18 **“SEC. 611. FEDERAL RENEWABLE PORTFOLIO STANDARD.**

19 “(a) MINIMUM RENEWABLE GENERATION REQUIRE-
20 MENT.—For each calendar year beginning in calendar
21 year 2009, each retail electric supplier shall submit to the
22 Secretary, not later than April 1 of the following calendar
23 year, renewable energy credits in an amount equal to the
24 required annual percentage specified in subsection (b).

1 “(b) **REQUIRED ANNUAL PERCENTAGE.**—For cal-
 2 endar years after 2008, the required annual percentage
 3 of the retail electric supplier’s base amount that shall be
 4 generated from renewable energy resources, or otherwise
 5 credited towards such percentage requirement pursuant to
 6 subsection (c), shall be the percentage specified in the fol-
 7 lowing table:

“Calendar Years	Required annual percentage
2009 through 2010	1
2010 through 2011	2
2011 through 2012	4
2012 through 2013	6
2013 through 2015	8
2015 through 2016	10
2016 through 2017	12
2017 through 2018	14
2018 through 2019	16
2019 through 2020	18
2020 and thereafter	20.

8 “(c) **SUBMISSION OF CREDITS.**—(1) A retail electric
 9 supplier may satisfy the requirements of subsection (a)
 10 through the submission of renewable energy credits—

11 “(A) issued to the retail electric supplier under
 12 subsection (d);

13 “(B) obtained by purchase or exchange under
 14 subsection (e); or

15 “(C) borrowed under subsection (f).

16 “(2) A renewable energy credit may be counted to-
 17 ward compliance with subsection (a) only once.

18 “(d) **ISSUANCE OF CREDITS.**—(1) The Secretary
 19 shall establish by rule, not later than 1 year after the date

1 of enactment of this section, a program to issue and mon-
2 itor the sale or exchange of, and track, renewable energy
3 credits.

4 “(2) Under the program established by the Secretary,
5 an entity that generates electric energy through the use
6 of a renewable energy resource may apply to the Secretary
7 for the issuance of renewable energy credits. The applica-
8 tion shall indicate—

9 “(A) the type of renewable energy resource used
10 to produce the electricity;

11 “(B) the location where the electric energy was
12 produced; and

13 “(C) any other information the Secretary deter-
14 mines appropriate.

15 “(3)(A) Except as provided in subparagraphs (B),
16 (C), and (D), the Secretary shall issue to each entity that
17 generates electric energy one renewable energy credit for
18 each kilowatt hour of electric energy the entity generates
19 from the date of enactment of this section and in each
20 subsequent calendar year through the use of a renewable
21 energy resource at an eligible facility.

22 “(B) For incremental hydropower the renewable en-
23 ergy credits shall be calculated based on the expected in-
24 crease in average annual generation resulting from the ef-
25 ficiency improvements or capacity additions. The number

1 of credits shall be calculated using the same water flow
2 information used to determine a historic average annual
3 generation baseline for the hydroelectric facility and cer-
4 tified by the Secretary or the Federal Energy Regulatory
5 Commission. The calculation of the renewable energy cred-
6 its for incremental hydropower shall not be based on any
7 operational changes at the hydroelectric facility not di-
8 rectly associated with the efficiency improvements or ca-
9 pacity additions.

10 “(C) The Secretary shall issue two renewable energy
11 credits for each kilowatt hour of electric energy generated
12 and supplied to the grid in that calendar year through the
13 use of a renewable energy resource at an eligible facility
14 located on Indian land. For purposes of this paragraph,
15 renewable energy generated by biomass cofired with other
16 fuels is eligible for two credits only if the biomass was
17 grown on such land.

18 “(D) For electric energy resources produced from a
19 generation offset, the Secretary shall issue two renewable
20 energy credits for each kilowatt hour generated.

21 “(E) To be eligible for a renewable energy credit, the
22 unit of electric energy generated through the use of a re-
23 newable energy resource may be sold or may be used by
24 the generator. If both a renewable energy resource and
25 a non-renewable energy resource are used to generate the

1 electric energy, the Secretary shall issue renewable energy
2 credits based on the proportion of the renewable energy
3 resources used. The Secretary shall identify renewable en-
4 ergy credits by type and date of generation.

5 “(4) When a generator sells electric energy generated
6 through the use of a renewable energy resource to a retail
7 electric supplier under a contract subject to section 210
8 of this Act, the retail electric supplier is treated as the
9 generator of the electric energy for the purposes of this
10 section or the duration of the contract.

11 “(5) The Secretary shall issue renewable energy cred-
12 its for existing facility offsets to be applied against a retail
13 electric supplier’s required annual percentage. Such cred-
14 its are not tradeable and may be used only in the calendar
15 year generation actually occurs.

16 “(e) CREDIT TRADING.—A renewable energy credit,
17 may be sold or exchanged by the entity to whom issued
18 or by any other entity who acquires the renewable energy
19 credit. A renewable energy credit for any year that is not
20 used to satisfy the minimum renewable generation require-
21 ment of subsection (a) for that year may be carried for-
22 ward for use within the next 4 years.

23 “(f) CREDIT BORROWING.—At any time before the
24 end of calendar year 2009, a retail electric supplier that

1 has reason to believe it will not have sufficient renewable
2 energy credits to comply with subsection (a) may—

3 “(1) submit a plan to the Secretary dem-
4 onstrating that the retail electric supplier will earn
5 sufficient credits within the next 3 calendar years
6 which, when taken into account, will enable the re-
7 tail electric supplier to meet the requirements of
8 subsection (a) for calendar year 2009 and the subse-
9 quent calendar years involved; and

10 “(2) upon the approval of the plan by the Sec-
11 retary, apply renewable energy credits that the plan
12 demonstrates will be earned within the next 3 cal-
13 endar years to meet the requirements of subsection
14 (a) for each calendar year involved.

15 The retail electric supplier must repay all of the borrowed
16 renewable energy credits by submitting an equivalent
17 number of renewable energy credits, in addition to those
18 otherwise required under subsection (a), by calendar year
19 2010 or any earlier deadlines specified in the approved
20 plan. Failure to repay the borrowed renewable energy
21 credits shall subject the retail electric supplier to civil pen-
22 alties under subsection (h) for violation of the require-
23 ments of subsection (a) for each calendar year involved.

24 “(g) CREDIT COST CAP.—The Secretary shall offer
25 renewable energy credits for sale at the lesser of 3 cents

1 per kilowatt-hour or 200 percent of the average market
2 value of renewable credits for the applicable compliance
3 period. On January 1 of each year following calendar year
4 2008, the Secretary shall adjust for inflation the price
5 charged per credit for such calendar year, based on the
6 Gross Domestic Product Implicit Price Deflator.

7 “(h) ENFORCEMENT.—The Secretary may bring an
8 action in the appropriate United States district court to
9 impose a civil penalty on a retail electric supplier that does
10 not comply with subsection (a), unless the retail electric
11 supplier was unable to comply with subsection (a) for rea-
12 sons outside of the supplier’s reasonable control (including
13 weather-related damage, mechanical failure, lack of trans-
14 mission capacity or availability, strikes, lockouts, actions
15 of a governmental authority). A retail electric supplier who
16 does not submit the required number of renewable energy
17 credits under subsection (a) shall be subject to a civil pen-
18 alty of not more than the greater of 3 cents or 200 percent
19 of the average market value of credits for the compliance
20 period for each renewable energy credit not submitted..

21 “(i) INFORMATION COLLECTION.—The Secretary
22 may collect the information necessary to verify and
23 audit—

1 “(1) the annual electric energy generation and
2 renewable energy generation of any entity applying
3 for renewable energy credits under this section;

4 “(2) the validity of renewable energy credits
5 submitted by a retail electric supplier to the Sec-
6 retary; and

7 “(3) the quantity of electricity sales of all retail
8 electric suppliers.

9 “(j) ENVIRONMENTAL SAVINGS CLAUSE.—Incre-
10 mental hydropower shall be subject to all applicable envi-
11 ronmental laws and licensing and regulatory requirements.

12 “(k) EXISTING PROGRAMS.—This section does not
13 preclude a State from imposing additional renewable en-
14 ergy requirements in that State, including specifying eligi-
15 ble technologies under such State requirements.

16 “(l) DEFINITIONS.—For purposes of this section:

17 “(1) BIOMASS.—The term ‘biomass’ means any
18 organic material that is available on a renewable or
19 recurring basis, including dedicated energy crops,
20 trees grown for energy production, wood waste and
21 wood residues, plants (including aquatic plants,
22 grasses, and agricultural crops), residues, fibers,
23 animal wastes and other organic waste materials
24 (but not including unsegregated municipal solid
25 waste (garbage)), and fats and oils, except that with

1 respect to material removed from National Forest
2 System lands the term includes only organic mate-
3 rial from—

4 “(A) thinnings from trees that are less
5 than 12 inches in diameter;

6 “(B) slash;

7 “(C) brush; and

8 “(D) mill residues.

9 “(2) ELIGIBLE FACILITY.—The term ‘eligible
10 facility’ means—

11 “(A) a facility for the generation of electric
12 energy from a renewable energy resource that is
13 placed in service on or after the date of enact-
14 ment of this section; or

15 “(B) a repowering or cofiring increment
16 that is placed in service on or after the date of
17 enactment of this section at a facility for the
18 generation of electric energy from a renewable
19 energy resource that was placed in service be-
20 fore that date.

21 “(3) ELIGIBLE RENEWABLE ENERGY RE-
22 SOURCE.—The term ‘renewable energy resource’
23 means solar, wind, ocean, or geothermal energy, bio-
24 mass (excluding solid waste and paper that is com-

1 monly recycled), landfill gas, a generation offset, or
2 incremental hydropower.

3 “(4) GENERATION OFFSET.—The term ‘genera-
4 tion offset’ means reduced electricity usage metered
5 at a site where a customer consumes energy from a
6 renewable energy technology.

7 “(5) EXISTING FACILITY OFFSET.—The term
8 ‘existing facility offset’ means renewable energy gen-
9 erated from an existing facility, not classified as an
10 eligible facility, that is owned or under contract, di-
11 rectly or indirectly, to a retail electric supplier on
12 the date of enactment of this section.

13 “(6) INCREMENTAL HYDROPOWER.—The term
14 ‘incremental hydropower’ means additional genera-
15 tion that is achieved from increased efficiency or ad-
16 ditions of capacity on or after the date of enactment
17 of this section or the effective date of the applicable
18 State renewable portfolio standard program, at a hy-
19 droelectric facility that was placed in service before
20 that date.

21 “(7) INDIAN LAND.—The term ‘Indian land’
22 means—

23 “(A) any land within the limits of any In-
24 dian reservation, pueblo, or rancheria;

1 “(B) any land not within the limits of any
2 Indian reservation, pueblo, or rancharia title to
3 which was on the date of enactment of this
4 paragraph either held by the United States for
5 the benefit of any Indian tribe or individual or
6 held by any Indian tribe or individual subject to
7 restriction by the United States against alien-
8 ation;

9 “(C) any dependent Indian community;
10 and

11 “(D) any land conveyed to any Alaska Na-
12 tive corporation under the Alaska Native
13 Claims Settlement Act.

14 “(8) INDIAN TRIBE.—The term ‘Indian tribe’
15 means any Indian tribe, band, nation, or other orga-
16 nized group or community, including any Alaskan
17 Native village or regional or village corporation as
18 defined in or established pursuant to the Alaska Na-
19 tive Claims Settlement Act (43 U.S.C. 1601 et seq.),
20 which is recognized as eligible for the special pro-
21 grams and services provided by the United States to
22 Indians because of their status as Indians.

23 “(9) RENEWABLE ENERGY.—The term ‘renew-
24 able energy’ means electric energy generated by a re-
25 newable energy resource.

1 “(10) RENEWABLE ENERGY RESOURCE.—The
2 term ‘renewable energy resource’ means solar, wind,
3 ocean, geothermal energy, biomass (not including
4 municipal solid waste), landfill gas, a generation off-
5 set, or incremental hydropower.

6 “(11) REPOWERING OR COFIRING INCRE-
7 MENT.—The term ‘repowering or cofiring increment’
8 means—

9 “(A) the additional generation from a
10 modification that is placed in service on or after
11 the date of enactment of this section to expand
12 electricity production at a facility used to gen-
13 erate electric energy from a renewable energy
14 resource or to cofire biomass that was placed in
15 service before the date of enactment of this sec-
16 tion, or

17 “(B) the additional generation above the
18 average generation in the 3 years preceding the
19 date of enactment of this section to expand
20 electricity production at a facility used to gen-
21 erate electric energy from a renewable energy
22 resource or to cofire biomass that was placed in
23 service before the date of enactment of this sec-
24 tion.

1 “(12) RETAIL ELECTRIC SUPPLIER.—The term
2 ‘retail electric supplier’ means a person that sells
3 electric energy to electric consumers and sold not
4 less than 1,000,000 megawatt-hours of electric en-
5 ergy to electric consumers for purposes other than
6 resale during the preceding calendar year; except
7 that such term does not include the United States,
8 a State or any political subdivision of a State, or any
9 agency, authority, or instrumentality of any one or
10 more of the foregoing.

11 “(13) RETAIL ELECTRIC SUPPLIER’S BASE
12 AMOUNT.—The term ‘retail electric supplier’s base
13 amount’ means the total amount of electric energy
14 sold by the retail electric supplier to electric cus-
15 tomers during the most recent calendar year for
16 which information is available, excluding electric en-
17 ergy generated by—

18 “(A) an eligible renewable energy resource;

19 or

20 “(B) a hydroelectric facility.

21 “(m) SUNSET.—This section expires December 31,
22 2030.”.

23 (b) TABLE OF CONTENTS.—The table of contents for
24 such title is amended by adding the following new item
25 at the end:

“Sec. 611. Federal renewable portfolio standard.”.

1 **SEC. 206. NET METERING.**

2 (a) ADOPTION OF STANDARD.—Section 111(d)(11)
3 of the Public Utility Regulatory Policies Act of 1978 (16
4 U.S.C. 2621(d)) is amended to read as follows:

5 “(11) NET METERING.—(A) Each electric util-
6 ity shall make available upon request net metering
7 service to any electric consumer that the electric
8 utility serves.

9 “(B) For purposes of implementing this para-
10 graph, any reference contained in this section to the
11 date of enactment of the Public Utility Regulatory
12 Policies Act of 1978 shall be deemed to be a ref-
13 erence to the date of enactment of this paragraph.

14 “(C) Notwithstanding subsections (b) and (c) of
15 section 112, each State regulatory authority may
16 consider and make a determination concerning
17 whether it is appropriate in the public interest to not
18 implement the standard set out in subparagraph (A)
19 not later than 1 year after the date of enactment of
20 this paragraph.

21 “(D) Nothing in this section shall preclude a
22 State from establishing additional incentives or to
23 encourage on-site generating facilities and net me-
24 tering in addition to that required under this sec-
25 tion.

1 “(E) The Department shall report within 11
2 months of enactment and annually thereafter on the
3 public benefit provided by adoption of net metering
4 and interconnection standards, and the status of
5 state adoption of such.”.

6 (b) SPECIAL RULES FOR NET METERING.—Section
7 115 of the Public Utility Regulatory Policies Act of 1978
8 (16 U.S.C. 2625) is amended by adding at the end the
9 following:

10 “(i) NET METERING.—In undertaking the consider-
11 ation and making the determination under section 111
12 with respect to the standard concerning net metering es-
13 tablished by section 111(d)(11), the term net metering
14 service shall mean a service provided in accordance with
15 the following standards:

16 “(1) An electric utility—

17 “(A) shall charge the owner or operator of
18 an on-site generating facility rates and charges
19 that are identical to those that would be
20 charged other electric consumers of the electric
21 utility in the same rate class; and

22 “(B) shall not charge the owner or oper-
23 ator of an on-site generating facility any addi-
24 tional standby, capacity, interconnection, or
25 other rate or charge.

1 “(2) An electric utility that sells electric energy
2 to the owner or operator of an on-site generating fa-
3 cility shall measure the quantity of electric energy
4 produced by the on-site facility and the quantity of
5 electric energy consumed by the owner or operator
6 of an on-site generating facility during a billing pe-
7 riod with a single bi-directional meter or otherwise
8 in accordance with reasonable metering practices.

9 “(3) If the quantity of electric energy sold by
10 the electric utility to an on-site generating facility
11 exceeds the quantity of electric energy supplied by
12 the on-site generating facility to the electric utility
13 during the billing period, the electric utility may bill
14 the owner or operator for the net quantity of electric
15 energy sold, in accordance with reasonable metering
16 practices.

17 “(4) If the quantity of electric energy supplied
18 by the on-site generating facility to the electric util-
19 ity exceeds the quantity of electric energy sold by
20 the electric utility to the on-site generating facility
21 during the billing period—

22 “(A) the electric utility may bill the owner
23 or operator of the on-site generating facility for
24 the appropriate charges for the billing period in
25 accordance with paragraph; and

1 “(B) the owner or operator of the on-site
2 generating facility shall be credited for the ex-
3 cess kilowatt-hours generated during the billing
4 period, with the kilowatt-hour credit appearing
5 on the bill for the following billing period.

6 “(5) An eligible on-site generating facility and
7 net metering system used by an electric consumer
8 shall meet all applicable safety, performance, reli-
9 ability, and interconnection standards established by
10 the National Electrical Code, the Institute of Elec-
11 trical and Electronics Engineers, and Underwriters
12 Laboratories.

13 “(6) The Commission, after consultation with
14 State regulatory authorities and unregulated electric
15 utilities and after notice and opportunity for com-
16 ment, may adopt, by rule, additional control and
17 testing and interconnection requirements for on-site
18 generating facilities and net metering systems that
19 the Commission determines are necessary to protect
20 public safety and system reliability.

21 “(7) For purposes of this subsection:

22 “(A) The term ‘eligible on-site generating
23 facility’ means a facility on the site of a resi-
24 dential electric consumer with a maximum gen-
25 erating capacity of 10 kilowatts or less that is

1 fueled by solar energy, wind energy, or fuel
2 cells; or a facility on the site of a commercial
3 electric consumer with a maximum generating
4 capacity of 500 1000 kilowatts or less that is
5 fueled solely by a renewable energy resource,
6 landfill gas, or a high efficiency system.

7 “(B) The term ‘renewable energy resource’
8 means solar, wind, biomass, micro-freeflow
9 hydro, or geothermal energy.

10 “(C) The term ‘high efficiency system’
11 means fuel cells or combined heat and power.

12 “(D) The term ‘net metering service’
13 means service to an electric consumer under
14 which electric energy generated by that electric
15 consumer from an eligible on-site generating fa-
16 cility and delivered to the local distribution fa-
17 cilities may be used to offset electric energy
18 provided by the electric utility to the electric
19 consumer during the applicable billing period.”.

20 **Subtitle B—Energy Efficiency** 21 **Incentive**

22 **SEC. 211. PERFORMANCE BASED ENERGY IMPROVEMENTS** 23 **FOR NON-BUSINESS PROPERTY.**

24 (a) IN GENERAL.—Subpart A of part IV of sub-
25 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by inserting after section 25D the fol-
2 lowing new section:

3 **“SEC. 25E. PERFORMANCE BASED ENERGY IMPROVE-**
4 **MENTS.**

5 “(a) IN GENERAL.—In the case of an individual,
6 there shall be allowed as a credit against the tax imposed
7 by this chapter for the taxable year an amount equal to
8 the amount of qualified energy efficiency expenditures
9 paid or incurred by the taxpayer during the taxable year.

10 “(b) LIMITATIONS.—

11 “(1) IN GENERAL.—The amount allowed as a
12 credit under subsection (a) shall not exceed the
13 product of—

14 “(A) the qualified energy savings achieved,
15 and

16 “(B) \$4,000.

17 “(2) MINIMUM AMOUNT OF QUALIFIED ENERGY
18 SAVINGS.—No credit shall be allowed under sub-
19 section (a) with respect to any principal residence
20 which achieves a qualified energy savings of less
21 than 20 percent.

22 “(3) LIMITATION BASED ON AMOUNT OF
23 TAX.—In the case of taxable years to which section
24 26(a)(2) does not apply, the credit allowed under

1 subsection (a) for any taxable year shall not exceed
2 the excess of—

3 “(A) the sum of the regular tax liability
4 (as defined in section 26(b)) plus the tax im-
5 posed by section 55, over

6 “(B) the sum of the credit allowable under
7 this subpart (other than this section and sec-
8 tions 23, 24, and 25B) and section 27 for the
9 taxable year.

10 “(c) QUALIFIED ENERGY EFFICIENCY EXPENDI-
11 TURES.—For purposes of this section:

12 “(1) IN GENERAL.—The term ‘qualified energy
13 efficiency expenditures’ means any amount paid or
14 incurred which is related to producing qualified en-
15 ergy savings in a principal residence of the taxpayer
16 which is located in the United States.

17 “(2) NO DOUBLE BENEFIT FOR CERTAIN EX-
18 PENDITURES.—The term ‘qualified energy efficiency
19 expenditures’ shall not include any expenditure for
20 which a deduction or credit is otherwise allowed to
21 the taxpayer under this chapter.

22 “(3) PRINCIPAL RESIDENCE.—The term ‘prin-
23 cipal residence’ has the same meaning as when used
24 in section 121, except that—

1 “(A) no ownership requirement shall be
2 imposed, and

3 “(B) the period for which a building is
4 treated as used as a principal residence shall
5 also include the 60-day period ending on the 1st
6 day on which it would (but for this subpara-
7 graph) first be treated as used as a principal
8 residence.

9 “(d) QUALIFIED ENERGY SAVINGS.—For purposes of
10 this section—

11 “(1) IN GENERAL.—The term ‘qualified energy
12 savings’ means, with respect to any principal resi-
13 dence, the amount (measured as a percentage) by
14 which—

15 “(A) the annual energy use with respect to
16 the principal residence after qualified energy ef-
17 ficiency expenditures are made, as certified
18 under paragraph (2), is less than

19 “(B) the annual energy use with respect to
20 the principal residence before the qualified en-
21 ergy efficiency expenditures were made, as cer-
22 tified under paragraph (2).

23 In determining annual energy use under subpara-
24 graph (B), any energy efficiency improvements

1 which are not attributable to qualified energy effi-
2 ciency expenditures shall be disregarded.

3 “(2) CERTIFICATION.—

4 “(A) IN GENERAL.—The Secretary, in con-
5 sultation with the Secretary of Energy, shall
6 prescribe the procedures and methods for the
7 making of certifications under this paragraph
8 based on the Residential Energy Services Net-
9 work (RESNET) Technical Guidelines in effect
10 on the date of the enactment of this section.

11 “(B) QUALIFIED INDIVIDUALS.—Any cer-
12 tification made under this paragraph may only
13 be made by an individual who is recognized by
14 an organization certified by the Secretary for
15 such purposes.

16 “(e) SPECIAL RULES.—For purposes of this section
17 rules similar to the rules under paragraphs (4), (5), (6),
18 (7), (8), and (9) of section 25D(e) and section 25C(e)(2)
19 shall apply.

20 “(f) BASIS ADJUSTMENTS.—For purposes of this
21 subtitle, if a credit is allowed under this section with re-
22 spect to any expenditure with respect to any property, the
23 increase in the basis of such property which would (but
24 for this subsection) result from such expenditure shall be
25 reduced by the amount of the credit so allowed.

1 “(g) TERMINATION.—This section shall not apply
2 with respect to any property placed in service after Decem-
3 ber 31, 2011.”.

4 (b) INTERIM GUIDANCE ON CERTIFICATION.—

5 (1) IN GENERAL.—Not later than 90 days after
6 the date of the enactment of this Act, the Secretary
7 of the Treasury, in consultation with the Secretary
8 of Energy, shall issue interim guidance on—

9 (A) the procedures and methods for mak-
10 ing certifications under sections 25E(d)(2)(A)
11 and 179F(d)(2)(A) of the Internal Revenue
12 Code of 1986, as added by subsection (a) and
13 section 203, respectively;

14 (B) the recognition of qualified individuals
15 under sections 25E(d)(2)(B) and
16 179F(d)(2)(B) of such Code for the purpose of
17 making such certifications; and

18 (C) how participation in State energy effi-
19 ciency programs can be used in the procedures
20 and methods described in subparagraph (A).

21 (2) CONSULTATION WITH STAKEHOLDERS.—

22 (A) IN GENERAL.—The Secretary of the
23 Treasury, in issuing guidance pursuant to para-
24 graph (1), shall consider comments from energy
25 efficiency experts and other interested parties.

1 (B) OTHER CONSIDERATIONS.—In the case
2 of guidance issued pursuant to paragraph
3 (1)(B), the Secretary of the Treasury shall also
4 consider—

5 (i) the Residential Energy Services
6 Network Technical Guidelines and other
7 pertinent guidelines for evaluating energy
8 savings;

9 (ii) energy modeling software, includ-
10 ing software accredited through the Resi-
11 dential Energy Services Network; and

12 (iii) quality assurance procedures of
13 the Building Performance Institute, Home
14 Performance through Energy Star, and the
15 Residential Energy Services Network.

16 (c) ALTERNATIVE CERTIFICATION METHODS.—

17 (1) IN GENERAL.—The Secretary of the Treas-
18 ury shall establish a procedure for individuals and
19 businesses to petition for the approval of alternative
20 methods of certification under sections 25E(d)(2)(A)
21 and 179F(d)(2)(A) of the Internal Revenue Code of
22 1986, as added by subsection (a) and section 203,
23 respectively.

24 (2) DETERMINATION.—The Secretary of the
25 Treasury shall make a determination on the ap-

1 proval or disapproval of such alternative methods of
2 certification not later than 90 days after receiving a
3 petition under paragraph (1).

4 (d) CONFORMING AMENDMENTS.—

5 (1) Section 1016(a) is amended by striking
6 “and” at the end of paragraph (36), by striking the
7 period at the end of paragraph (37) and inserting “,
8 and”, and by adding at the end the following new
9 paragraph:

10 “(38) to the extent provided in section
11 25E(f).”.

12 (2) The table of sections for subpart A of part
13 IV of subchapter A chapter 1 is amended by insert-
14 ing after the item relating to section 25D the fol-
15 lowing new item:

 “Sec. 25E. Performance based energy improvements.”.

16 (e) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to amounts paid or incurred in tax-
18 able years beginning after the date of the enactment of
19 this Act.

20 **SEC. 212. EXTENSION AND MODIFICATION OF CREDIT FOR**
21 **NONBUSINESS ENERGY PROPERTY.**

22 (a) EXTENSION.—Subsection (g) of section 25C (re-
23 lating to termination) is amended by striking “December
24 31, 2007” and inserting “December 31, 2011”.

1 (b) LABOR COSTS FOR QUALIFIED ENERGY EFFI-
2 CIENCY IMPROVEMENTS.—Section 25C(e)(1) is amended
3 by adding at the end the following new flush sentence:

4 “The amount taken into account under subsection
5 (a)(1) with respect to qualified energy efficiency im-
6 provements shall include expenditures for labor costs
7 properly allocable to the onsite preparation, assem-
8 bly, or original installation of any component de-
9 scribed in this paragraph.”.

10 (c) MODIFICATIONS FOR RESIDENTIAL ENERGY EF-
11 FICIENCY PROPERTY EXPENDITURES.—

12 (1) INCREASED LIMITATION FOR OIL FURNACES
13 AND NATURAL GAS, PROPANE, AND OIL HOT WATER
14 BOILERS.—

15 (A) IN GENERAL.—Subparagraphs (B) and
16 (C) of section 25C(b)(3) are amended to read
17 as follows:

18 “(B) \$150 for any qualified natural gas
19 furnace or qualified propane furnace, and

20 “(C) \$300 for—

21 “(i) any item of energy-efficient build-
22 ing property, and

23 “(ii) any qualified oil furnace, quali-
24 fied natural gas hot water boiler, qualified

1 propane hot water boiler, or qualified oil
2 hot water boiler.”.

3 (B) CONFORMING AMENDMENT.—Clause
4 (ii) of section 25C(d)(2)(A) is amended to read
5 as follows:

6 “(ii) any qualified natural gas fur-
7 nace, qualified propane furnace, qualified
8 oil furnace, qualified natural gas hot water
9 boiler, qualified propane hot water boiler,
10 or qualified oil hot water boiler, or”.

11 (2) MODIFICATIONS OF STANDARDS FOR EN-
12 ERGY-EFFICIENT BUILDING PROPERTY.—

13 (A) ELECTRIC HEAT PUMPS.—Subpara-
14 graph (B) of section 25C(d)(3) is amended to
15 read as follows:

16 “(A) an electric heat pump which achieves
17 the highest efficiency tier established by the
18 Consortium for Energy Efficiency, as in effect
19 on January 1, 2008.”.

20 (B) CENTRAL AIR CONDITIONERS.—Sec-
21 tion 25C(d)(3)(D) is amended by striking
22 “2006” and inserting “2008”.

23 (C) WATER HEATERS.—Subparagraph (E)
24 of section 25C(d) is amended to read as follows:

1 “(E) a natural gas, propane, or oil water
2 heater which has either an energy factor of at
3 least 0.80 or a thermal efficiency of at least 90
4 percent.”.

5 (D) OIL FURNACES AND HOT WATER BOIL-
6 ERS.—Paragraph (4) of section 25C(d) is
7 amended to read as follows:

8 “(4) QUALIFIED NATURAL GAS, PROPANE, AND
9 OIL FURNACES AND HOT WATER BOILERS.—

10 “(A) QUALIFIED NATURAL GAS FUR-
11 NACE.—The term ‘qualified natural gas fur-
12 nace’ means any natural gas furnace which
13 achieves an annual fuel utilization efficiency
14 rate of not less than 95.

15 “(B) QUALIFIED NATURAL GAS HOT
16 WATER BOILER.—The term ‘qualified natural
17 gas hot water boiler’ means any natural gas hot
18 water boiler which achieves an annual fuel utili-
19 zation efficiency rate of not less than 90.

20 “(C) QUALIFIED PROPANE FURNACE.—
21 The term ‘qualified propane furnace’ means any
22 propane furnace which achieves an annual fuel
23 utilization efficiency rate of not less than 95.

24 “(D) QUALIFIED PROPANE HOT WATER
25 BOILER.—The term ‘qualified propane hot

1 water boiler’ means any propane hot water boil-
2 er which achieves an annual fuel utilization effi-
3 ciency rate of not less than 90.

4 “(E) QUALIFIED OIL FURNACES.—The
5 term ‘qualified oil furnace’ means any oil fur-
6 nace which achieves an annual fuel utilization
7 efficiency rate of not less than 90.

8 “(F) QUALIFIED OIL HOT WATER BOIL-
9 ER.—The term ‘qualified oil hot water boiler’
10 means any oil hot water boiler which achieves
11 an annual fuel utilization efficiency rate of not
12 less than 90.”.

13 (3) ELIMINATION OF LIFETIME LIMITATION.—
14 Paragraph (1) of section 25C(b) is amended by in-
15 serting “by reason of subsection (a)(1)” after
16 “under this section”.

17 (d) MODIFICATION OF QUALIFIED ENERGY EFFI-
18 CIENCY IMPROVEMENTS.—

19 (1) IN GENERAL.—Paragraph (1) of section
20 25C(e) is amended by inserting “, or an asphalt roof
21 with appropriate cooling granules,” before “which
22 meet the Energy Star program requirements”.

23 (2) BUILDING ENVELOPE COMPONENT.—Sub-
24 paragraph (D) of section 25C(e)(2) is amended—

1 (A) by inserting “or asphalt roof” after
2 “metal roof”, and

3 (B) by inserting “or cooling granules”
4 after “pigmented coatings”.

5 (e) NATURAL GAS FIRED HEAT PUMPS.—Section
6 25C(d)(3), as amended by this section, is amended by
7 striking “and” at the end of subparagraph (D), by strik-
8 ing the period at the end of subparagraph (E) and insert-
9 ing “, and”, and by adding at the end the following new
10 subparagraph:

11 “(F) a natural gas fired heat pump with a
12 heating coefficient of performance (COP) of at
13 least 1.1.”.

14 (f) ELIMINATION OF CREDIT FOR QUALIFIED EN-
15 ERGY EFFICIENCY IMPROVEMENTS IN 2010.—

16 (1) IN GENERAL.—Subsection (a) of section
17 25C is amended to read as follows:

18 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
19 dividual, there shall be allowed as a credit against the tax
20 imposed by this chapter for the taxable year an amount
21 equal to the amount of residential energy property expend-
22 itures paid or incurred by the taxpayer during the taxable
23 year.”.

24 (2) CONFORMING AMENDMENTS.—

1 (A) Section 25C(b), as amended by sub-
2 section (b), is amended by striking paragraphs
3 (1) and (2) and by redesignating paragraph (3)
4 as paragraph (1).

5 (B) Section 25C(b)(1), as redesignated by
6 subparagraph (A), is amended by striking “by
7 reason of subsection (a)(2)”.

8 (C) Section 25C is amended by striking
9 subsection (c).

10 (g) CLARIFICATION OF ELIGIBILITY OF STANDARDS
11 FOR QUALIFIED ENERGY PROPERTY.—Section
12 25C(d)(2)(C) is amended by striking “and” at the end of
13 clause (i), by striking the period at the end of clause (ii)
14 and inserting “, and”, and by adding at the end the fol-
15 lowing new clause:

16 “(iii) shall allow for the testing of
17 products regardless of the size or capacity
18 of the product.”.

19 (h) EFFECTIVE DATES.—

20 (1) IN GENERAL.—Except as provided in para-
21 graphs (2) and (3), the amendments made by this
22 section shall apply to property placed in service after
23 the date of the enactment of this Act.

24 (2) STANDARDS FOR ELECTRIC HEAT PUMPS
25 AND CENTRAL AIR CONDITIONERS.—The amend-

1 ments made by subparagraphs (A) and (B) sub-
2 section (c)(2) shall apply to property placed in serv-
3 ice after December 31, 2007.

4 (3) ELIMINATION OF CREDIT FOR QUALIFIED
5 ENERGY EFFICIENCY IMPROVEMENTS.—The amend-
6 ments made by subsection (f) shall apply to property
7 placed in service after December 31, 2009.

8 **SEC. 213. EXTENSION AND CLARIFICATION OF NEW EN-**
9 **ERGY EFFICIENT HOME CREDIT.**

10 (a) EXTENSION.—Subsection (g) of section 45L (re-
11 lating to termination), as amended by section 205 of divi-
12 sion A of the Tax Relief and Health Care Act of 2006,
13 is amended by striking “December 31, 2008” and insert-
14 ing “December 31, 2011”.

15 (b) CLARIFICATION.—

16 (1) IN GENERAL.—Paragraph (1) of section
17 45L(a) is amended by striking “and” at the end of
18 subparagraph (A) and by striking subparagraph (B)
19 and inserting the following:

20 “(B) acquired by a person from such eligi-
21 ble contractor, and

22 “(C) used by any person as a residence
23 during the taxable year.”.

1 (2) EFFECTIVE DATE.—The amendments made
2 by this subsection shall take effect as if included in
3 section 1332 of the Energy Policy Act of 2005.

4 **SEC. 214. EXTENSION AND MODIFICATION OF DEDUCTION**
5 **FOR ENERGY EFFICIENT COMMERCIAL**
6 **BUILDINGS.**

7 (a) EXTENSION.—Subsection (h) of section 179D
8 (relating to termination) is amended to read as follows:

9 “(h) TERMINATION.—This section shall not apply
10 with respect to property—

11 “(1) which is certified under subsection (d)(6)
12 after December 31, 2012, or

13 “(2) which is placed in service after December
14 31, 2014.

15 A provisional certification shall be treated as meeting the
16 requirements of paragraph (1) if it is based on the build-
17 ing plans, subject to inspection and testing after installa-
18 tion.”.

19 (b) INCREASE IN MAXIMUM AMOUNT OF DEDUC-
20 TION.—

21 (1) IN GENERAL.—Subparagraph (A) of section
22 179D(b)(1) is amended by striking “\$1.80” and in-
23 serting “\$2.25”.

24 (2) PARTIAL ALLOWANCE.—Paragraph (1) of
25 section 179D(d) is amended—

1 (A) by striking “\$.60” and inserting
2 “\$0.75”, and

3 (B) by striking “\$1.80” and inserting
4 “\$2.25”.

5 (c) MODIFICATIONS TO CERTAIN SPECIAL RULES.—

6 (1) METHODS OF CALCULATING ENERGY SAV-
7 INGS.—

8 (A) IN GENERAL.—Paragraph (2) of sec-
9 tion 179D(d) is amended—

10 (i) by inserting “in detail” after
11 “based”,

12 (ii) by inserting “, except that the
13 Secretary shall use Standard 90.1–2001 in
14 lieu of the California title 24 energy stand-
15 ards and the tables contained therein and
16 the Secretary may add requirements from
17 Standard 90.1–2001 (or any successor
18 standard)” before the period at the end,
19 and

20 (iii) by adding at the end the fol-
21 lowing new sentence: “The calculation
22 methods contained in such regulations
23 shall also provide for the calculation of ap-
24 propriate energy savings for design meth-
25 ods and technologies not otherwise credited

1 in such manual or standard, including en-
2 ergy savings associated with natural ven-
3 tilation, evaporative cooling, automatic
4 lighting controls (such as occupancy sen-
5 sors, photocells, and time clocks), day
6 lighting, designs utilizing semi-conditioned
7 spaces which maintain adequate comfort
8 conditions without air conditioning or with-
9 out heating, improved fan system efficiency
10 (including reductions in static pressure),
11 advanced unloading mechanisms for me-
12 chanical cooling (such as multiple or vari-
13 able speed compressors), on-site generation
14 of electricity (including combined heat and
15 power systems, fuel cells, and renewable
16 energy generation such as solar energy),
17 and wiring with lower energy losses than
18 wiring satisfying Standard 90.1–2001 re-
19 quirements for building power distribution
20 systems.”.

21 (B) REQUIREMENTS FOR COMPUTER SOFT-
22 WARE USED IN CALCULATING ENERGY AND
23 POWER CONSUMPTION COSTS.—Paragraph
24 (3)(B) of section 179D(d) is amended by strik-
25 ing “and” at the end of clause (ii), by striking

1 the period at the end of clause (iii) and insert-
2 ing “, and”, and by adding at the end the fol-
3 lowing:

4 “(iv) which automatically—

5 “(I) generates the features, en-
6 ergy use, and energy and power con-
7 sumption costs of a reference building
8 which meets Standard 90.1–2001,

9 “(II) generates the features, en-
10 ergy use, and energy and power con-
11 sumption costs of a compliant build-
12 ing or system which reduces the an-
13 nual energy and power costs by 50
14 percent compared to Standard 90.1–
15 2001, and

16 “(III) compares such features,
17 energy use, and consumption costs to
18 the features, energy use, and con-
19 sumption costs of the building or sys-
20 tem with respect to which the calcula-
21 tion is being made.”.

22 (2) TARGETS FOR PARTIAL ALLOWANCE OF
23 CREDIT.—Paragraph (1)(B) of section 179D(d) is
24 amended—

1 (A) by striking “The Secretary” and in-
2 serting the following:

3 “(i) IN GENERAL.—The Secretary”,
4 and

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

6 “(ii) ADDITIONAL REQUIREMENTS.—
7 For purposes of clause (i)—

8 “(I) the Secretary shall deter-
9 mine prescriptive criteria that can be
10 modeled explicitly for reference build-
11 ings which meet the requirements of
12 subsection (c)(1)(D) for different
13 building types and regions,

14 “(II) a system may be certified
15 as meeting the target under subpara-
16 graph (A)(ii) if the appropriate ref-
17 erence building either meets the re-
18 quirements of subsection (c)(1)(D)
19 with such system rather than the
20 comparable reference system (using
21 the calculation under paragraph (2))
22 or meets the relevant prescriptive cri-
23 teria under subclause (I), and

24 “(III) the lighting system target
25 shall be based on lighting power den-

1 sity, except that it shall allow lighting
2 controls credits that trade off for
3 lighting power density savings based
4 on Section 3.2.2 of the 2005 Cali-
5 fornia Nonresidential Alternative Cal-
6 culation Method Approval Manual.

7 “(iii) PUBLICATION.—The Secretary
8 shall publish in the Federal Register the
9 bases for the target levels established in
10 the regulations under clause (i).”.

11 (d) ALTERNATIVE STANDARDS.—Section 179D(d) is
12 amended by adding at the end the following new para-
13 graph:

14 “(7) ALTERNATIVE STANDARDS PENDING
15 FINAL REGULATIONS.—Until such time as the Sec-
16 retary issues final regulations under paragraph
17 (1)(B)—

18 “(A) in the case of property which is part
19 of a building envelope, the building envelope
20 system target under paragraph (1)(A)(ii) shall
21 be a 7 percent reduction in total annual energy
22 and power costs (determined in the same man-
23 ner as under subsection (c)(1)(D)), and

24 “(B) in the case of property which is part
25 of the heating, cooling, ventilation, and hot

1 water systems, the heating, cooling, ventilation,
2 and hot water system shall be treated as meet-
3 ing the target under paragraph (1)(A)(ii) if it
4 would meet the requirement in subsection
5 (c)(1)(D) if combined with a building envelope
6 system and lighting system which met their re-
7 spective targets under paragraph(1)(A)(ii) (in-
8 cluding interim targets in effect under sub-
9 sections (f) and subparagraph (A)).”.

10 (e) MODIFICATIONS TO LIGHTING STANDARDS.—

11 (1) STANDARDS TO BE ALTERNATE STAND-
12 ARDS.—Subsection (f) of section 179D is amended
13 by—

14 (A) striking “INTERIM” in the heading and
15 inserting “ALTERNATIVE”, and

16 (B) inserting “, or, if the taxpayer elects,
17 in lieu of the target set forth in such final regu-
18 lations” after “lighting system” at the end of
19 the matter preceding paragraph (1).

20 (2) QUALIFIED INDIVIDUALS.—Section
21 179D(d)(6)(C) is amended by adding at the end the
22 following: “For purposes of certification of whether
23 the alternative target for lighting systems under
24 subsection (f) is met, individuals qualified to deter-
25 mine compliance shall include individuals who are

1 certified as Lighting Certified (LC) by the National
2 Council on Qualifications for the Lighting Profes-
3 sions, Certified Energy Managers (CEM) by the As-
4 sociation of Energy Engineers, and LEED Accred-
5 ited Professionals (AP) by the U.S. Green Buildings
6 Council.”.

7 (3) REQUIREMENT FOR BILEVEL SWITCHING.—
8 Section 179D(f)(2) is amended by adding at the end
9 the following new subparagraph:

10 “(3) APPLICATION OF SUBSECTION TO BILEVEL
11 SWITCHING.—

12 “(A) IN GENERAL.—Notwithstanding para-
13 graph (2)(C)(i), this subsection shall apply to a
14 system which does not include provisions for
15 bilevel switching if the reduction in lighting
16 power density is at least 37.5 percent of the
17 minimum requirements in Table 9.3.1.1 or
18 Table 9.3.1.2 (not including additional interior
19 lighting allowances) of Standard 90.1–2001.

20 “(B) REDUCTION IN DEDUCTION.—In the
21 case of a system to which this subsection ap-
22 plies by reason of subparagraph (A), paragraph
23 (2) shall be applied—

1 “(i) by substituting ‘50 percent’ for
2 ‘40 percent’ in subparagraph (A) thereof,
3 and

4 “(ii) in subparagraph (B)(ii) there-
5 of—

6 “(I) by substituting ‘37.5 per-
7 centage points’ for ‘25 percentage
8 points’, and

9 “(II) by substituting ‘12.5’ for
10 ‘15’.”.

11 (f) PUBLIC PROPERTY.—Paragraph (4) of section
12 179(d) is amended by striking “the Secretary shall pro-
13 mulgate a regulation to allow the allocation of the deduc-
14 tion” and inserting “the deduction under this section shall
15 be allowed”.

16 (g) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to property placed in service in
18 taxable years beginning after the date of the enactment
19 of this Act.

20 **SEC. 215. DEDUCTION FOR ENERGY EFFICIENT LOW-RISE**
21 **BUILDINGS.**

22 (a) IN GENERAL.—Part VI of subchapter B of chap-
23 ter 1, as amended by section 404 of division A of the Tax
24 Relief and Health Care Act of 2006, is amended by insert-
25 ing after section 179E the following new section:

1 **“SEC. 179F. ENERGY EFFICIENT LOW-RISE BUILDINGS DE-**
2 **DUCTION.**

3 “(a) IN GENERAL.—There shall be allowed as a de-
4 duction an amount equal to the amount of qualified energy
5 efficiency expenditures paid or incurred by the taxpayer
6 during the taxable year.

7 “(b) LIMITATIONS.—

8 “(1) IN GENERAL.—The amount allowed as a
9 credit under subsection (a) with respect to any
10 dwelling unit shall not exceed the product of—

11 “(A) the qualified energy savings achieved,
12 and

13 “(B) \$12,000.

14 “(2) MINIMUM AMOUNT OF QUALIFIED ENERGY
15 SAVINGS.—No credit shall be allowed under sub-
16 section (a) with respect to any dwelling unit in a
17 qualified low-rise building which achieves a qualified
18 energy savings of less than 20 percent.

19 “(c) QUALIFIED ENERGY EFFICIENCY EXPENDI-
20 TURES.—For purposes of this section—

21 “(1) IN GENERAL.—The term ‘qualified energy
22 efficiency expenditures’ means any amount paid or
23 incurred which is related to producing qualified en-
24 ergy savings in any dwelling unit located in a quali-
25 fied low-rise building of the taxpayer which is lo-
26 cated in the United States.

1 “(2) NO DOUBLE BENEFIT FOR CERTAIN EX-
2 PENDITURES.—The term ‘qualified energy efficiency
3 expenditures’ shall not include any expenditure for
4 any property for which a deduction has been allowed
5 to the taxpayer under section 179G.

6 “(3) QUALIFIED LOW-RISE BUILDING.—The
7 term ‘qualified low-rise building’ means a building—

8 “(A) with respect to which depreciation is
9 allowable under section 167,

10 “(B) which is used for multifamily hous-
11 ing, and

12 “(C) which is not within the scope of
13 Standard 90.1–2001 (as defined under section
14 179D(c)(2)).

15 “(d) QUALIFIED ENERGY SAVINGS.—For purposes of
16 this section—

17 “(1) IN GENERAL.—The term ‘qualified energy
18 savings’ means, with respect to any dwelling unit in
19 a qualified low-rise building, the amount (measured
20 as a percentage) by which—

21 “(A) the annual energy use with respect to
22 such dwelling unit after qualified energy effi-
23 ciency expenditures are made, as certified under
24 paragraph (2), is less than

1 “(B) the annual energy use with respect to
2 such dwelling unit before the qualified energy
3 efficiency expenditures were made, as certified
4 under paragraph (2).

5 In determining annual energy use under subpara-
6 graph (B), any energy efficiency improvements
7 which are not attributable to qualified energy effi-
8 ciency expenditures shall be disregarded.

9 “(2) CERTIFICATION.—

10 “(A) IN GENERAL.—The Secretary, in con-
11 sultation with the Secretary of Energy, shall
12 prescribe the procedures and method for the
13 making of certifications under this paragraph
14 based on the Residential Energy Services Net-
15 work (RESNET) Technical Guidelines in effect
16 on the date of the enactment of this Act.

17 “(B) QUALIFIED INDIVIDUALS.—Any cer-
18 tification made under this paragraph may only
19 be made by an individual who is recognized by
20 an organization certified by the Secretary for
21 such purposes.

22 “(e) SPECIAL RULES.—For purposes of this section,
23 rules similar to the rules under paragraphs (8) and (9)
24 of section 25D(e) shall apply.

1 “(f) BASIS ADJUSTMENTS.—For purposes of this
2 subtitle, if a credit is allowed under this section with re-
3 spect to any expenditure with respect to any property, the
4 increase in the basis of such property which would (but
5 for this subsection) result from such expenditure shall be
6 reduced by the amount of the credit so allowed.

7 “(g) TERMINATION.—This section shall not apply
8 with respect to any property placed in service after Decem-
9 ber 31, 2011.”.

10 (b) CONFORMING AMENDMENTS.—

11 (1) Section 263(a)(1), as amended by section
12 404 of division A of the Tax Relief and Health Care
13 Act of 2006, the is amended by striking “or” at the
14 end of subparagraph (K), by striking the period at
15 the end of subparagraph (L) and inserting “, or”,
16 and by inserting after subparagraph (L) the fol-
17 lowing new subparagraph:

18 “(M) expenditures for which a deduction is
19 allowed under section 179F.”.

20 (2) Section 312(k)(3)(B) is amended by strik-
21 ing “179, 179A, 179B, 179C, 179D, or 179E” each
22 place it appears in the heading and text and insert-
23 ing “179, 179A, 179B, 179C, 179D, 179E, or
24 179F”.

1 (3) Section 1016(a), as amended by section
2 101, is amended by striking “and” at the end of
3 paragraph (37), by striking the period at the end of
4 paragraph (38) and inserting “, and”, and by add-
5 ing at the end the following new paragraph:

6 “(39) to the extent provided in section
7 179F(f).”.

8 (4) Section 1245(a) is amended by inserting
9 “179F,” after “179E,” both places it appears in
10 paragraphs (2)(C) and (3)(C).

11 (5) The table of sections for part VI of sub-
12 chapter B is amended by inserting after the item re-
13 lating to section 179E the following new item:

“Sec. 179F. Energy efficient low-rise buildings deduction.”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to amounts paid or incurred in tax-
16 able years beginning after the date of the enactment of
17 this Act.

18 **SEC. 216. ENERGY EFFICIENT PROPERTY DEDUCTION.**

19 (a) IN GENERAL.—Part VI of subchapter B of chap-
20 ter 1, as amended by section 203, is amended by inserting
21 after section 179F the following new section:

22 **“SEC. 179G. ENERGY EFFICIENT PROPERTY.**

23 “(a) IN GENERAL.—There shall be allowed as a de-
24 duction an amount equal to the energy efficient property

1 expenditures paid or incurred by the taxpayer during the
2 taxable year.

3 “(b) LIMITATION.—The amount of the deduction al-
4 lowed under subsection (a) for any taxable years shall not
5 exceed—

6 “(1) \$150 for any advanced main air circu-
7 lating fan,

8 “(2) \$450 for any qualified natural gas furnace
9 or qualified propane furnace, and

10 “(3) \$900 for—

11 “(A) any item of energy-efficient building
12 property, and

13 “(B) any qualified oil furnace, qualified
14 natural gas hot water boiler, qualified propane
15 hot water boiler, or qualified oil hot water boil-
16 er.

17 “(c) ENERGY EFFICIENT PROPERTY EXPENDI-
18 TURES.—For purposes of this section—

19 “(1) IN GENERAL.—The term ‘energy efficient
20 property expenditures’ means expenditures paid by
21 the taxpayer for qualified energy property which is—

22 “(A) of a character subject to the allow-
23 ance for depreciation, and

24 “(B) originally placed in service by the tax-
25 payer.

1 “(2) QUALIFIED ENERGY PROPERTY.—The
2 term ‘qualified energy property’ has the meaning
3 given such term by section 25C(d)(2).

4 “(d) BASIS ADJUSTMENTS.—For purposes of this
5 subtitle, if a deduction is allowed under this section with
6 respect to any expenditure with respect to any property,
7 the increase in the basis of such property which would (but
8 for this subsection) result from such expenditure shall be
9 reduced by the amount of the deduction so allowed.

10 “(e) TERMINATION.—This section shall not apply
11 with respect to any property placed in service after Decem-
12 ber 31, 2011.”.

13 (b) NO DOUBLE BENEFIT.—Section 179D(c) is
14 amended by adding at the end the following new para-
15 graph:

16 “(3) CERTAIN PROPERTY EXCLUDED.—The
17 term ‘energy efficient commercial building property’
18 does not include any property with respect to which
19 a credit has been allowed to the taxpayer under sec-
20 tion 179G.”.

21 (c) CONFORMING AMENDMENTS.—

22 (1) Section 263(a)(1), as amended by section
23 203, is amended by striking “or” at the end of sub-
24 paragraph (K), by striking the period at the end of
25 subparagraph (L) and inserting “, or”, and by in-

1 serting after subparagraph (L) the following new
2 subparagraph:

3 “(M) expenditures for which a deduction is
4 allowed under section 179G.”.

5 (2) Section 312(k)(3)(B), as amended by sec-
6 tion 203, is amended by striking “179, 179A, 179B,
7 179C, 179D, 179E, or 179F” each place it appears
8 in the heading and text and inserting “179, 179A,
9 179B, 179C, 179D, 179E, 179F, or 179G”.

10 (3) Section 1016(a), as amended by section
11 203, is amended by striking “and” at the end of
12 paragraph (38), by striking the period at the end of
13 paragraph (39) and inserting “, and”, and by add-
14 ing at the end the following new paragraph:

15 “(40) to the extent provided in section
16 179G(e).”.

17 (4) Section 1245(a), as amended by section 203
18 is amended by inserting “179G,” after “179F,” both
19 places it appears in paragraphs (2)(C) and (3)(C).

20 (5) The table of sections for part VI of sub-
21 chapter B is amended by inserting after the item re-
22 lating to section 179F the following new item:

“Sec. 179G. Energy efficient property.”.

23 (d) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to property placed in service in

1 taxable years beginning after the date of the enactment
2 of this Act.

3 **SEC. 217. CREDIT FOR ENERGY SAVINGS CERTIFICATIONS.**

4 (a) IN GENERAL.—Subpart D of part IV of sub-
5 chapter A of chapter 1 is amended by adding at the end
6 the following new section:

7 **“SEC. 450. ENERGY SAVINGS CERTIFICATION CREDIT.**

8 “(a) IN GENERAL.—For purposes of section 38, the
9 energy savings certification credit determined under this
10 section for any taxable year is an amount equal to the
11 sum of—

12 “(1) the qualified training and certification
13 costs paid or incurred by the taxpayer which may be
14 taken into account for such taxable year, plus

15 “(2) the qualified certification equipment ex-
16 penditures paid or incurred by the taxpayer which
17 may be taken into account for such taxable year.

18 “(b) QUALIFIED TRAINING AND CERTIFICATION
19 COSTS.—

20 “(1) IN GENERAL.—The term ‘qualified train-
21 ing and certification costs’ means costs paid or in-
22 curred for training which is required for the tax-
23 payer or employees of the taxpayer to be certified by
24 the Secretary under section 25D(d)(2)(B) or

1 179F(d)(2)(B) for the purpose of certifying energy
2 savings.

3 “(2) LIMITATION.—The qualified training and
4 certification costs taken into account under sub-
5 section (a)(1) for the taxable year with respect to
6 any individual shall not exceed \$500 reduced by the
7 amount of the credit allowed under subsection (a)(1)
8 to the taxpayer (or any predecessor) with respect to
9 such individual for all prior taxable years.

10 “(3) YEAR COSTS TAKEN INTO ACCOUNT.—
11 Qualified training and certifications costs with re-
12 spect to any individual shall not be taken into ac-
13 count under subsection (a)(1) before the taxable
14 year in which the individual with respect to whom
15 such costs are paid or incurred has performed 25
16 certifications under sections 25E(d)(2)(A) and
17 179F(d)(2)(A).

18 “(c) QUALIFIED CERTIFICATION EQUIPMENT EX-
19 PENDITURES.—

20 “(1) IN GENERAL.—The term ‘qualified train-
21 ing equipment expenditures’ means costs paid or in-
22 curred for—

23 “(A) blower doors,

24 “(B) duct leakage testing equipment,

25 “(C) flue gas combustion equipment, and

1 “(D) digital manometers.

2 “(2) LIMITATION.—

3 “(A) IN GENERAL.—The qualified certifi-
4 cation equipment expenditures taken into ac-
5 count under subsection (a)(2) with respect to
6 any taxpayer for any taxable year shall not ex-
7 ceed \$1,000.

8 “(B) LIMITATION ON INDIVIDUAL
9 ITEMS.—The qualified certification equipment
10 expenditures taken into account under sub-
11 section (a)(2) shall not exceed—

12 “(i) \$500 with respect to any blower
13 door or duct leakage testing equipment,
14 and

15 “(ii) \$100 with respect to any flue gas
16 combustion equipment or digital manom-
17 eter.

18 “(3) YEAR EXPENDITURES TAKEN INTO AC-
19 COUNT.—The qualified certification equipment ex-
20 penditures of any taxpayer shall not be taken into
21 account under subsection (a)(2) before the taxable
22 year in which the taxpayer has performed 25 certifi-
23 cations under sections 25E(d)(2)(A) and
24 179F(d)(2)(A).

25 “(d) SPECIAL RULES.—

1 “(1) AGGREGATION RULES.—For purposes of
2 this section, all persons treated as a single employer
3 under subsections (a) and (b) of section 52 shall be
4 treated as 1 person.

5 “(2) BASIS REDUCTION.—The basis of any
6 property shall be reduced by the portion of the cost
7 of such property taken into account under sub-
8 section (a).

9 “(3) DENIAL OF DOUBLE BENEFIT.—

10 “(A) IN GENERAL.—No deduction shall be
11 allowed for that portion of the expenses other-
12 wise allowable as a deduction for the taxable
13 year which is equal to the amount taken into
14 account under subsection (a) for such taxable
15 year.

16 “(B) AMOUNT PREVIOUSLY DEDUCTED.—
17 No credit shall be allowed under subsection (a)
18 with respect to any amount for which a deduc-
19 tion has been allowed in any preceding taxable
20 year.”.

21 (b) CREDIT TREATED AS PART OF GENERAL BUSI-
22 NESS CREDIT.—Section 38(b) is amended by striking
23 “plus” at the end of paragraph (30), by striking the period
24 at the end of paragraph (31) and inserting “plus”, and
25 by adding at the end the following new paragraph:

1 “(32) the energy savings certification credit de-
2 termined under section 45O(a).”.

3 (c) CONFORMING AMENDMENTS.—

4 (1) Section 1016(a), as amended by this Act, is
5 amended by striking “and” at the end of paragraph
6 (39), by striking the period at the end of paragraph
7 (40) and inserting “and”, and by adding at the end
8 the following new paragraph:

9 “(41) to the extent provided in section
10 45O(d)(2).”.

11 (2) The table of sections for subpart D of part
12 IV of subchapter A of chapter 1 is amended by in-
13 serting after the item relating to section 45N the
14 following new item:

“Sec. 45O. Energy savings certification credit.”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to amounts paid or incurred after
17 the date of the enactment of this Act.

18 **TITLE III—SAVE TAX PAYERS**
19 **MONEY**

20 **SEC. 301. REPEAL OF CERTAIN PROVISIONS OF THE EN-**
21 **ERGY POLICY ACT OF 2005.**

22 (a) REPEALS.—The following provisions of the En-
23 ergy Policy Act of 2005, and the items relating thereto
24 in the table of contents of that Act, are repealed:

1 (1) Section 342 (relating to program on oil and
2 gas royalties in-kind).

3 (2) Section 343 (relating to marginal property
4 production incentives).

5 (3) Section 344 (relating to incentives for nat-
6 ural gas production from deep wells in the shallow
7 waters of the Gulf of Mexico).

8 (4) Section 345 (relating to royalty relief for
9 deep water production).

10 (5) Section 357 (relating to comprehensive in-
11 ventory of OCS oil and natural gas resources).

12 (6) Subtitle J of title IX (relating to ultra-deep-
13 water and unconventional natural gas and other pe-
14 troleum resources).

15 (b) REPEAL OF ALASKA OFFSHORE ROYALTY SUS-
16 PENSION.—Section 8(a)(3)(B) of the Outer Continental
17 Shelf Lands Act (43 U.S.C. 1337(a)(3)(B)) is amended
18 by striking “and in the Planning Areas offshore Alaska”.

19 **SEC. 302. REPEAL OF CERTAIN TAX PROVISIONS OF THE**
20 **ENERGY POLICY ACT OF 2005.**

21 (a) REPEAL.—The following provisions, and amend-
22 ments made by such provisions, of the Energy Policy Act
23 of 2005 are hereby repealed:

24 (1) Section 1306 (relating to credit for produc-
25 tion from advanced nuclear power facilities).

1 (2) Section 1307 (relating to credit for invest-
2 ment in clean coal facilities).

3 (3) Section 1308 (relating to electric trans-
4 mission property treated as 15-year property).

5 (4) Section 1309 (relating to expansion of am-
6 ortization for certain atmospheric pollution control
7 facilities).

8 (5) Section 1310 (relating to modifications to
9 special rules for nuclear decommissioning costs).

10 (6) Section 1321 (relating to extension of credit
11 for producing fuel from nonconventional source
12 (coke or coke gas).

13 (7) Section 1323 (relating to temporary expens-
14 ing for equipment used in refining of liquid fuels).

15 (8) Section 1325 (relating to natural gas dis-
16 tribution lines treated as 15-year property).

17 (9) Section 1326 (relating to natural gas gath-
18 ering lines treated as 7-year property).

19 (10) Section 1328 (relating to determination of
20 small refiner exception to oil depletion deduction).

21 (11) Section 1329 (relating to amortization of
22 geological and geophysical expenditures).

23 (b) ADMINISTRATION OF INTERNAL REVENUE CODE
24 OF 1986.—The Internal Revenue Code of 1986 shall be

1 applied and administered as if the provisions, and amend-
 2 ments, specified in subsection (a) had never been enacted.

3 **TITLE IV—STATE AND LOCAL**
 4 **AUTHORITY**

5 **SEC. 401. STATE CONSUMER PRODUCT ENERGY EFFI-**
 6 **CIENCY STANDARDS.**

7 Section 327 of the Energy Policy and Conservation
 8 Act (42 U.S.C. 6297) is amended by adding at the end
 9 the following new subsection:

10 “(h) LIMITATION ON PREEMPTION.—Subsections (a),
 11 (b), and (c) shall not apply with respect to State regula-
 12 tion of energy consumption or water use of any covered
 13 product during any period of time—

14 “(1) after the expiration of 3 years after the re-
 15 quired date of issuance of a final rule determining
 16 whether Federal standards for such consumption or
 17 use will be established or revised, if such rule has
 18 not been issued; and

19 “(2) before the date on which such rule is
 20 issued.”.

21 **SEC. 402. APPEALS FROM CONSISTENCY DETERMINATIONS**
 22 **UNDER COASTAL ZONE MANAGEMENT ACT**
 23 **OF 1972.**

24 Section 319 of the Coastal Zone Management Act of
 25 1972 (16 U.S.C. 1465) is amended to read as if section

1 381 of the Energy Policy Act of 2005 (119 Stat. 737)
2 were not enacted.

3 **SEC. 403. SITING OF INTERSTATE ELECTRIC TRANSMISSION**
4 **FACILITIES.**

5 Section 216 of the Federal Power Act (16 U.S.C.
6 824p) is repealed.

7 **SEC. 404. NEW NATURAL GAS STORAGE FACILITIES.**

8 Subsection (f) of section 4 of the Natural Gas Act
9 (15 U.S.C. 717c(f)) is repealed.

10 **SEC. 405. PROCESS COORDINATION; HEARINGS; RULES OF**
11 **PROCEDURE.**

12 The amendments to the Natural Gas Act made by
13 section 313 of the Energy Policy Act of 2005 are repealed,
14 and the Natural Gas Act shall be administered as if those
15 amendments were never enacted.

16 **SEC. 406. REPEAL OF PREEMPTION OF STATE LAW RELAT-**
17 **ING TO AUTOMOBILE FUEL ECONOMY STAND-**
18 **ARDS.**

19 Section 32919 of title 49, United States Code, is re-
20 pealed.

21 **TITLE V—RENEWABLE ENERGY**
22 **RESEARCH AND DEVELOPMENT**

23 **SEC. 501. ADVANCED BIOFUEL TECHNOLOGIES.**

24 (a) IN GENERAL.—The Secretary of Energy shall
25 carry out a program of research, development, demonstra-

1 tion, and commercial application for production of motor
2 and other fuels from biomass.

3 (b) OBJECTIVES.—The Secretary shall design the
4 program under this section to—

5 (1) develop technologies that would make eth-
6 anol produced from cellulosic feedstocks cost com-
7 petitive with ethanol produced from corn by 2012;

8 (2) conduct research and development on how
9 to apply advanced genetic engineering and bio-
10 engineering techniques to increase the efficiency and
11 lower the cost of industrial-scale production of liquid
12 fuels from cellulosic feedstocks; and

13 (3) conduct research and development on the
14 production of hydrocarbons other than ethanol from
15 biomass.

16 (c) INSTITUTION OF HIGHER EDUCATION GRANTS.—
17 The Secretary shall designate not less than 10 percent of
18 the funds appropriated under subsection (d) for each fiscal
19 year to carry out the program for grants to competitively
20 selected institutions of higher education around the coun-
21 try focused on meeting the objectives stated in subsection
22 (b).

23 (d) AUTHORIZATION OF APPROPRIATIONS.—From
24 amounts authorized to be appropriated under section
25 931(c) of the Energy Policy Act of 2005 (42 U.S.C.

1 16231(c)), there are authorized to be appropriated to the
2 Secretary to carry out this section—

3 (1) \$150,000,000 for fiscal year 2008;

4 (2) \$160,000,000 for fiscal year 2009; and

5 (3) \$175,000,000 for fiscal year 2010.

6 **SEC. 502. ADVANCED HYDROGEN STORAGE TECH-**
7 **NOLOGIES.**

8 (a) **IN GENERAL.**—The Secretary of Energy shall
9 carry out a program of research, development, demonstra-
10 tion, and commercial application for technologies to enable
11 practical onboard storage of hydrogen for use as a fuel
12 for light-duty motor vehicles.

13 (b) **OBJECTIVE.**—The Secretary shall design the pro-
14 gram under this section to develop practical hydrogen
15 storage technologies that would enable a hydrogen-fueled
16 light-duty motor vehicle to travel 300 miles before refuel-
17 ing.

18 **SEC. 503. ADVANCED SOLAR PHOTOVOLTAIC TECH-**
19 **NOLOGIES.**

20 (a) **IN GENERAL.**—The Secretary of Energy shall
21 carry out a program of research, development, demonstra-
22 tion, and commercial application for advanced solar photo-
23 voltaic technologies.

1 (b) OBJECTIVES.—The Secretary shall design the
2 program under this section to develop technologies that
3 would—

4 (1) make electricity generated by solar photo-
5 voltaic power cost-competitive by 2015; and

6 (2) enable the widespread use of solar photo-
7 voltaic power.

8 (c) AUTHORIZATION OF APPROPRIATIONS.—There
9 are authorized to be appropriated to the Secretary to carry
10 out this section—

11 (1) \$148,000,000 for fiscal year 2008;

12 (2) \$155,000,000 for fiscal year 2009;

13 (3) \$165,000,000 for fiscal year 2010; and

14 (4) \$180,000,000 for fiscal year 2012.

15 **SEC. 504. ADVANCED WIND ENERGY TECHNOLOGIES.**

16 (a) IN GENERAL.—The Secretary of Energy shall
17 carry out a program of research, development, demonstra-
18 tion, and commercial application for advanced wind energy
19 technologies.

20 (b) OBJECTIVES.—The Secretary shall design the
21 program under this section to—

22 (1) improve the efficiency and lower the cost of
23 wind turbines;

24 (2) minimize adverse environmental impacts;

25 and

1 (3) develop new small-scale wind energy tech-
2 nologies for use in low wind speed environments.

3 (c) **AUTHORIZATION OF APPROPRIATIONS.**—There
4 are authorized to be appropriated to the Secretary to carry
5 out this section—

6 (1) \$44,000,000 for fiscal year 2008;

7 (2) \$48,400,000 for fiscal year 2009;

8 (3) \$53,240,000 for fiscal year 2010; and

9 (4) \$58,564,000 for fiscal year 2011.

10 **SEC. 505. CONTINUING PROGRAMS.**

11 The Secretary of Energy shall continue to carry out
12 the research, development, demonstration, and commercial
13 application activities authorized in sections 921(b)(1) (for
14 distributed energy), 923 (for micro-cogeneration tech-
15 nology), and 931(a)(2)(C), (D), and (E)(i) (for geothermal
16 energy, hydropower, and ocean energy) of the Energy Pol-
17 icy Act of 2005.

18 **SEC. 506. PLUG-IN HYBRID ELECTRIC VEHICLE TECH-**
19 **NOLOGY PROGRAM.**

20 (a) **SHORT TITLE.**—This section may be cited as the
21 “Plug-In Hybrid Electric Vehicle Act of 2007”.

22 (b) **DEFINITIONS.**—In this section:

23 (1) **BATTERY.**—The term “battery” means a
24 device or system for the electrochemical storage of
25 energy.

1 (2) E85.—The term “E85” means a fuel blend
2 containing 85 percent ethanol and 15 percent gaso-
3 line by volume.

4 (3) ELECTRIC DRIVE TRANSPORTATION TECH-
5 NOLOGY.—The term “electric drive transportation
6 technology” means—

7 (A) vehicles that use an electric motor for
8 all or part of their motive power and that may
9 or may not use offboard electricity, including
10 battery electric vehicles, hybrid electric vehicles,
11 plug-in hybrid electric vehicles, flexible fuel
12 plug-in hybrid electric vehicles, and electric rail;
13 and

14 (B) related equipment, including electric
15 equipment necessary to recharge a plug-in hy-
16 brid electric vehicle.

17 (4) FLEXIBLE FUEL PLUG-IN HYBRID ELEC-
18 TRIC VEHICLE.—The term “flexible fuel plug-in hy-
19 brid electric vehicle” means a plug-in hybrid electric
20 vehicle warranted by its manufacturer as capable of
21 operating on any combination of gasoline or E85 for
22 its onboard internal combustion or heat engine.

23 (5) HYBRID ELECTRIC VEHICLE.—The term
24 “hybrid electric vehicle” means a vehicle that—

1 (A) can be propelled using liquid combus-
2 tible fuel and electric power provided by an on-
3 board battery; and

4 (B) utilizes regenerative power capture
5 technology to recover energy expended in brak-
6 ing the vehicle for use in recharging the bat-
7 tery.

8 (6) PLUG-IN HYBRID ELECTRIC VEHICLE.—The
9 term “plug-in hybrid electric vehicle” means a hy-
10 brid electric onroad light-duty vehicle that can be
11 propelled solely on electric power for a minimum of
12 20 miles under city driving conditions, and that is
13 capable of recharging its battery from an offboard
14 electricity source.

15 (c) PROGRAM.—The Secretary of Energy shall con-
16 duct a program of research, development, demonstration,
17 and commercial application on technologies needed for the
18 development of plug-in hybrid electric vehicles and electric
19 drive transportation, including—

20 (1) high capacity, high efficiency batteries, to—

21 (A) improve battery life, energy storage ca-
22 pacity, and power delivery capacity, and lower
23 cost; and

24 (B) minimize waste and hazardous mate-
25 rial production in the entire value chain, includ-

1 ing after the end of the useful life of the bat-
2 teries;

3 (2) high efficiency onboard and offboard charg-
4 ing components;

5 (3) high power drive train systems for pas-
6 senger and commercial vehicles and for supporting
7 equipment;

8 (4) onboard energy management systems, power
9 trains, and systems integration for plug-in hybrid
10 electric vehicles, flexible fuel plug-in hybrid electric
11 vehicles, and hybrid electric vehicles, including effi-
12 cient cooling systems and systems that minimize the
13 emissions profile of such vehicles; and

14 (5) lightweight materials, including research,
15 development, demonstration, and commercial appli-
16 cation to reduce the cost of materials such as steel
17 alloys and carbon fibers.

18 (d) PLUG-IN HYBRID ELECTRIC VEHICLE DEM-
19 ONSTRATION PROGRAM.—

20 (1) ESTABLISHMENT.—The Secretary shall es-
21 tablish a competitive grant pilot demonstration pro-
22 gram to provide not more than 25 grants annually
23 to State governments, local governments and public
24 entities, metropolitan transportation authorities, or
25 combinations thereof to carry out a project or

1 projects for demonstration of plug-in hybrid electric
2 vehicles.

3 (2) APPLICATIONS.—

4 (A) REQUIREMENTS.—The Secretary shall
5 issue requirements for applying for grants
6 under the demonstration pilot program. The
7 Secretary shall require that applications, at a
8 minimum, include a description of how data will
9 be—

10 (i) collected on the—

11 (I) performance of the vehicle or
12 vehicles and the components, includ-
13 ing the battery, energy management,
14 and charging systems, under various
15 driving speeds, trip ranges, traffic,
16 and other driving conditions;

17 (II) costs of the vehicle or vehi-
18 cles, including acquisition, operating,
19 and maintenance costs, and how the
20 project or projects will be self-sus-
21 taining after Federal assistance is
22 completed; and

23 (III) emissions of the vehicle or
24 vehicles, including greenhouse gases,
25 and the amount of petroleum dis-

1 placed as a result of the project or
2 projects; and

3 (ii) summarized for dissemination to
4 the Department, other grantees, and the
5 public.

6 (B) PARTNERS.—An applicant under sub-
7 paragraph (A) may carry out a project or
8 projects under the pilot program in partnership
9 with one or more private or nonprofit entities,
10 which may include institutions of higher edu-
11 cation, including Historically Black Colleges
12 and Universities, Hispanic Serving Institutions,
13 and other minority-serving institutions.

14 (3) SELECTION CRITERIA.—

15 (A) PREFERENCE.—When making awards
16 under this subsection, the Secretary shall con-
17 sider each applicant’s previous experience in-
18 volving plug-in hybrid electric vehicles and shall
19 give preference to proposals that—

20 (i) provide the greatest demonstration
21 per award dollar, with preference increas-
22 ing as the number of miles that a plug-in
23 hybrid electric vehicle can be propelled
24 solely on electric power under city driving
25 conditions increases; and

1 (ii) maximize the non-Federal share of
2 project funding and demonstrate the great-
3 est likelihood that each project proposed in
4 the application will be maintained or ex-
5 panded after Federal assistance under this
6 subsection is completed.

7 (B) BREADTH OF DEMONSTRATIONS.—In
8 awarding grants under this subsection, the Sec-
9 retary shall ensure the program will dem-
10 onstrate plug-in hybrid electric vehicles under
11 various circumstances, including—

- 12 (i) driving speeds;
13 (ii) trip ranges;
14 (iii) driving conditions;
15 (iv) climate conditions; and
16 (v) topography,

17 to optimize understanding and function of plug-
18 in hybrid electric vehicles.

19 (4) PILOT PROJECT REQUIREMENTS.—

20 (A) SUBSEQUENT FUNDING.—An applicant
21 that has received a grant in one year may apply
22 for additional funds in subsequent years, but
23 the Secretary shall not provide more than
24 \$10,000,000 in Federal assistance under the
25 pilot program to any applicant for the period

1 encompassing fiscal years 2008 through fiscal
2 year 2012.

3 (B) INFORMATION.—The Secretary shall
4 establish mechanisms to ensure that the infor-
5 mation and knowledge gained by participants in
6 the pilot program are shared among the pilot
7 program participants and are available to other
8 interested parties, including other applicants.

9 (5) AWARD AMOUNTS.—The Secretary shall de-
10 termine grant amounts, but the maximum size of
11 grants shall decline as the cost of producing plug-in
12 hybrid electric vehicles declines or the cost of con-
13 verting a hybrid electric vehicle to a plug-in hybrid
14 electric vehicle declines.

15 (e) COST SHARING.—The Secretary shall carry out
16 the program under this section in compliance with section
17 988(a) through (d) and section 989 of the Energy Policy
18 Act of 2005 (42 U.S.C. 16352(a) through (d) and 16353).

19 (f) AUTHORIZATION OF APPROPRIATIONS.—There
20 are authorized to be appropriated to the Secretary—

21 (1) for carrying out subsection (e),
22 \$250,000,000 for each of fiscal years 2008 through
23 2012, of which up to \$50,000,000 may be used for
24 the program described in paragraph (5) of that sub-
25 section; and

1 (2) for carrying out subsection (d),
2 \$50,000,000 for each of fiscal years 2008 through
3 2012.

4 **SEC. 507. PHOTOVOLTAIC DEMONSTRATION PROGRAM.**

5 (a) **SHORT TITLE.**—This section may be cited as the
6 “Solar Utilization Now Demonstration Act of 2007” or
7 the “SUN Act of 2007”.

8 (b) **IN GENERAL.**—The Secretary of Energy shall es-
9 tablish a program of grants to States to demonstrate ad-
10 vanced photovoltaic technology.

11 (c) **REQUIREMENTS.**—

12 (1) **ABILITY TO MEET REQUIREMENTS.**—To re-
13 ceive funding under the program under this section,
14 a State must submit a proposal that demonstrates,
15 to the satisfaction of the Secretary, that the State
16 will meet the requirements of subsection (g).

17 (2) **COMPLIANCE WITH REQUIREMENTS.**—If a
18 State has received funding under this section for the
19 preceding year, the State must demonstrate, to the
20 satisfaction of the Secretary, that it complied with
21 the requirements of subsection (g) in carrying out
22 the program during that preceding year, and that it
23 will do so in the future, before it can receive further
24 funding under this section.

1 (3) FUNDING ALLOCATION.—Except as pro-
2 vided in subsection (d), each State submitting a pro-
3 posal that meets the requirements under subsection
4 (c) shall receive funding under the program based on
5 the proportion of United States population in the
6 State according to the 2000 census. In each fiscal
7 year, the portion of funds attributable under this
8 paragraph to States that have not submitted pro-
9 posals that meet the requirements under subsection
10 (c) in the time and manner specified by the Sec-
11 retary shall be distributed pro rata to the States
12 that have submitted proposals that meet the require-
13 ments under subsection (c) in the specified time and
14 manner.

15 (d) COMPETITION.—If more than \$80,000,000 is
16 available for the program under this section for any fiscal
17 year, the Secretary shall allocate 75 percent of the total
18 amount of funds available according to subsection (c)(3),
19 and shall award the remaining 25 percent on a competitive
20 basis to the States with the proposals the Secretary con-
21 siders most likely to encourage the widespread adoption
22 of photovoltaic technologies. In awarding funds under this
23 subsection, the Secretary may give preference to proposals
24 that would demonstrate the use of newer materials or
25 technologies.

1 (e) PROPOSALS.—Not later than 6 months after the
2 date of enactment of this Act, and in each subsequent fis-
3 cal year for the life of the program, the Secretary shall
4 solicit proposals from the States to participate in the pro-
5 gram under this section.

6 (f) COMPETITIVE CRITERIA.—In awarding funds in
7 a competitive allocation under subsection (d), the Sec-
8 retary shall consider—

9 (1) the likelihood of a proposal to encourage the
10 demonstration of, or lower the costs of, advanced
11 photovoltaic technologies; and

12 (2) the extent to which a proposal is likely to—

13 (A) maximize the size of photovoltaic in-
14 stallation, based on rated capacity;

15 (B) maximize the proportion of non-Fed-
16 eral cost share; and

17 (C) limit State administrative costs.

18 (g) STATE PROGRAM.—A program operated by a
19 State with funding under this section shall provide com-
20 petitive awards for the demonstration of advanced photo-
21 voltaic technologies. Each State program shall—

22 (1) require a contribution of at least 60 percent
23 per award from non-Federal sources, which may in-
24 clude any combination of State, local, and private

1 funds, except that at least 10 percent of the funding
2 must be supplied by the State;

3 (2) limit awards for any single project to a
4 maximum of \$5,000,000;

5 (3) prohibit any nongovernmental recipient
6 from receiving more than \$1,000,000 per year;

7 (4) endeavor to fund recipients in the commer-
8 cial, industrial, institutional, governmental, and resi-
9 dential sectors;

10 (5) limit State administrative costs to no more
11 than 10 percent of the grant;

12 (6) report annually to the Secretary on—

13 (A) the amount of funds disbursed;

14 (B) the rated capacity of the photovoltaics
15 purchased and installed; and

16 (C) the results of the monitoring under
17 paragraph (7);

18 (7) provide for measurement and verification of
19 the output of a representative sample of the
20 photovoltaics systems demonstrated throughout the
21 average working life of the systems, or at least 20
22 years;

23 (8) require that applicant buildings must have
24 received an independent energy efficiency audit dur-

1 ing the 6-month period preceding the filing of the
2 application; and

3 (9) encourage Historically Black Colleges and
4 Universities, Hispanic Serving Institutions, and
5 other minority-serving institutions to apply for
6 grants under this program.

7 (h) UNEXPENDED FUNDS.—If a State fails to expend
8 any funds received under subsection (c) or (d) within 3
9 years of receipt, such remaining funds shall be returned
10 to the Treasury.

11 (i) REPORTS.—The Secretary shall report to Con-
12 gress 5 years after funds are first distributed to the States
13 under this section—

14 (1) the amount of photovoltaics demonstrated;

15 (2) the number of projects undertaken;

16 (3) the administrative costs of the program;

17 (4) the amount of funds that each State has
18 not received because of a failure to submit a quali-
19 fying proposal, as described in subsection (c)(3);

20 (5) the results of the monitoring under sub-
21 section (g)(7); and

22 (6) the total amount of funds distributed, in-
23 cluding a breakdown by State.

1 (j) AUTHORIZATION OF APPROPRIATIONS.—There
2 are authorized to be appropriated to the Secretary for the
3 purposes of carrying out this section—

- 4 (1) \$50,000,000 for fiscal year 2008;
5 (2) \$100,000,000 for fiscal year 2009;
6 (3) \$150,000,000 for fiscal year 2010;
7 (4) \$200,000,000 for fiscal year 2011; and
8 (5) \$300,000,000 for fiscal year 2012.

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