109TH CONGRESS
2D SESSION

S. 2747

To enhance energy efficiency and conserve oil and natural gas, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 4, 2006

Mr. BINGAMAN (for himself, Mr. BAYH, Mr. COLEMAN, Mr. LIEBERMAN, Mr. CHAFEE, Ms. CANTWELL, Ms. COLLINS, Mr. SALAZAR, Mr. KERRY, Mrs. CLINTON, and Mr. NELSON of Florida) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

---

A BILL

To enhance energy efficiency and conserve oil and natural gas, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Enhanced Energy Security Act of 2006''.

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

SEC. 2. DEFINITION OF SECRETARY.

In this Act, the term ''Secretary'' means the Secretary of Energy.

TITLE I—NATIONAL OIL SAVINGS PLAN AND REQUIREMENTS

SEC. 101. OIL SAVINGS TARGET AND ACTION PLAN.

Not later than 270 days after the date of enactment of this Act, the Director of the Office of Management and Budget (referred to in this title as the ''Director'') shall publish in the Federal Register an action plan consisting of—

(1) a list of requirements proposed or to be proposed pursuant to section 102 that are authorized to be issued under law in effect on the date of enactment of this Act, and this Act, that will be sufficient, when taken together, to save from the baseline determined under section 105—

(A) 2,500,000 barrels of oil per day on average during calendar year 2016;

(B) 7,000,000 barrels of oil per day on average during calendar year 2026; and

(C) 10,000,000 barrels per day on average during calendar year 2031; and

(2) a Federal Government-wide analysis of—

(A) the expected oil savings from the baseline to be accomplished by each requirement; and

(B) whether all such requirements, taken together, will achieve the oil savings specified in this section.

SEC. 102. STANDARDS AND REQUIREMENTS.

(a) IN GENERAL.—On or before the date of publication of the action plan under section 101, the Secretary of Energy, the Secretary of Transportation, the Secretary of Defense, the Secretary of Agriculture, the Administrator of the Environmental Protection Agency, and the head of any other agency the President determines appropriate shall each propose, or issue a notice of intent to propose, regulations establishing each standard or other requirement listed in the action plan that is under the jurisdiction of the respective agency using authorities described in subsection (b).

(b) AUTHORITIES.—The head of each agency described in subsection (a) shall use to carry out this section—

(1) any authority in existence on the date of enactment of this Act (including regulations); and

(2) any new authority provided under this Act (including an amendment made by this Act).

(c) FINAL REGULATIONS.—Not later than 18 months after the date of enactment of this Act, the head of each

agency described in subsection (a) shall promulgate final versions of the regulations required under this section.

(d) AGENCY ANALYSES.—Each proposed and final regulation promulgated under this section shall—

(1) be designed to achieve at least the oil savings resulting from the regulation under the action plan published under section 101; and

(2) be accompanied by an analysis by the applicable agency describing the manner in which the regulation will promote the achievement of the oil savings from the baseline determined under section 105.

SEC. 103. INITIAL EVALUATION.

(a) IN GENERAL.—Not later than 2 years after the date of enactment of this Act, the Director shall publish in the Federal Register a Federal Government-wide analysis of the oil savings achieved from the baseline established under section 105.

(b) INADEQUATE OIL SAVINGS.—If the oil savings are less than the targets established under section 101, simultaneously with the analysis required under subsection (a)—

(1) the Director shall publish a revised action plan that is adequate to achieve the targets; and

(2) the Secretary of Energy, the Secretary of Transportation, and the Administrator shall propose new or revised regulations under subsections (a), (b), and (c), respectively, of section 102.

(c) FINAL REGULATIONS.—Not later than 180 days after the date on which regulations are proposed under subsection (b)(2), the Secretary of Energy, the Secretary of Transportation, and the Administrator shall promulgate final versions of those regulations.

SEC. 104. REVIEW AND UPDATE OF ACTION PLAN.

(a) REVIEW.—Not later than January 1, 2011, and every 3 years thereafter, the Director shall submit to Congress, and publish, a report that—

(1) evaluates the progress achieved in implementing the oil savings targets established under section 101;

(2) analyzes the expected oil savings under the standards and requirements established under this Act and the amendments made by this Act; and

(3)(A) analyzes the potential to achieve oil savings that are in addition to the savings required by section 101; and

(B) if the President determines that it is in the national interest, establishes a higher oil savings tar-

get for calendar year 2017 or any subsequent calendar year.

(b) INADEQUATE OIL SAVINGS.—If the oil savings are less than the targets established under section 101, simultaneously with the report required under subsection (a)—

(1) the Director shall publish a revised action plan that is adequate to achieve the targets; and

(2) the Secretary of Energy, the Secretary of Transportation, and the Administrator shall propose new or revised regulations under subsections (a), (b), and (c), respectively, of section 102.

(c) FINAL REGULATIONS.—Not later than 180 days after the date on which regulations are proposed under subsection (b)(2), the Secretary of Energy, the Secretary of Transportation, and the Administrator shall promulgate final versions of those regulations.

SEC. 105. BASELINE AND ANALYSIS REQUIREMENTS.

In performing the analyses and promulgating proposed or final regulations to establish standards and other requirements necessary to achieve the oil savings required by this title, the Secretary of Energy, the Secretary of Transportation, the Secretary of Defense, the Secretary of Agriculture, the Administrator of the Environmental

Protection Agency, and the head of any other agency the President determines to be appropriate shall—

(1) determine oil savings as the projected reduction in oil consumption from the baseline established by the reference case contained in the report of the Energy Information Administration entitled ''Annual Energy Outlook 2005'';

(2) determine the oil savings projections required on an annual basis for each of calendar years 2009 through 2026; and

(3) account for any overlap among the standards and other requirements to ensure that the projected oil savings from all the promulgated standards and requirements, taken together, are as accurate as practicable.

TITLE II—FEDERAL PROGRAMS FOR THE CONSERVATION OF OIL

SEC. 201. FEDERAL FLEET CONSERVATION REQUIREMENTS.

(a) IN GENERAL.—Part J of title IV of the Energy Policy and Conservation Act (42 U.S.C. 6374 et seq.) is amended by adding at the end the following:

"SEC. 400FF. FEDERAL FLEET CONSERVATION REQUIREMENTS.

"(a) MANDATORY REDUCTION IN PETROLEUM CONSUMPTION.—

"(1) IN GENERAL.—The Secretary shall issue regulations for Federal fleets subject to section 400AA requiring that not later than October 1, 2009, each Federal agency achieve at least a 20 percent reduction in petroleum consumption, as calculated from the baseline established by the Secretary for fiscal year 1999.

"(2) PLAN.—

"(A) REQUIREMENT.—The regulations shall require each Federal agency to develop a plan to meet the required petroleum reduction level.

"(B) MEASURES.—The plan may allow an agency to meet the required petroleum reduction level through—

"(i) the use of alternative fuels;

"(ii) the acquisition of vehicles with higher fuel economy, including hybrid vehicles;

"(iii) the substitution of cars for light trucks;

''(iv) an increase in vehicle load factors;

''(v) a decrease in vehicle miles traveled;

''(vi) a decrease in fleet size; and

''(vii) other measures.

''(C) REPLACEMENT TIRES.—The regulations shall include a requirement that each Federal agency purchase energy-efficient replacement tires for the respective fleet vehicles of the agency.

''(b) FEDERAL EMPLOYEE INCENTIVE PROGRAMS FOR REDUCING PETROLEUM CONSUMPTION.—

''(1) IN GENERAL.—Each Federal agency shall actively promote incentive programs that encourage Federal employees and contractors to reduce petroleum through the use of practices such as—

''(A) telecommuting;

''(B) public transit;

''(C) carpooling; and

''(D) bicycling.

''(2) MONITORING AND SUPPORT FOR INCENTIVE PROGRAMS.—The Administrator of the General Services Administration, the Director of the Office of Personnel Management, and the Secretary of the

Department of Energy shall monitor and provide appropriate support to agency programs described in paragraph (1).''.

(b) TABLE OF CONTENTS AMENDMENT.—The table of contents of the Energy Policy and Conservation Act (42 U.S.C. prec. 6201) is amended by adding at the end of the items relating to part J of title III the following:

''Sec. 400FF. Federal fleet conservation requirements.''.

SEC. 202. ASSISTANCE FOR STATE PROGRAMS TO RETIRE FUEL-INEFFICIENT MOTOR VEHICLES.

(a) DEFINITIONS.—In this section:

(1) FUEL-EFFICIENT AUTOMOBILE.—The term ''fuel-efficient automobile'' means a passenger automobile or a light-duty truck that has a fuel economy rating that is 40 percent greater than the average fuel economy standard prescribed pursuant to section 32902 of title 49, United States Code, or other law, applicable to the passenger automobile or light-duty truck.

(2) FUEL-INEFFICIENT AUTOMOBILES.—The term ''fuel-inefficient automobile'' means a passenger automobile or a light-duty truck manufactured in a model year more than 15 years before the fiscal year in which appropriations are made under subsection (f) that, at the time of manufacture, had

a fuel economy rating that was equal to or less than 20 miles per gallon.

(3) LIGHT-DUTY TRUCK.—

(A) IN GENERAL.—The term ''light-duty truck'' means an automobile that is not a passenger automobile.

(B) INCLUSIONS.—The term ''light-duty truck'' includes a pickup truck, a van, or a four-wheel-drive general utility vehicle, as those terms are defined in section 600.002–85 of title 40, Code of Federal Regulations.

(4) STATE.—The term ''State'' means any of the several States and the District of Columbia.

(b) ESTABLISHMENT.—The Secretary shall establish a program, to be known as the ''National Motor Vehicle Efficiency Improvement Program,'' under which the Secretary shall provide grants to States to operate voluntary programs to offer owners of fuel inefficient automobiles financial incentives to replace the automobiles with fuel efficient automobiles.

(c) ELIGIBILITY CRITERIA.—The Secretary shall approve a State plan and provide the funds made available under subsection (f), if the State plan—

(1) except as provided in paragraph (8), requires that all passenger automobiles and light-duty

trucks turned in be scrapped, after allowing a period of time for the recovery of spare parts;

(2) requires that all passenger automobiles and light-duty trucks turned in be registered in the State in order to be eligible;

(3) requires that all passenger automobiles and light-duty trucks turned in be operational at the time that the passenger automobiles and light-duty trucks are turned in;

(4) restricts automobile owners (except not-for-profit organizations) from turning in more than 1 passenger automobile and 1 light-duty truck during a 1-year period;

(5) provides an appropriate payment to the person recycling the scrapped passenger automobile or light-duty truck for each turned-in passenger automobile or light-duty truck;

(6) subject to subsection (d)(2), provides a minimum payment to the automobile owner for each passenger automobile and light-duty truck turned in; and

(7) provides appropriate exceptions to the scrappage requirement for vehicles that qualify as antique cars under State law.

(d) STATE PLAN.—

(1) IN GENERAL.—To be eligible to receive funds under the program, the Governor of a State shall submit to the Secretary a plan to carry out a program under this section in that State.

(2) ADDITIONAL STATE CREDIT.—In addition to the payment under subsection (c)(6), the State plan may provide a credit that may be redeemed by the owner of the replaced fuel-inefficient automobile at the time of purchase of the new fuel-efficient automobile.

(e) ALLOCATION FORMULA.—The amounts appropriated pursuant to subsection (f) shall be allocated among the States on the basis of the number of registered motor vehicles in each State at the time that the Secretary needs to compute shares under this subsection.

(f) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary such sums as are necessary to carry out this section, to remain available until expended.

SEC. 203. ASSISTANCE TO STATES TO REDUCE SCHOOL BUS IDLING.

(a) STATEMENT OF POLICY.—Congress encourages each local educational agency (as defined in section 9101(26) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7801(26))) that receives Federal funds

under the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) to develop a policy to reduce the incidence of school bus idling at schools while picking up and unloading students.

(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary of Energy, working in coordination with the Secretary of Education, $5,000,000 for each of fiscal years 2007 through 2012 for use in educating States and local education agencies about—

(1) benefits of reducing school bus idling; and

(2) ways in which school bus idling may be reduced.

SEC. 204. NEAR-TERM VEHICLE TECHNOLOGY PROGRAM.

(a) PURPOSES.—The purposes of this section are—

(1) to enable and promote, in partnership with industry, comprehensive development, demonstration, and commercialization of a wide range of electric drive components, systems, and vehicles using diverse electric drive transportation technologies;

(2) to make critical public investments to help private industry, institutions of higher education, National Laboratories, and research institutions to expand innovation, industrial growth, and jobs in the United States;

(3) to expand the availability of the existing electric infrastructure for fueling light duty transportation and other on-road and nonroad vehicles that are using petroleum and are mobile sources of emissions—

(A) including the more than 3,000,000 reported units (such as electric forklifts, golf carts, and similar nonroad vehicles) in use on the date of enactment of this Act; and

(B) with the goal of enhancing the energy security of the United States, reduce dependence on imported oil, and reduce emissions through the expansion of grid supported mobility;

(4) to accelerate the widespread commercialization of all types of electric drive vehicle technology into all sizes and applications of vehicles, including commercialization of plug-in hybrid electric vehicles and plug-in hybrid fuel cell vehicles; and

(5) to improve the energy efficiency of and reduce the petroleum use in transportation.

(b) DEFINITIONS.—In this section:

(1) BATTERY.—The term ''battery'' means an energy storage device used in an on-road or nonroad

vehicle powered in whole or in part using an off-board or on-board source of electricity.

(2) ELECTRIC DRIVE TRANSPORTATION TECHNOLOGY.—The term ''electric drive transportation technology'' means—

(A) vehicles that use an electric motor for all or part of their motive power and that may or may not use off-board electricity, including battery electric vehicles, fuel cell vehicles, engine dominant hybrid electric vehicles, plug-in hybrid electric vehicles, plug-in hybrid fuel cell vehicles, and electric rail; or

(B) equipment relating to transportation or mobile sources of air pollution that use an electric motor to replace an internal combustion engine for all or part of the work of the equipment, including corded electric equipment linked to transportation or mobile sources of air pollution.

(3) ENGINE DOMINANT HYBRID ELECTRIC VEHICLE.—The term ''engine dominant hybrid electric vehicle'' means an on-road or nonroad vehicle that—

(A) is propelled by an internal combustion engine or heat engine using—

(i) any combustible fuel;

(ii) an on-board, rechargeable storage device; and

(B) has no means of using an off-board source of electricity.

(4) FUEL CELL VEHICLE.—The term ''fuel cell vehicle'' means an on-road or nonroad vehicle that uses a fuel cell (as defined in section 3 of the Spark M. Matsunaga Hydrogen Research, Development, and Demonstration Act of 1990).

(5) NONROAD VEHICLE.—The term ''nonroad vehicle'' has the meaning given the term in section 216 of the Clean Air Act (42 U.S.C. 7550).

(6) PLUG-IN HYBRID ELECTRIC VEHICLE.—The term ''plug-in hybrid electric vehicle'' means an on-road or nonroad vehicle that is propelled by an internal combustion engine or heat engine using—

(A) any combustible fuel;

(B) an on-board, rechargeable storage device; and

(C) a means of using an off-board source of electricity.

(7) PLUG-IN HYBRID FUEL CELL VEHICLE.—The term ''plug-in hybrid fuel cell vehicle'' means a fuel cell vehicle with a battery powered by an off-board source of electricity.

(c) PROGRAM.—The Secretary shall conduct a program of research, development, demonstration, and commercial application for electric drive transportation technology, including—

(1) high capacity, high efficiency batteries;

(2) high efficiency on-board and off-board charging components;

(3) high power drive train systems for passenger and commercial vehicles and for nonroad equipment;

(4) control system development and power train development and integration for plug-in hybrid electric vehicles, plug-in hybrid fuel cell vehicles, and engine dominant hybrid electric vehicles, including—

(A) development of efficient cooling systems;

(B) analysis and development of control systems that minimize the emissions profile when clean diesel engines are part of a plug-in hybrid drive system; and

(C) development of different control systems that optimize for different goals, including—

(i) battery life;

(ii) reduction of petroleum consumption; and

(iii) green house gas reduction;

(5) nanomaterial technology applied to both battery and fuel cell systems;

(6) large-scale demonstrations, testing, and evaluation of plug-in hybrid electric vehicles in different applications with different batteries and control systems, including—

(A) military applications;

(B) mass market passenger and light-duty truck applications;

(C) private fleet applications; and

(D) medium- and heavy-duty applications;

(7) a nationwide education strategy for electric drive transportation technologies providing secondary and high school teaching materials and support for university education focused on electric drive system and component engineering;

(8) development, in consultation with the Administrator of the Environmental Protection Agency, of procedures for testing and certification of criteria pollutants, fuel economy, and petroleum use for light-, medium-, and heavy-duty vehicle applications, including consideration of—

(A) the vehicle and fuel as a system, not just an engine; and

(B) nightly off-board charging; and

(9) advancement of battery and corded electric transportation technologies in mobile source applications by—

(A) improvement in battery, drive train, and control system technologies; and

(B) working with industry and the Administrator of the Environmental Protection Agency to—

(i) understand and inventory markets; and

(ii) identify and implement methods of removing barriers for existing and emerging applications.

(d) GOALS.—The goals of the electric drive transportation technology program established under subsection (c) shall be to develop, in partnership with industry and institutions of higher education, projects that focus on—

(1) innovative electric drive technology developed in the United States;

(2) growth of employment in the United States in electric drive design and manufacturing;

(3) validation of the plug-in hybrid potential through fleet demonstrations; and

(4) acceleration of fuel cell commercialization through comprehensive development and commercialization of the electric drive technology systems that are the foundational technology of the fuel cell vehicle system.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $300,000,000 for each of fiscal years 2007 through 2012.

SEC. 205. LIGHTWEIGHT MATERIALS RESEARCH AND DEVELOPMENT.

(a) IN GENERAL.—As soon as practicable after the date of enactment of this Act, the Secretary shall establish a research and development program to determine ways in which—

(1) the weight of vehicles may be reduced to improve fuel efficiency without compromising passenger safety; and

(2) the cost of lightweight materials (such as steel alloys and carbon fibers) required for the construction of lighter-weight vehicles may be reduced.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $60,000,000 for each of fiscal years 2007 through 2012.

SEC. 206. LOAN GUARANTEES FOR FUEL-EFFICIENT AUTOMOBILE MANUFACTURER AND SUPPLIERS.

(a) IN GENERAL.—Section 712(a) of the Energy Policy Act of 2005 (42 U.S.C. 16062(a)) is amended in the second sentence by striking ''grants to automobile manufacturers'' and inserting ''grants and loan guarantees under section 1703 to automobile manufacturers and suppliers''.

(b) CONFORMING AMENDMENT.—Section 1703(b) of the Energy Policy Act of 2005 (42 U.S.C. 16513(b)) is amended by striking paragraph (8) and inserting the following:

''(8) Production facilities for the manufacture of fuel-efficient vehicles or parts of such vehicles, including hybrid and advanced diesel vehicles.''.

SEC. 207. FUNDING FOR ALTERNATIVE INFRASTRUCTURE FOR THE DISTRIBUTION OF TRANSPORTATION FUELS.

(a) IN GENERAL.—There is established in the Treasury of the United States a trust fund, to be known as the ''Alternative Fueling Infrastructure Trust Fund'' (referred to in this section as the ''Trust Fund''), consisting of such amounts as are deposited into the Trust Fund under subsection (b) and any interest earned on investment of amounts in the Trust Fund.

(b) PENALTIES.—The Secretary of Transportation shall remit 90 percent of the amount collected in civil penalties under section 32912 of title 49, United States Code, to the Trust Fund.

(c) GRANT PROGRAM.—

(1) IN GENERAL.—The Secretary of Energy shall obligate such sums as are available in the Trust Fund to establish a grant program to increase the number of locations at which consumers may purchase alternative transportation fuels.

(2) ADMINISTRATION.—

(A) IN GENERAL.—The Secretary may award grants under this subsection to—

(i) individual fueling stations; and

(ii) corporations (including nonprofit corporations) with demonstrated experience in the administration of grant funding for the purpose of alternative fueling infrastructure.

(B) MAXIMUM AMOUNT OF GRANTS.—A grant provided under this subsection may not exceed—

(i) $150,000 for each site of an individual fueling station; and

(ii) $500,000 for each corporation (including a nonprofit corporation).

(C) PRIORITIZATION.—The Secretary shall prioritize the provision of grants under this subsection to recognized nonprofit corporations that have proven experience and demonstrated technical expertise in the establishment of alternative fueling infrastructure, as determined by the Secretary.

(D) ADMINISTRATIVE EXPENSES.—Not more than 10 percent of the funds provided in any grant may be used by the recipient of the grant to pay administrative expenses.

(E) NUMBER OF VEHICLES.—In providing grants under this subsection, the Secretary shall consider the number of vehicles in service capable of using a specific type of alternative fuel.

(F) MATCH.—Grant recipients shall provide a non-Federal match of not less than $1 for every $3 of grant funds received under this subsection.

(G) LOCATIONS.—Each grant recipient shall select the locations for each alternative fuel station to be constructed with grant funds

received under this subsection on a formal, open, and competitive basis.

(H) USE OF INFORMATION IN SELECTION OF RECIPIENTS.—In selecting grant recipients under this subsection, the Secretary may consider—

(i) public demand for each alternative fuel in a particular county based on State registration records indicating the number of vehicles that may be operated using alternative fuel; and

(ii) the opportunity to create or expand corridors of alternative fuel stations along interstates or highways.

(3) USE OF GRANT FUNDS.—Grant funds received under this subsection may be used to—

(A) construct new facilities to dispense alternative fuels;

(B) purchase equipment to upgrade, expand, or otherwise improve existing alternative fuel facilities; or

(C) purchase equipment or pay for specific turnkey fueling services by alternative fuel providers.

(4) FACILITIES.—Facilities constructed or upgraded with grant funds under this subsection shall—

(A) provide alternative fuel available to the public for a period not less than 4 years;

(B) establish a marketing plan to advance the sale and use of alternative fuels;

(C) prominently display the price of alternative fuel on the marquee and in the station;

(D) provide point of sale materials on alternative fuel;

(E) clearly label the dispenser with consistent materials;

(F) price the alternative fuel at the same margin that is received for unleaded gasoline; and

(G) support and use all available tax incentives to reduce the cost of the alternative fuel to the lowest practicable retail price.

(5) OPENING OF STATIONS.—

(A) IN GENERAL.—Not later than the date on which each alternative fuel station begins to offer alternative fuel to the public, the grant recipient that used grant funds to construct the

station shall notify the Secretary of the opening.

(B) WEBSITE.—The Secretary shall add each new alternative fuel station to the alternative fuel station locator on the website of the Department of Energy when the Secretary receives notification under this subsection.

(6) REPORTS.—Not later than 180 days after the receipt of a grant award under this subsection, and every 180 days thereafter, each grant recipient shall submit a report to the Secretary that describes—

(A) the status of each alternative fuel station constructed with grant funds received under this subsection;

(B) the quantity of alternative fuel dispensed at each station during the preceding 180-day period; and

(C) the average price per gallon of the alternative fuel sold at each station during the preceding 180-day period.

SEC. 208. DEPLOYMENT OF NEW TECHNOLOGIES TO REDUCE OIL USE IN TRANSPORTATION.

(a) FUEL FROM CELLULOSIC BIOMASS.—

(1) IN GENERAL.—The Secretary shall provide deployment incentives under this subsection to encourage a variety of projects to produce transportation fuel from cellulosic biomass, relying on different feedstocks in different regions of the United States.

(2) PROJECT ELIGIBILITY.—Incentives under this subsection shall be provided on a competitive basis to projects that produce fuel that—

(A) meet United States fuel and emission specifications;

(B) help diversify domestic transportation energy supplies; and

(C) improve or maintain air, water, soil, and habitat quality.

(3) INCENTIVES.—Incentives under this subsection may consist of—

(A) loan guarantees under section 1510 of the Energy Policy Act of 2005 (42 U.S.C. 16501), subject to section 1702 of that Act (22 U.S.C. 16512), for the construction of production facilities and supporting infrastructure; or

(B) production payments through a reverse auction in accordance with paragraph (4).

(4) REVERSE AUCTION.—

(A) IN GENERAL.—In providing incentives under this subsection, the Secretary shall—

(i) issue regulations under which producers of fuel from cellulosic biomass may bid for production payments under paragraph (3)(B); and

(ii) solicit bids from producers of different classes of transportation fuel, as the Secretary determines to be appropriate.

(B) REQUIREMENT.—The rules under subparagraph (A) shall require that incentives be provided to the producers that submit the lowest bid (in terms of cents per gallon) for each class of transportation fuel from which the Secretary solicits a bid.

(b) ADVANCED TECHNOLOGY VEHICLES MANUFACTURING INCENTIVE PROGRAM.—

(1) DEFINITIONS.—In this subsection:

(A) ADJUSTED FUEL ECONOMY.—The term ''adjusted fuel economy'' means the average fuel economy of a manufacturer for all light duty motor vehicles produced by the manufacturer, adjusted such that the fuel economy of each vehicle that qualifies for a credit shall be considered to be equal to the average fuel econ-

omy for the weight class of the vehicle for model year 2002.

(B) ADVANCED LEAN BURN TECHNOLOGY MOTOR VEHICLE.—The term ''advanced lean burn technology motor vehicle'' means a passenger automobile or a light truck with an internal combustion engine that—

(i) is designed to operate primarily using more air than is necessary for complete combustion of the fuel;

(ii) incorporates direct injection; and

(iii) achieves at least 125 percent of the city fuel economy of vehicles in the same size class as the vehicle for model year 2002.

(C) ADVANCED TECHNOLOGY VEHICLE.—The term ''advanced technology vehicle'' means a light duty motor vehicle that—

(i) is a hybrid motor vehicle or an advanced lean burn technology motor vehicle; and

(ii) meets—

(I) the Bin 5 Tier II emission standard established in regulations issued by the Administrator of the

Environmental Protection Agency under section 202(i) of the Clean Air Act (42 U.S.C. 7521(i)), or a lower-numbered Bin emission standard;

(II) any new emission standard for fine particulate matter prescribed by the Administrator under that Act (42 U.S.C. 7401 et seq.); and

(III) at least 125 percent of the base year city fuel economy for the weight class of the vehicle.

(D) ENGINEERING INTEGRATION COSTS.—The term ''engineering integration costs'' includes the cost of engineering tasks relating to—

(i) incorporating qualifying components into the design of advanced technology vehicles; and

(ii) designing new tooling and equipment for production facilities that produce qualifying components or advanced technology vehicles.

(E) HYBRID MOTOR VEHICLE.—The term ''hybrid motor vehicle'' means a motor vehicle

that draws propulsion energy from onboard sources of stored energy that are—

(i) an internal combustion or heat engine using combustible fuel; and

(ii) a rechargeable energy storage system.

(F) QUALIFYING COMPONENTS.—The term ''qualifying components'' means components that the Secretary determines to be—

(i) specially designed for advanced technology vehicles; and

(ii) installed for the purpose of meeting the performance requirements of advanced technology vehicles.

(2) MANUFACTURER FACILITY CONVERSION AWARDS.—The Secretary shall provide facility conversion funding awards under this subsection to automobile manufacturers and component suppliers to pay not more than 30 percent of the cost of—

(A) reequipping or expanding an existing manufacturing facility in the United States to produce—

(i) qualifying advanced technology vehicles; or

(ii) qualifying components; and

(B) engineering integration performed in the United States of qualifying vehicles and qualifying components.

(3) PERIOD OF AVAILABILITY.—An award under paragraph (2) shall apply to—

(A) facilities and equipment placed in service before December 30, 2017; and

(B) engineering integration costs incurred during the period beginning on the date of enactment of this Act and ending on December 30, 2017.

(4) IMPROVEMENT.—The Secretary shall issue regulations that require that, in order for an automobile manufacturer to be eligible for an award under this subsection during a particular year, the adjusted average fuel economy of the manufacturer for light duty vehicles produced by the manufacturer during the most recent year for which data are available shall be not less than the average fuel economy for all light duty motor vehicles of the manufacturer for model year 2002.

SEC. 209. PRODUCTION INCENTIVES FOR CELLULOSIC BIOFUELS.

Section 942(f) of the Energy Policy Act of 2005 (42 U.S.C. 16251(f)) is amended by striking ''$250,000,000''

and inserting ''$200,000,000 for each of fiscal years 2007 through 2011''.

TITLE III—FEDERAL PROGRAMS FOR THE CONSERVATION OF NATURAL GAS

SEC. 301. RENEWABLE PORTFOLIO STANDARD.

(a) IN GENERAL.—Title VI of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2601 et seq.) is amended by adding at the end the following:

''SEC. 610. FEDERAL RENEWABLE PORTFOLIO STANDARD.

''(a) RENEWABLE ENERGY REQUIREMENT.—

''(1) IN GENERAL.—Each electric utility that sells electricity to electric consumers shall obtain a percentage of the base amount of electricity it sells to electric consumers in any calendar year from new renewable energy or existing renewable energy. The percentage obtained in a calendar year shall not be less than the amount specified in the following table:

''**Calendar year:**	**Minimum annual percentage:**
2008 through 2011	2.55
2012 through 2015	5.05
2016 through 2019	7.55
2020 through 2030	10.0

''(2) MEANS OF COMPLIANCE.—An electric utility shall meet the requirements of paragraph (1) by—

''(A) generating electric energy using new renewable energy or existing renewable energy;

''(B) purchasing electric energy generated by new renewable energy or existing renewable energy;

''(C) purchasing renewable energy credits issued under subsection (b); or

''(D) a combination of the foregoing.

''(b) RENEWABLE ENERGY CREDIT TRADING PROGRAM.—

''(1) IN GENERAL.—Not later than January 1, 2007, the Secretary shall establish a renewable energy credit trading program to permit an electric utility that does not generate or purchase enough electric energy from renewable energy to meet its obligations under subsection (a)(1) to satisfy such requirements by purchasing sufficient renewable energy credits.

''(2) ADMINISTRATION.—As part of the program, the Secretary shall—

''(A) issue renewable energy credits to generators of electric energy from new renewable energy;

''(B) sell renewable energy credits to electric utilities at the rate of 1.5 cents per kilo-

watt-hour (as adjusted for inflation under subsection (g));

''(C) ensure that a kilowatt hour, including the associated renewable energy credit, shall be used only once for purposes of compliance with this section; and

''(D) allow double credits for generation from facilities on Indian land, and triple credits for generation from small renewable distributed generators (meaning those no larger than 1 megawatt).

''(3) DURATION.—Credits under paragraph (2)(A) may only be used for compliance with this section for 3 years from the date issued.

''(4) TRANSFERS.—An electric utility that holds credits in excess of the amount needed to comply with subsection (a) may transfer such credits to another electric utility in the same utility holding company system.

''(5) EASTERN INTERCONNECT.—In the case of a retail electric supplier that is a member of a power pool located in the Eastern Interconnect and that is subject to a State renewable portfolio standard program that provides for compliance primarily through the acquisition of certificates or credits in lieu of the

direct acquisition of renewable power, the Secretary shall issue renewable energy credits in an amount that corresponds to the kilowatt-hour obligation represented by the State certificates and credits issued pursuant to the State program to the extent the State certificates and credits are associated with renewable resources eligible under this section.

''(c) ENFORCEMENT.—

''(1) CIVIL PENALTIES.—Any electric utility that fails to meet the renewable energy requirements of subsection (a) shall be subject to a civil penalty.

''(2) AMOUNT OF PENALTY.—The amount of the civil penalty shall be determined by multiplying the number of kilowatt-hours of electric energy sold to electric consumers in violation of subsection (a) by the greater of 1.5 cents (adjusted for inflation under subsection (g)) or 200 percent of the average market value of renewable energy credits during the year in which the violation occurred.

''(3) MITIGATION OR WAIVER.—The Secretary may mitigate or waive a civil penalty under this subsection if the electric utility was unable to comply with subsection (a) for reasons outside of the reasonable control of the utility. The Secretary shall reduce the amount of any penalty determined under

paragraph (2) by an amount paid by the electric utility to a State for failure to comply with the requirement of a State renewable energy program if the State requirement is greater than the applicable requirement of subsection (a).

''(4) PROCEDURE FOR ASSESSING PENALTY.—The Secretary shall assess a civil penalty under this subsection in accordance with the procedures prescribed by section 333(d) of the Energy Policy and Conservation Act of 1954 (42 U.S.C. 6303).

''(d) STATE RENEWABLE ENERGY ACCOUNT PROGRAM.—

''(1) IN GENERAL.—The Secretary shall establish, not later than December 31, 2008, a State renewable energy account program.

''(2) DEPOSITS.—All money collected by the Secretary from the sale of renewable energy credits and the assessment of civil penalties under this section shall be deposited into the renewable energy account established pursuant to this subsection. The State renewable energy account shall be held by the Secretary and shall not be transferred to the Treasury Department.

''(3) USE.—Proceeds deposited in the State renewable energy account shall be used by the Sec-

retary, subject to appropriations, for a program to provide grants to the State agency responsible for developing State energy conservation plans under section 362 of the Energy Policy and Conservation Act (42 U.S.C. 6322) for the purposes of promoting renewable energy production, including programs that promote technologies that reduce the use of electricity at customer sites such as solar water heating.

''(4) ADMINISTRATION.—The Secretary may issue guidelines and criteria for grants awarded under this subsection. State energy offices receiving grants under this section shall maintain such records and evidence of compliance as the Secretary may require.

''(5) PREFERENCE.—In allocating funds under this program, the Secretary shall give preference—

''(A) to States in regions which have a disproportionately small share of economically sustainable renewable energy generation capacity; and

''(B) to State programs to stimulate or enhance innovative renewable energy technologies.

''(e) RULES.—The Secretary shall issue rules implementing this section not later than 1 year after the date of enactment of this section.

''(f) EXEMPTIONS.—This section shall not apply in any calendar year to an electric utility—

''(1) that sold less than 4,000,000 megawatt-hours of electric energy to electric consumers during the preceding calendar year; or

''(2) in Hawaii.

''(g) INFLATION ADJUSTMENT.—Not later than December 31 of each year beginning in 2008, the Secretary shall adjust for inflation the price of a renewable energy credit under subsection (b)(2)(B) and the amount of the civil penalty per kilowatt-hour under subsection (c)(2).

''(h) STATE PROGRAMS.—Nothing in this section shall diminish any authority of a State or political subdivision thereof to adopt or enforce any law or regulation respecting renewable energy, but, except as provided in subsection (c)(3), no such law or regulation shall relieve any person of any requirement otherwise applicable under this section. The Secretary, in consultation with States having such renewable energy programs, shall, to the maximum extent practicable, facilitate coordination between the Federal program and State programs.

''(i) RECOVERY OF COSTS.—

''(1) IN GENERAL.—The Commission shall issue and enforce such regulations as are necessary to ensure that an electric utility recovers all prudently incurred costs associated with compliance with this section.

''(2) APPLICABLE LAW.—A regulation under paragraph (1) shall be enforceable in accordance with the provisions of law applicable to enforcement of regulations under the Federal Power Act (16 U.S.C. 791a et seq.).

''(j) DEFINITIONS.—In this section:

''(1) BASE AMOUNT OF ELECTRICITY.—The term 'base amount of electricity' means the total amount of electricity sold by an electric utility to electric consumers in a calendar year, excluding—

''(A) electricity generated by a hydroelectric facility (including a pumped storage facility but excluding incremental hydropower); and

''(B) electricity generated through the incineration of municipal solid waste.

''(2) DISTRIBUTED GENERATION FACILITY.—The term 'distributed generation facility' means a facility at a customer site.

''(3) EXISTING RENEWABLE ENERGY.—The term 'existing renewable energy' means, except as provided in paragraph (7)(B), electric energy generated at a facility (including a distributed generation facility) placed in service prior to January 1, 2003, from solar, wind, or geothermal energy, ocean energy, biomass (as defined in section 203(a) of the Energy Policy Act of 2005), or landfill gas.

''(4) GEOTHERMAL ENERGY.—The term 'geothermal energy' means energy derived from a geothermal deposit (within the meaning of section 613(e)(2) of the Internal Revenue Code of 1986).

''(5) INCREMENTAL GEOTHERMAL PRODUCTION.—

''(A) IN GENERAL.—The term 'incremental geothermal production' means for any year the excess of—

''(i) the total kilowatt hours of electricity produced from a facility (including a distributed generation facility) using geothermal energy; over

''(ii) the average annual kilowatt hours produced at such facility for 5 of the previous 7 calendar years before the date of enactment of this section after elimi-

nating the highest and the lowest kilowatt hour production years in such 7-year period.

''(B) SPECIAL RULE.—A facility described in subparagraph (A) that was placed in service at least 7 years before the date of enactment of this section shall commencing with the year in which such date of enactment occurs, reduce the amount calculated under subparagraph (A)(ii) each year, on a cumulative basis, by the average percentage decrease in the annual kilowatt hour production for the 7-year period described in subparagraph (A)(ii) with such cumulative sum not to exceed 30 percent.

''(6) INCREMENTAL HYDROPOWER.—The term 'incremental hydropower' means additional energy generated as a result of efficiency improvements or capacity additions made on or after the date of enactment of this section or the effective date of an existing applicable State renewable portfolio standard program at a hydroelectric facility that was placed in service before that date. The term does not include additional energy generated as a result of operational changes not directly associated with efficiency improvements or capacity additions. Effi-

ciency improvements and capacity additions shall be measured on the basis of the same water flow information used to determine a historic average annual generation baseline for the hydroelectric facility and certified by the Secretary or the Federal Energy Regulatory Commission.

''(7) NEW RENEWABLE ENERGY.—The term 'new renewable energy' means—

''(A) electric energy generated at a facility (including a distributed generation facility) placed in service on or after January 1, 2003, from—

''(i) solar, wind, or geothermal energy or ocean energy;

''(ii) biomass (as defined in section 203(b) of the Energy Policy Act of 2005 (42 U.S.C. 15852(b));

''(iii) landfill gas; or

''(iv) incremental hydropower; and

''(B) for electric energy generated at a facility (including a distributed generation facility) placed in service prior to the date of enactment of this section—

''(i) the additional energy above the average generation in the 3 years pre-

ceding the date of enactment of this section at the facility from—

''(I) solar or wind energy or ocean energy;

''(II) biomass (as defined in section 203(b) of the Energy Policy Act of 2005 (42 U.S.C. 15852(b));

''(III) landfill gas; or

''(IV) incremental hydropower.

''(ii) incremental geothermal production.

''(8) OCEAN ENERGY.—The term 'ocean energy' includes current, wave, tidal, and thermal energy.

''(k) SUNSET.—This section expires on December 31, 2030.''.

(b) TABLE OF CONTENTS AMENDMENT.—The table of contents of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. prec. 2601) is amended by adding at the end of the items relating to title VI the following:

''Sec. 610. Federal renewable portfolio standard.''.

SEC. 302. FEDERAL REQUIREMENT TO PURCHASE ELECTRICITY GENERATED BY RENEWABLE ENERGY.

Section 203 of the Energy Policy Act of 2005 (42 U.S.C. 15852) is amended by striking subsection (a) and inserting the following:

''(a) REQUIREMENT.—The President, acting through the Secretary, shall ensure that, of the total quantity of electric energy the Federal Government consumes during any fiscal year, the following amounts shall be renewable energy:

''(1) Not less than 5 percent in each of fiscal years 2008 and 2009.

''(2) Not less than 7.5 percent in each of fiscal years 2010 through 2012.

''(3) Not less than 10 percent in fiscal years 2013 and each fiscal year thereafter.''.

TITLE IV—GENERAL ENERGY EFFICIENCY PROGRAMS

SEC. 401. ENERGY SAVINGS PERFORMANCE CONTRACTS.

(a) RETENTION OF SAVINGS.—Section 546(c) of the National Energy Conservation Policy Act (42 U.S.C. 8256(c)) is amended by striking paragraph (5).

(b) FINANCING FLEXIBILITY.—Section 801(a)(2) of the National Energy Conservation Policy Act (42 U.S.C. 8287(a)(2)) is amended by adding at the end the following:

''(E) SEPARATE CONTRACTS.—In carrying out a contract under this title, a Federal agency may—

''(i) enter into a separate contract for energy services and conservation measures under the contract; and

''(ii) provide all or part of the financing necessary to carry out the contract.''.

(c) DEFINITION OF ENERGY SAVINGS.—Section 804(2) of the National Energy Conservation Policy Act (42 U.S.C. 8287c(2)) is amended—

(1) by redesignating subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iii), respectively, and indenting appropriately;

(2) by striking ''means a reduction'' and inserting ''means—

''(A) a reduction'';

(3) by striking the period at the end and inserting a semicolon; and

(4) by adding at the end the following:

''(B) the increased efficient use of an existing energy source by cogeneration or heat recovery, and installation of renewable energy systems;

''(C) the sale or transfer of electrical or thermal energy generated on-site, but in excess of Federal needs, to utilities or non-Federal energy users; and

''(D) the increased efficient use of existing water sources in interior or exterior applications.''.

(d) ENERGY AND COST SAVINGS IN NONBUILDING APPLICATIONS.—

(1) DEFINITIONS.—In this subsection:

(A) NONBUILDING APPLICATION.—The term ''nonbuilding application'' means—

(i) any class of vehicles, devices, or equipment that is transportable under the power of the applicable vehicle, device, or equipment by land, sea, or air and that consumes energy from any fuel source for the purpose of—

(I) that transportation; or

(II) maintaining a controlled environment within the vehicle, device, or equipment; and

(ii) any federally-owned equipment used to generate electricity or transport water.

(B) SECONDARY SAVINGS.—

(i) IN GENERAL.—The term ''secondary savings'' means additional energy or cost savings that are a direct con-

sequence of the energy savings that result from the energy efficiency improvements that were financed and implemented pursuant to an energy savings performance contract.

(ii) INCLUSIONS.—The term ''secondary savings'' includes—

(I) energy and cost savings that result from a reduction in the need for fuel delivery and logistical support;

(II) personnel cost savings and environmental benefits; and

(III) in the case of electric generation equipment, the benefits of increased efficiency in the production of electricity, including revenues received by the Federal Government from the sale of electricity so produced.

(2) STUDY.—

(A) IN GENERAL.—As soon as practicable after the date of enactment of this Act, the Secretary and the Secretary of Defense shall jointly conduct, and submit to Congress and the President a report of, a study of the potential for the use of energy savings performance con-

tracts to reduce energy consumption and provide energy and cost savings in nonbuilding applications.

(B) REQUIREMENTS.—The study under this subsection shall include—

(i) an estimate of the potential energy and cost savings to the Federal Government, including secondary savings and benefits, from increased efficiency in nonbuilding applications;

(ii) an assessment of the feasibility of extending the use of energy savings performance contracts to nonbuilding applications, including an identification of any regulatory or statutory barriers to such use; and

(iii) such recommendations as the Secretary and Secretary of Defense determine to be appropriate.

SEC. 402. DEPLOYMENT OF NEW TECHNOLOGIES FOR HIGH-EFFICIENCY CONSUMER PRODUCTS.

(a) DEFINITIONS.—In this section:

(1) ENERGY SAVINGS.—The term ''energy savings'' means megawatt-hours of electricity or million British thermal units of natural gas saved by a

product, in comparison to projected energy consumption under the energy efficiency standard applicable to the product.

(2) HIGH-EFFICIENCY CONSUMER PRODUCT.—The term ''high-efficiency consumer product'' means a covered product to which an energy conservation standard applies under section 325 of the Energy Policy and Conservation Act (42 U.S.C. 6295), if the energy efficiency of the product exceeds the energy efficiency required under the standard.

(b) FINANCIAL INCENTIVES PROGRAM.—Effective beginning October 1, 2006, the Secretary shall competitively award financial incentives under this section for the manufacture of high-efficiency consumer products.

(c) REQUIREMENTS.—

(1) IN GENERAL.—The Secretary shall make awards under this section to manufacturers of high-efficiency consumer products, based on the bid of each manufacturer in terms of dollars per megawatt-hour or million British thermal units saved.

(2) ACCEPTANCE OF BIDS.—In making awards under this section, the Secretary shall—

(A) solicit bids for reverse auction from appropriate manufacturers, as determined by the Secretary; and

(B) award financial incentives to the manufacturers that submit the lowest bids that meet the requirements established by the Secretary.

(d) FORMS OF AWARDS.—An award for a high-efficiency consumer product under this section shall be in the form of a lump sum payment in an amount equal to the product obtained by multiplying—

(1) the amount of the bid by the manufacturer of the high-efficiency consumer product; and

(2) the energy savings during the projected useful life of the high-efficiency consumer product, not to exceed 10 years, as determined under regulations issued by the Secretary.

SEC. 403. NATIONAL MEDIA CAMPAIGN TO DECREASE OIL AND NATURAL GAS CONSUMPTION.

(a) IN GENERAL.—The Secretary, acting through the Assistant Secretary for Energy Efficiency and Renewable Energy (referred to in this section as the ''Secretary''), shall develop and conduct a national media campaign for the purpose of decreasing oil and natural gas consumption in the United States over the next decade.

(b) CONTRACT WITH ENTITY.—The Secretary shall carry out subsection (a) directly or through—

(1) competitively bid contracts with 1 or more nationally recognized media firms for the development and distribution of monthly television, radio, and newspaper public service announcements; or

(2) collective agreements with 1 or more nationally recognized institutes, businesses, or nonprofit organizations for the funding, development, and distribution of monthly television, radio, and newspaper public service announcements.

(c) USE OF FUNDS.—

(1) IN GENERAL.—Amounts made available to carry out this section shall be used for the following:

(A) ADVERTISING COSTS.—

(i) The purchase of media time and space.

(ii) Creative and talent costs.

(iii) Testing and evaluation of advertising.

(iv) Evaluation of the effectiveness of the media campaign.

(v) The negotiated fees for the winning bidder on requests from proposals issued either by the Secretary for purposes otherwise authorized in this section.

(vi) Entertainment industry outreach, interactive outreach, media projects and activities, public information, news media outreach, and corporate sponsorship and participation.

(B) ADMINISTRATIVE COSTS.—Operational and management expenses.

(2) LIMITATIONS.—In carrying out this section, the Secretary shall allocate not less than 85 percent of funds made available under subsection (e) for each fiscal year for the advertising functions specified under paragraph (1)(A).

(d) REPORTS.—The Secretary shall annually submit to Congress a report that describes—

(1) the strategy of the national media campaign and whether specific objectives of the campaign were accomplished, including—

(A) determinations concerning the rate of change of oil and natural gas consumption, in both absolute and per capita terms; and

(B) an evaluation that enables consideration whether the media campaign contributed to reduction of oil and natural gas consumption;

(2) steps taken to ensure that the national media campaign operates in an effective and efficient manner consistent with the overall strategy and focus of the campaign;

(3) plans to purchase advertising time and space;

(4) policies and practices implemented to ensure that Federal funds are used responsibly to purchase advertising time and space and eliminate the potential for waste, fraud, and abuse; and

(5) all contracts or cooperative agreements entered into with a corporation, partnership, or individual working on behalf of the national media campaign.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $5,000,000 for each of fiscal years 2006 through 2010.

SEC. 404. ENERGY EFFICIENCY RESOURCE PROGRAMS.

(a) ELECTRIC UTILITY PROGRAMS.—Section 111 of the Public Utilities Regulatory Policy Act of 1978 (16 U.S.C. 2621) is amended by adding at the end the following:

''(e) ENERGY EFFICIENCY RESOURCE PROGRAMS.—

''(1) DEFINITIONS.—In this subsection:

''(A) DEMAND BASELINE.—The term 'demand baseline' means the baseline determined by the Secretary for an appropriate period preceding the implementation of an energy efficiency resource program.

''(B) ENERGY EFFICIENCY RESOURCE PROGRAMS.—The term 'energy efficiency resource program' means an energy efficiency or other demand reduction program that is designed to reduce annual electricity consumption or peak demand of consumers served by an electric utility by a percentage of the demand baseline of the utility that is equal to not less than 0.75 percent of the number of years during which the program is in effect.

''(2) PUBLIC HEARINGS; DETERMINATIONS.—

''(A) PUBLIC HEARING.—As soon as practicable after the date of enactment of this subsection, but not later than 3 years after that date, each State regulatory authority (with respect to each electric utility over which the State has ratemaking authority) and each nonregulated electric utility shall, after notice, conduct a public hearing on the benefits and feasi-

bility of carrying out an energy efficiency resource program.

''(B) ENERGY EFFICIENCY RESOURCE PROGRAM.—A State regulatory authority or nonregulated utility shall carry out an energy efficiency resource program if, on the basis of a hearing under subparagraph (A), the State regulatory authority or nonregulated utility determines that the program would—

''(i) benefit end-use customers;

''(ii) be cost-effective based on total resource cost;

''(iii) serve the public welfare; and

''(iv) be feasible to carry out.

''(3) IMPLEMENTATION.—

''(A) STATE REGULATORY AUTHORITIES.—If a State regulatory authority makes a determination under paragraph (2)(B), the State regulatory authority shall—

''(i) require each electric utility over which the State has ratemaking authority to carry out an energy efficiency resource program; and

''(ii) allow such a utility to recover expenditures incurred by the utility in car-

rying out the energy efficiency resource program.

''(B) NONREGULATED ELECTRIC UTILITIES.—If a nonregulated electric utility makes a determination under paragraph (2)(B), the utility shall carry out an energy efficiency resource program.

''(4) UPDATING REGULATIONS.—A State regulatory authority or nonregulated utility may update periodically a determination under paragraph (2)(B) to determine whether an energy efficiency resource program should be—

''(A) continued;

''(B) modified; or

''(C) terminated.

''(5) EXCEPTION.—Paragraph (2) shall not apply to a State regulatory authority (or a nonregulated electric utility operating in the State) that demonstrates to the Secretary that an energy efficiency resource program is in effect in the State.''.

(b) GAS UTILITIES.—Section 303 of the Public Utilities Regulatory Policy Act of 1978 (15 U.S.C. 3203) is amended by adding at the end the following:

''(e) ENERGY EFFICIENCY RESOURCE PROGRAMS.—

''(1) DEFINITIONS.—In this subsection:

''(A) DEMAND BASELINE.—The term 'demand baseline' means the baseline determined by the Secretary for an appropriate period preceding the implementation of an energy efficiency resource program.

''(B) ENERGY EFFICIENCY RESOURCE PROGRAMS.—The term 'energy efficiency resource program' means an energy efficiency or other demand reduction program that is designed to reduce annual gas consumption or peak demand of consumers served by a gas utility by a percentage of the demand baseline of the utility that is equal to not less than 0.75 percent of the number of years during which the program is in effect.

''(2) PUBLIC HEARINGS; DETERMINATIONS.—

''(A) PUBLIC HEARING.—As soon as practicable after the date of enactment of this subsection, but not later than 3 years after that date, each State regulatory authority (with respect to each gas utility over which the State has ratemaking authority) and each nonregulated gas utility shall, after notice, conduct a public hearing on the benefits and feasibility of

carrying out an energy efficiency resource program.

''(B) ENERGY EFFICIENCY RESOURCE PROGRAM.—A State regulatory authority or nonregulated utility shall carry out an energy efficiency resource program if, on the basis of a hearing under subparagraph (A), the State regulatory authority or nonregulated utility determines that the program would—

''(i) benefit end-use customers;

''(ii) be cost-effective based on total resource cost;

''(iii) serve the public welfare; and

''(iv) be feasible to carry out.

''(3) IMPLEMENTATION.—

''(A) STATE REGULATORY AUTHORITIES.—If a State regulatory authority makes a determination under paragraph (2)(B), the State regulatory authority shall—

''(i) require each gas utility over which the State has ratemaking authority to carry out an energy efficiency resource program; and

''(ii) allow such a utility to recover expenditures incurred by the utility in car-

rying out the energy efficiency resource program.

''(B) NONREGULATED GAS UTILITIES.—If a nonregulated gas utility makes a determination under paragraph (2)(B), the utility shall carry out an energy efficiency resource program.

''(4) UPDATING REGULATIONS.—A State regulatory authority or nonregulated utility may update periodically a determination under paragraph (2)(B) to determine whether an energy efficiency resource program should be—

''(A) continued;

''(B) modified; or

''(C) terminated.

''(5) EXCEPTION.—Paragraph (2) shall not apply to a State regulatory authority (or a nonregulated gas utility operating in the State) that demonstrates to the Secretary that an energy efficiency resource program is in effect in the State.''.

TITLE V—ASSISTANCE TO ENERGY CONSUMERS

SEC. 501. ENERGY EMERGENCY DISASTER RELIEF LOANS TO SMALL BUSINESS AND AGRICULTURAL PRODUCERS.

(a) DEFINITIONS.—In this section—

(1) the term ''Administrator'' means the Administrator of the Small Business Administration; and

(2) the term ''small business concern'' has the meaning given the term in section 3 of the Small Business Act (15 U.S.C. 632).

(b) SMALL BUSINESS PRODUCER ENERGY EMERGENCY DISASTER LOAN PROGRAM.—

(1) DISASTER LOAN AUTHORITY.—Section 7(b) of the Small Business Act (15 U.S.C. 636(b)) is amended by inserting immediately after paragraph (3) the following:

''(4) ENERGY DISASTER LOANS.—

''(A) DEFINITIONS.—In this paragraph—

''(i) the term 'base price index' means the moving average of the closing unit price on the New York Mercantile Exchange for heating oil, natural gas, gasoline, or propane for the 10 days that cor-

respond to the trading days described in clause (ii) in each of the most recent 2 preceding years;

"(ii) the term 'current price index' means the moving average of the closing unit price on the New York Mercantile Exchange, for the 10 most recent trading days, for contracts to purchase heating oil, natural gas, gasoline, or propane during the subsequent calendar month, commonly known as the 'front month'; and

"(iii) the term 'significant increase' means—

"(I) with respect to the price of heating oil, natural gas, gasoline, or propane, any time the current price index exceeds the base price index by not less than 40 percent; and

"(II) with respect to the price of kerosene, any increase which the Administrator, in consultation with the Secretary of Energy, determines to be significant.

"(B) LOAN AUTHORITY.—The Administrator may make such loans, either directly or

in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred basis, to assist a small business concern that has suffered or that is likely to suffer substantial economic injury on or after January 1, 2005, as the result of a significant increase in the price of heating oil, natural gas, gasoline, propane, or kerosene occurring on or after January 1, 2005.

''(C) INTEREST RATE.—Any loan or guarantee extended pursuant to this paragraph shall be made at the same interest rate as economic injury loans under paragraph (2).

''(D) MAXIMUM AMOUNT.—No loan may be made under this paragraph, either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred basis, if the total amount outstanding and committed to the borrower under this subsection would exceed $1,500,000, unless such borrower constitutes a major source of employment in its surrounding area, as determined by the Administrator, in which case the Administrator, in the discretion

of the Administrator, may waive the $1,500,000 limitation.

''(E) DISASTER DECLARATION.—For purposes of assistance under this paragraph—

''(i) a declaration of a disaster area based on conditions specified in this paragraph shall be required, and shall be made by the President or the Administrator; or

''(ii) if no declaration has been made pursuant to clause (i), the Governor of a State in which a significant increase in the price of heating oil, natural gas, gasoline, propane, or kerosene has occurred may certify to the Administrator that small business concerns have suffered economic injury as a result of such increase and are in need of financial assistance which is not otherwise available on reasonable terms in that State, and upon receipt of such certification, the Administrator may make such loans as would have been available under this paragraph if a disaster declaration had been issued.

''(F) CONVERSION.—Notwithstanding any other provision of law, loans made under this

paragraph may be used by a small business concern described in subparagraph (B) to convert from the use of heating oil, natural gas, gasoline, propane, or kerosene to a renewable or alternative energy source, including agriculture and urban waste, geothermal energy, cogeneration, solar energy, wind energy, or fuel cells.''.

(2) CONFORMING AMENDMENTS.—Section 3(k) of the Small Business Act (15 U.S.C. 632(k)) is amended—

(A) by inserting '', a significant increase in the price of heating oil, natural gas, gasoline, propane, or kerosene,'' after ''civil disorders''; and

(B) by inserting ''other'' before ''economic''.

(c) AGRICULTURAL PRODUCER EMERGENCY LOANS.—

(1) IN GENERAL.—Section 321(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961(a)) is amended—

(A) in the first sentence—

(i) by striking ''aquaculture operations have'' and inserting ''aquaculture operations (i) have''; and

(ii) by inserting before ": *Provided,*" the following: ", or (ii)(I) are owned or operated by such an applicant that is also a small business concern (as defined in section 3 of the Small Business Act (15 U.S.C. 632)), and (II) have suffered or are likely to suffer substantial economic injury on or after January 1, 2005, as the result of a significant increase in energy costs or input costs from energy sources occurring on or after January 1, 2005, in connection with an energy emergency declared by the President or the Secretary";

(B) in the third sentence, by inserting before the period at the end the following: "or by an energy emergency declared by the President or the Secretary"; and

(C) in the fourth sentence—

(i) by striking "or natural disaster" each place that term appears and inserting ", natural disaster, or energy emergency"; and

(ii) by inserting "or declaration" after "emergency designation".

(2) FUNDING.—Funds available on the date of enactment of this Act for emergency loans under subtitle C of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961 et seq.) shall be available to carry out the amendments made by paragraph (1) to meet the needs resulting from natural disasters.

(d) GUIDELINES AND RULEMAKING.—

(1) GUIDELINES.—Not later than 30 days after the date of enactment of this Act, the Administrator and the Secretary of Agriculture shall each issue guidelines to carry out subsections (b) and (c), respectively, and the amendments made thereby, which guidelines shall become effective on the date of their issuance.

(2) RULEMAKING.—Not later than 30 days after the date of enactment of this Act, the Administrator, after consultation with the Secretary of Energy, shall promulgate regulations specifying the method for determining a significant increase in the price of kerosene under section 7(b)(4)(A)(iii)(II) of the Small Business Act, as added by this section.

(e) REPORTS.—

(1) SMALL BUSINESS ADMINISTRATION.—Not later than 12 months after the date on which the

Administrator issues guidelines under subsection (d)(1), and annually thereafter, until the date that is 12 months after the end of the effective period of section 7(b)(4) of the Small Business Act, as added by this section, the Administrator shall submit to the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business of the House of Representatives, a report on the effectiveness of the assistance made available under section 7(b)(4) of the Small Business Act, as added by this section, including—

(A) the number of small business concerns that applied for a loan under such section 7(b)(4) and the number of those that received such loans;

(B) the dollar value of those loans;

(C) the States in which the small business concerns that received such loans are located;

(D) the type of energy that caused the significant increase in the cost for the participating small business concerns; and

(E) recommendations for ways to improve the assistance provided under such section 7(b)(4), if any.

(2) DEPARTMENT OF AGRICULTURE.—Not later than 12 months after the date on which the Secretary of Agriculture issues guidelines under subsection (d)(1), and annually thereafter, until the date that is 12 months after the end of the effective period of the amendments made to section 321(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961(a)) by this section, the Secretary shall submit to the Committee on Small Business and Entrepreneurship and the Committee on Agriculture, Nutrition, and Forestry of the Senate and to the Committee on Small Business and the Committee on Agriculture of the House of Representatives, a report that—

(A) describes the effectiveness of the assistance made available under section 321(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961(a)), as amended by this section; and

(B) contains recommendations for ways to improve the assistance provided under such section 321(a).

(f) EFFECTIVE DATE.—

(1) SMALL BUSINESS.—The amendments made by subsection (b) shall apply during the 4-year pe-

riod beginning on the earlier of the date on which guidelines are published by the Administrator under subsection (d)(1) or 30 days after the date of enactment of this Act, with respect to assistance under section 7(b)(4) of the Small Business Act, as added by this section.

(2) AGRICULTURE.—The amendments made by subsection (c) shall apply during the 4-year period beginning on the earlier of the date on which guidelines are published by the Secretary of Agriculture under subsection (d)(1) or 30 days after the date of enactment of this Act, with respect to assistance under section 321(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961(a)), as amended by this section.

SEC. 502. EFFICIENT AND SAFE EQUIPMENT REPLACEMENT PROGRAM FOR WEATHERIZATION PURPOSES.

(a) IN GENERAL.—Part A of title IV of the Energy Conservation and Production Act is amended—

(1) by redesignating section 422 (42 U.S.C. 6872) as section 423; and

(2) by inserting after section 421 (42 U.S.C. 6871) the following:

"SEC. 422. EFFICIENT AND SAFE EQUIPMENT REPLACEMENT PROGRAM FOR WEATHERIZATION PURPOSES.

''(a) ESTABLISHMENT OF PROGRAM.—The Secretary shall establish, within the Weatherization Assistance Program, a program to assist in the replacement of unsafe or highly inefficient heating and cooling units in low-income households.

''(b) ADMINISTRATION.—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the Secretary shall administer the program established under this section in accordance with this part.

''(2) EXEMPTION FOR HIGH-EFFICIENCY HEATING AND COOLING EQUIPMENT EXPENDITURES.—Assistance for high-efficiency heating and cooling equipment under this section shall be exempt from the standards established under section 413(b)(3) and from section 415(c).

''(3) IDENTIFICATION OF HEATING AND COOLING SYSTEM UPGRADES.—Assistance for system upgrades under this section shall be based on a standard weatherization audit and appropriate diagnostic procedures in use by the program.

''(4) WEATHERIZATION OF HOME RECEIVING NEW HEATING OR COOLING SYSTEM.—Assistance

may be perceived for a home receiving a new heating or cooling system under this section regardless of whether the home is fully weatherized in the year that the home received a new heating system.

''(5) FUEL.—The Secretary shall make no rule prohibiting a grantee from installing high-efficiency equipment that uses a fuel (including a renewable fuel) most likely to result in reliable supply and the lowest practicable energy bills, regardless of the fuel previously used by the household.

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

''(1) $40,000,000 for fiscal year 2006;

''(2) $50,000,000 for fiscal year 2007; and

''(3) $60,000,000 for fiscal year 2008.''.

(b) TABLE OF CONTENTS AMENDMENT.—The table of contents of the Energy Conservation and Production Act (42 U.S.C. prec. 6901) is amended—

(1) by redesignating the item relating to section 422 as an item relating to section 423; and

(2) by inserting after the item relating to section 421 the following:

''Sec. 422. Efficient and safe equipment program.''.

○