109TH CONGRESS
1ST SESSION

S. 726

To promote the conservation and production of natural gas.

IN THE SENATE OF THE UNITED STATES

APRIL 6, 2005

Mr. ALEXANDER (for himself and Mr. JOHNSON) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

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A BILL

To promote the conservation and production of natural gas.

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 ''Natural Gas Price Reduction Act of 2005''.

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

TITLE I—ENERGY CONSERVATION AND ENERGY EFFICIENCY

SEC. 101. PUBLIC EDUCATION AND CONSERVATION INITIATIVE.

(a) IN GENERAL.—The Secretary of Energy shall carry out a comprehensive national program, including advertising and media awareness, to educate consumers and other persons with respect to—

(1) the need to reduce consumption of electricity and natural gas during the 4-year period beginning on the date of enactment of this Act;

(2) the costs and benefits of reducing consumption of electricity and natural gas;

(3) methods for reducing consumption of electricity and natural gas, including the significant benefits of maintaining and repairing heating and cooling ducts and equipment, weatherization technologies, and energy smart purchases;

(4) the importance of tire maintenance to conserving gasoline;

(5) the relationship between gasoline prices and natural gas prices; and

(6) the importance of low energy costs to preserving and keeping manufacturing jobs in the United States and maintaining economic growth.

(b) INCLUSION.—The program described in subsection (a) shall include—

(1) information regarding the need to reduce consumption of electricity and natural gas during peak use periods;

(2) information regarding practicable, actionable measures consumers can carry out to reduce the demand for natural gas, oil, and electricity.

(3) if practicable, 1 or more examples of public education described in the State of California Executive Order D–18–01; and

(4) if practicable, collaboration between Federal, State, and local government officials and local utilities.

(c) REPORT.—Not later than July 1, 2009, the Secretary of Energy shall submit to Congress a report describing the effectiveness of the program under this section.

(d) TERMINATION OF AUTHORITY.—The program carried out under this section shall terminate on December 31, 2010.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $90,000,000 for each of fiscal years 2007 through 2010.

SEC. 102. REDUCING RESIDENTIAL DEMAND; APPLIANCE AND EQUIPMENT EFFICIENCY STANDARDS.

(a) ENERGY CONSERVATION STANDARDS FOR ADDITIONAL PRODUCTS.—

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

(A) in paragraph (30)(S)—

(i) by inserting ''(i)'' after ''(S)''; and

(ii) by adding at the end the following:

''(ii) The term 'medium base fluorescent lamp' does not include—

''(I) any lamp specifically designed to be used for special purpose applications and that is unlikely to be used in general purpose applications such as those described in subparagraph (D); or

''(II) any lamp not described in subparagraph (D) that is excluded by the Secretary, by rule, because the lamp is designed for special applications and is un-

likely to be used in general purpose applications.''; and

(B) by adding at the end the following:

''(32) The term 'battery charger' means a device that charges batteries for consumer products, including a battery charger embedded in another consumer product.

''(33) The term 'external power supply' means an external power supply circuit that is used to convert household electric current into either DC current or lower-voltage alternating current to operate a consumer product.

''(34) The term 'illuminated exit sign' means a sign that—

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

''(B) consists of an electrically powered integral light source that—

''(i) illuminates the legend 'EXIT' and any directional indicators; and

''(ii) provides contrast between the legend, any directional indicators, and the background.

''(35)(A) The term 'distribution transformer' means a transformer that—

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

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

''(iii) is rated for operation at a frequency of 60 Hertz.

''(B) The term 'distribution transformer' does not include—

''(i) a transformer with multiple voltage taps, with the highest voltage tap equaling at least 20 percent more than the lowest voltage tap;

''(ii) a transformer (such as those commonly known as a drive transformer, rectifier transformer, auto-transformer, uninterruptible power system transformer, impedance transformer, regulating transformer, sealed or nonventilating transformer, machine tool transformer, welding transformer, grounding transformer, or testing transformer) that is designed to be used in a special purpose application and is unlikely to be used in a general purpose application; or

''(iii) any transformer not listed in clause (ii) that is excluded by the Secretary by rule because—

''(I) the transformer is designed for a special application;

''(II) the transformer is unlikely to be used in a general purpose application; and

''(III) the application of standards to the transformer would not result in significant energy savings.

''(36) The term 'low-voltage dry-type distribution transformer' means a distribution transformer that—

''(A) has an input voltage of 600 volts or less;

''(B) is air-cooled; and

''(C) does not use oil as a coolant.

''(37) The term 'standby mode' means the lowest power consumption mode that—

''(A) cannot be switched off or influenced by the user; and

''(B) may persist for an indefinite time when an appliance is connected to the main electricity supply and used in accordance with the instructions of the manufacturer, as defined on an individual product basis by the Secretary.

''(38) The term 'torchiere' means a portable electric lamp with a reflector bowl that directs light upward so as to give indirect illumination.

''(39) The term 'traffic signal module' means a standard 8-inch (200mm) or 12-inch (300mm) traffic signal indication, consisting of a light source, a lens, and all other parts necessary for operation, that communicates

movement messages to drivers through red, amber, and green colors.

''(40) The term 'pedestrian module' means a light signal used to convey movement information to pedestrians.

''(41) The term 'transformer' means a device consisting of 2 or more coils of insulated wire that transfers alternating current by electromagnetic induction from 1 coil to another to change the original voltage or current value.

''(42) The term 'unit heater' means a self-contained fan-type heater designed to be installed within the heated space, except that the term does not include a warm-air furnace.

''(43) The term 'ceiling fan' means a nonportable device that is suspended from a ceiling for circulating air via the rotation of fan blades.

''(44) The term 'ceiling fan light kit' means equipment designed to provide light from a ceiling fan that can be—

''(A) integral, such that the equipment is attached to the ceiling fan prior to the time of retail sale; or

''(B) attachable, such that at the time of retail sale the equipment is not physically attached to the

ceiling fan, but may be included inside the ceiling fan package at the time of sale or sold separately for subsequent attachment to the fan.

''(45) The term 'dehumidifier' means a self-contained, electrically operated, and mechanically encased assembly consisting of—

''(A) a refrigerated surface (evaporator) that condenses moisture from the atmosphere;

''(B) a refrigerating system, including an electric motor;

''(C) an air-circulating fan; and

''(D) means for collecting or disposing of the condensate.

''(46)(A) The term 'commercial prerinse spray valve' means a handheld device designed and marketed for use with commercial dishwashing and ware washing equipment that sprays water on dishes, flatware, and other food service items for the purpose of removing food residue before cleaning the items.

''(B) The Secretary may modify the definition of 'commercial prerinse spray valve' by rule—

''(i) to include products—

''(I) that are extensively used in conjunction with commercial dishwashing and ware washing equipment;

''(II) the application of standards to which would result in significant energy savings; and

''(III) the application of standards to which would meet the criteria specified in subsection (o)(4); and

''(ii) to exclude products—

''(I) that are used for special food service applications;

''(II) that are unlikely to be widely used in conjunction with commercial dishwashing and ware washing equipment; and

''(III) the application of standards to which would not result in significant energy savings.

''(47) The term 'digital television adapter' means a commercially-available electronic product the sole purpose of which is to convert digital video broadcast signals to analog National Television Standards Committee video signals for use by a television or video cassette recorder.

''(48)(A) The term 'high intensity discharge lamp' means an electric-discharge lamp in which—

''(i) the light-producing arc is stabilized by bulb wall temperature; and

''(ii) the arc tube has a bulb wall loading in excess of 3 watts per square centimeter.

''(B) The term 'high intensity discharge lamp' includes mercury vapor, metal halide, and high-pressure sodium lamps.

''(49)(A) The term 'mercury vapor lamp' means a high-intensity discharge lamp in which the major portion of the light is produced by radiation from mercury operating at a partial pressure in excess of 100,000 Pascals (approximately 1 asynchronous transfer mode).

''(B) The term 'mercury vapor lamp' includes clear, phosphor-coated, and self-ballasted lamps.

''(50) The term 'cold climate State' means a State that experiences not less than 5,000 long-term population-weighted average heating degree days, as determined by the National Oceanic and Atmospheric Administration.''.

(2) TEST PROCEDURES.—Section 323 of the Energy Policy and Conservation Act (42 U.S.C. 6293) is amended—

(A) in subsection (b), by adding at the end the following:

''(9) Test procedures for illuminated exit signs shall be based on the test method used under Version 2.0 of the Energy Star program of the Environmental Protection Agency for illuminated exit signs.

''(10)(A) Test procedures for distribution transformers and low voltage dry-type distribution transformers

shall be based on the 'Standard Test Method for Measuring the Energy Consumption of Distribution Transformers' prescribed by the National Electrical Manufacturers Association (NEMA TP 2–1998).

''(B) The Secretary may review and revise those test procedures.

''(C) For purposes of section 346(a), those test procedures shall be considered to be testing requirements prescribed by the Secretary under section 346(a)(1) for distribution transformers for which the Secretary makes a determination that energy conservation standards would be technologically feasible and economically justified, and would result in significant energy savings.

''(11) Test procedures for traffic signal modules and pedestrian modules shall be based on the test method used under the Energy Star program of the Environmental Protection Agency for traffic signal modules, as in effect on the date of enactment of this paragraph.

''(12)(A) Test procedures for medium base compact fluorescent lamps shall be based on the test methods used under the August 9, 2001, version of the Energy Star program of the Environmental Protection Agency and Department of Energy for compact fluorescent lamps.

''(B)(i) Except as provided in clause (ii), covered products shall meet all test requirements for regulated parameters established under section 325(bb).

''(ii) Covered products may be marketed prior to completion of lamp life and lumen maintenance at 40 percent of rated life testing provided manufacturers document engineering predictions and analysis that support expected attainment of lumen maintenance at 40 percent rated life and lamp life time.

''(13) Air movement test procedures for ceiling fans shall be based on the test procedure contained in the Energy Star Program Requirements for Residential Ceiling Fans, version 2.0, developed by the Environmental Protection Agency, unless, pursuant to this section, the Secretary promulgates an alternative test procedure.

''(14) Test procedures for dehumidifiers shall be based on the test criteria used under the Energy Star Program Requirements for Dehumidifiers developed by the Environmental Protection Agency, as in effect on the date of enactment of this paragraph unless revised by the Secretary pursuant to this section.

''(15) The test procedure for measuring flow rate for commercial prerinse spray valves shall be based on American Society for Testing and Materials Standard F2324,

entitled 'Standard Test Method for Prerinse Spray Valves.'

''(16) The test procedure for digital television adapters shall be based on the International Electrotechnical Commissions Standard 62087:2002(E), entitled 'Methods of Measurement for the Power Consumption of Audio, Video, and Related Equipment'.

''(17) The test procedure for refrigerated bottled or canned beverage vending machines shall be based on American Society of Heating, Refrigerating and Air-Conditioning Engineers Standard 32.1–2004, entitled 'Methods of Testing for Rating Vending Machines for Bottled, Canned or Other Sealed Beverages'.''; and

(B) by adding at the end the following:

''(f)(1) ADDITIONAL TESTING REQUIREMENTS.—Not later than 2 years after the date of enactment of this subsection, the Secretary shall prescribe testing requirements for any product for which—

''(A) a standard is provided under the Natural Gas Price Reduction Act of 2005; and

''(B) there was no testing requirement before the date of enactment of that Act.

''(2) The testing requirements under paragraph (1) shall be based on test procedures used in industry to the maximum extent practicable and reasonable.''.

(3) NEW LABELING.—Section 324(a)(2) of the Energy Policy Act and Conservation Act (42 U.S.C. 6294(a)(2)) is amended by adding at the end the following:

''(F)(i) Not later than 90 days after the date of enactment of this subparagraph, the Commission shall initiate a rulemaking to consider—

''(I) the effectiveness of the consumer products labeling program in existence on the date of enactment of this subparagraph in assisting consumers in making purchasing decisions and improving energy efficiency; and

''(II) changes to the labeling rules that would improve the effectiveness of consumer product labels.

''(ii) The rulemaking shall be completed not later than 2 years after the date of enactment of this subparagraph.''.

(4) NEW STANDARDS.—Section 325 of the Energy Policy and Conservation Act (42 U.S.C. 6295) is amended—

(A) in subsection (o), by adding at the end the following:

''(5)(A) Notwithstanding any other provision in this section, the Secretary may set 2 standards for space heating and air conditioning equipment by dividing the United

States into 2 climate zones to achieve the maximum level of energy savings that are technically feasible and economically justified.

''(B) The climate zone boundaries described in subparagraph (A)—

''(i) shall follow State borders; and

''(ii) shall include only contiguous States.

''(C) In determining whether to set 2 standards as described in subparagraph (A), the Secretary shall consider all factors described in paragraphs (1) through (4).

''(D) If the Secretary sets 2 standards as described in subparagraph (A), it shall be illegal to transport noncomplying products into a State for retail sale or installation in that State.

''(6) The Secretary may set more than 1 efficiency standard for products that serve more than 1 major function by setting 1 standard for each major function.''; and

(B) by adding at the end the following:

''(u) BATTERY CHARGER AND EXTERNAL POWER SUPPLY ELECTRIC ENERGY CONSUMPTION.—(1)(A)(i) Not later than 18 months after the date of enactment of this subsection, the Secretary shall prescribe by notice and comment, definitions and test procedures for the power use of battery chargers and external power supplies.

''(ii) In establishing the test procedures, the Secretary shall consider, among other factors, definitions and test procedures used for measuring energy consumption in standby mode and other modes and assess the current and projected future market for battery chargers and external power supplies.

''(iii) The assessment shall include estimates of the significance of potential energy savings from technical improvements to the products and suggested product classes for standards.

''(iv) Not later than the end of the time period referred to in clause (i), the Secretary shall hold a scoping workshop to discuss and receive comments on plans for developing energy conservation standards for energy use for these products.

''(B)(i) Not later than 3 years after the date of enactment of this subsection, the Secretary shall promulgate a final rule that determines whether energy conservation standards shall be issued for battery chargers and external power supplies or classes thereof.

''(ii) For each product class, any such standards shall be set at the lowest level of energy use that—

''(I) meets the criteria and procedures of subsections (o), (p), (q), (r), (s), and (t); and

''(II) will result in significant overall annual energy savings, considering both standby mode and other operating modes.

''(2) In determining pursuant to section 323 whether test procedures and energy conservation standards pursuant to this section should be revised, the Secretary shall consider, for covered products that are major sources of standby mode energy consumption, whether to incorporate standby mode into such test procedures and energy conservation standards, taking into account, among other relevant factors, standby mode power consumption compared to overall product energy consumption.

''(3) The Secretary shall not propose a standard under this section unless the Secretary has issued applicable test procedures for each product pursuant to section 323.

''(4) Any standard issued under this subsection shall be applicable to products manufactured or imported on or after the date that is 3 years after the date of issuance.

''(5) The Secretary and the Administrator shall collaborate and develop programs, including Energy Star Programs and other voluntary industry agreements or codes of conduct, that are designed to reduce standby mode energy use.

''(v) VENDING MACHINES.—(1) Not later than 36 months after the date of enactment of this subsection, the Secretary shall prescribe, by rule, energy conservation standards for refrigerated bottled or canned beverage vending machines.

''(2) In establishing standards under this subsection, the Secretary shall use the criteria and procedures described in subsections (o) and (p).

''(3) Any standard prescribed under this subsection shall apply to products manufactured on or after the date that is 3 years after the date of publication of a final rule establishing the standard.

''(w) ILLUMINATED EXIT SIGNS.—Illuminated exit signs manufactured on or after January 1, 2006, shall meet the Version 2.0 Energy Star Program performance requirements for illuminated exit signs prescribed by the Environmental Protection Agency.

''(x) TORCHIERES.—Torchieres manufactured on or after January 1, 2006—

''(1) shall consume not more than 190 watts of power; and

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

''(y) LOW VOLTAGE DRY-TYPE DISTRIBUTION TRANSFORMERS.—The efficiency of low voltage dry-type

distribution transformers manufactured on or after January 1, 2006, shall be the Class I Efficiency Levels for distribution transformers specified in Table 4–2 of the 'Guide for Determining Energy Efficiency for Distribution Transformers' published by the National Electrical Manufacturers Association (NEMA TP–1–2002).

''(z) TRAFFIC SIGNAL MODULES.—(1) Traffic signal modules manufactured on or after January 1, 2006, shall—

''(A) meet the performance requirements used under the Energy Star program of the Environmental Protection Agency for traffic signals, as in effect on the date of enactment of this subsection; and

''(B) be installed with compatible, electrically connected signal control interface devices and conflict monitoring systems.

''(2) Pedestrian modules manufactured on or after January 1, 2006, shall meet the performance requirements adopted by the California Energy Commission on December 15, 2004.

''(aa) UNIT HEATERS.—Unit heaters manufactured on or after the date that is 3 years after the date of enactment of this subsection shall be equipped with an intermit-

tent ignition device and shall have either power venting or an automatic flue damper.

''(bb) MEDIUM BASE COMPACT FLUORESCENT LAMPS.—(1) Bare lamp and covered lamp (no reflector) medium base compact fluorescent lamps manufactured on or after January 1, 2006, shall meet the following requirements prescribed by the August 9, 2001, version of the Energy Star Program Requirements for Compact Fluorescent Lamps, Energy Star Eligibility Criteria, Energy-Efficiency Specification issued by the Environmental Protection Agency and Department of Energy:

''(A) Minimum initial efficacy.

''(B) Lumen maintenance at 1000 hours.

''(C) Lumen maintenance at 40 percent of rated life.

''(D) Rapid cycle stress test.

''(E) Lamp life.

''(2) The Secretary may, by rule, establish requirements for—

''(A) color quality (CRI);

''(B) power factor;

''(C) operating frequency; and

''(D) maximum allowable start time based on the requirements prescribed by the August 9, 2001,

version of the Energy Star Program Requirements for Compact Fluorescent Lamps.

''(3) The Secretary may, by rule, revise the requirements of this subsection or establish other requirements considering energy savings, cost effectiveness, and consumer satisfaction.

''(cc) CEILING FANS AND CEILING FAN LIGHT KITS.—(1)(A) All ceiling fans manufactured on or after January 1, 2007, shall have the following features:

''(i) Lighting controls separate from fan speed controls.

''(ii) Adjustable speed controls (either more than 1 speed or variable speed).

''(iii) The capability of reversible fan action, except for fans sold for industrial applications, outdoor applications, and where safety standards would be violated by the use of the reversible mode.

''(B) The Secretary may promulgate regulations to define in greater detail the exceptions provided under subparagraph (A)(iii) but may not substantively expand the exceptions.

''(2) Ceiling fan light kits manufactured on or after January 1, 2007, shall—

''(A) meet the Energy Star Program Requirements for Residential Light Fixtures, version 3.1,

issued by the Environmental Protection Agency, and be packaged with lamps to fill all sockets;

''(B) be packaged with screw-based compact fluorescent lamps to fill all sockets and meet the Energy Star Program Requirements for Compact Fluorescent Lamps, version 3.0, issued by the Department of Energy; or

''(C) use and be packaged with light sources other than compact fluorescent lamps that meet the minimum efficacy requirements, as measured in lumens per watt, of the Energy Star Program Requirements for Compact Fluorescent Lamps, version 3.0, issued by the Department of Energy.

''(3)(A) Notwithstanding any provision of this Act, if the requirements of subsections (o) and (p) are met, the Secretary may consider and prescribe energy efficiency or energy use standards for electricity used by ceiling fans to circulate air in a room.

''(B) If the Secretary sets the standards, the Secretary shall consider—

''(i) exempting or setting different standards for certain product classes for which the primary standards are not technically feasible or economically justified; and

''(ii) establishing separate exempted product classes for highly decorative fans for which air movement performance is a secondary design feature.

''(C) Any air movement standard prescribed under this subsection shall apply to products manufactured on or after the date that is 3 years after the date of publication of a final rule establishing the standard.

''(dd) DEHUMIDIFIERS.—(1) Dehumidifiers manufactured on or after October 1, 2007, shall have an Energy Factor that meets or exceeds the following values:

"Product Capacity (pints/day):	**Minimum Energy Factor (Liters/kWh)**
≤ 25	1.00
> 25 – ≥35	1.20
> 35 – ≥54	1.30
> 54 – < 75	1.50
≤ 75	2.25.

''(2)(A) Not later than October 1, 2009, the Secretary shall publish a final rule in accordance with subsections (o) and (p), to determine whether the standards established under paragraph (1) should be amended.

''(B) The final rule shall contain any amendment by the Secretary and shall provide that the amendment shall apply to products manufactured on or after October 1, 2012.

''(C) If the Secretary does not publish an amendment that takes effect by October 1, **[**2012**]**, dehumidifiers manufactured on or after October 1, **[**2012**]**, shall have

an Energy Factor that meets or exceeds the following values:

"Product Capacity (pints/day):	Minimum Energy Factor (Liters/kWh)
≤ 25	1.20
> 25 – ≥35	1.30
> 35 – ≥45	1.40
> 45 – ≥54	1.50
> 54 – < 75	1.60
≤ 75	2.5.

''(ee) COMMERCIAL PRERINSE SPRAY VALVES.—Commercial prerinse spray valves manufactured on or after January 1, 2006, shall have a flow rate less than or equal to 1.6 gallons per minute.

''(ff) DIGITAL TELEVISION ADAPTERS.—Digital television adapters manufactured on or after January 1, 2007, shall use—

''(A) not more than 1 watt while in scan true bearing standby-passive mode; and

''(B) not more than 8 watts while in scan true bearing on-mode.

''(gg) HIGH-INTENSITY DISCHARGE LAMPS.—High-intensity discharge lamp ballasts shall not be designed or marketed for operating a mercury vapor lamp.

''(hh) STANDARDS FOR CERTAIN FURNACES.—(1) Notwithstanding subsection (f) and except as provided in paragraphs (2) and (3), a furnace (including a furnace designed solely for installation in a mobile home) manufactured 3 or more years after the date of enactment of this

subsection shall have an annual fuel utilization efficiency of—

''(A) for natural gas- and propane-fired equipment, not less than 80 percent; and

''(B) for oil-fired equipment not less than 83 percent.

''(2)(A) Notwithstanding subsection (f) and except as provided in paragraph (3)—

''(i) a boiler (other than a gas steam boiler) manufactured 3 or more years after the date of enactment of this subsection shall have an annual fuel utilization efficiency of not less than 84 percent; and

''(ii) a gas steam boiler manufactured 3 or more years after the date of enactment of this subsection shall have an annual fuel utilization efficiency of not less than 82 percent.

''(B)(i) Notwithstanding subsection (f), if, after the date of enactment of this subsection, the Governor of a cold climate State files with the Secretary a notice that the State has implemented a requirement for an annual fuel utilization efficiency of not less than 90 percent for furnaces (other than boilers and furnaces designed solely for installation in a mobile home or boiler), the annual fuel utilization efficiency of a furnace sold in that State shall be not less than 90 percent.

''(ii) If a State described in clause (i) fails to implement or reasonably enforce (as determined by the Secretary) annual fuel utilization efficiency in accordance with that clause, the annual fuel use efficiency for furnaces (other than boilers and furnaces designed solely for installation in a mobile home or boiler) in that State shall be the fuel utilization efficiency established under paragraph (1).

''(3)(i) Not later than 5 years after the date on which a standard for a product under this subsection takes effect, the Secretary shall promulgate a final rule to determine whether that standard should be amended.

''(ii) If the Secretary determines that a standard under clause (i) should be amended—

''(I) the final rule promulgated pursuant to clause (i) shall contain the new standard; and

''(II) the new standard shall apply to any product manufactured after the date that is 5 years after the date on which the final rule is promulgated.''.

''(ii) APPLICATION DATE.—Section 327 applies—

''(1) to products for which standards are to be established under subsections (l), (u), and (v) beginning on the date on which a final rule is promulgated by the Secretary of Energy, except that any State or local standards prescribed or enacted for

any such product prior to the date on which the final rule is issued shall not be preempted until the standard established under subsection (l), (u), or (v) for that product takes effect; and

''(2) to products for which standards are established under subsections (w) through (ff) on the date of enactment of those subsections, except that any State or local standards prescribed or enacted prior to the date of enactment of those subsections shall not be preempted until the standards established under subsections (w) through (ff) take effect.''.

(5) RESIDENTIAL FURNACE FANS.—Section 325(f)(3) of the Energy Policy and Conservation Act (42 U.S.C. 6295(f)(3)) is amended by adding at the end the following:

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

(6) GENERAL RULE OF PREEMPTION.—Section 327(c) of the Energy Policy and Conservation Act (42 U.S.C. 6297(c)) is amended—

(A) in paragraph (5), by striking ''or'' at the end;

(B) in paragraph (6), by striking the period at the end and inserting ''; or''; and

(C) by adding at the end the following:

''(7) is a regulation concerning standards for commercial prerinse spray valves adopted by the California Energy Commission before January 1, 2005, or is an amendment to such a regulation developed to align California regulations with changes in American Society for Testing and Materials Standard F2324.''.

(b) ENERGY LABELING.—Section 324(a) of the Energy Policy and Conservation Act (42 U.S.C. 6294(a)) is amended by adding at the end the following:

''(5)(A) The Secretary or the Commission, as appropriate, may, for covered products referred to in subsections (u) through (ff) of section 325, prescribe, by rule, pursuant to this section, labeling requirements for the products after a test procedure has been set pursuant to section 323.

''(B) In the case of products to which TP–1 standards under section 325(y) apply, labeling requirements shall be based on the 'Standard for the Labeling of Distribution Transformer Efficiency' prescribed by the National Electrical Manufacturers Association (NEMA TP–3) as in effect on the date of enactment of this paragraph.

''(C) In the case of dehumidifiers covered under section 325(dd), the Commission shall not require an Energy Guide label.

''(6)(A) Not later than July 1, 2006, the Commission shall prescribe by rule, pursuant to this section, labeling requirements for the electricity used by ceiling fans to circulate air in a room.

''(B) The requirements shall be based on the test procedure and labeling requirements contained in the Energy Star Program Requirements for Residential Ceiling Fans, version 2.0, issued by the Environmental Protection Agency, except that third party testing and other non-labeling requirements shall not be promulgated unless the Commission determines the requirements are necessary to achieve compliance.

''(C) The rule shall apply to products manufactured after the later of—

''(i) January 1, 2007; or

''(ii) the date that is 60 days after the final rule is prescribed.''.

(c) COMMERCIAL PACKAGE AIR CONDITIONING AND HEATING EQUIPMENT.—

(1) DEFINITIONS.—Section 340 of the Energy Policy and Conservation Act (42 U.S.C. 6311) is amended—

(A) in paragraph (1)—

(i) by redesignating subparagraphs (D) through (G) as subparagraphs (E) through (H), respectively; and

(ii) by inserting after subparagraph (C) the following:

''(D) Very large commercial package air conditioning and heating equipment.'';

(B) in paragraph (2)(B), by striking ''small and large'';

(C) by striking paragraphs (8) and (9) and inserting the following:

''(8)(A) The term 'commercial package air conditioning and heating equipment' means air-cooled, water-cooled, evaporatively-cooled, or water source (not including ground water source) electrically operated, unitary central air conditioners and central air conditioning heat pumps for commercial application.

''(B) The term 'small commercial package air conditioning and heating equipment' means commercial package air conditioning and heating equipment that is rated below 135,000 Btu per hour (cooling capacity).

''(C) The term 'large commercial package air conditioning and heating equipment' means commer-

cial package air conditioning and heating equipment that is rated at or above 135,000 Btu per hour and below 240,000 Btu per hour (cooling capacity).

''(D) The term 'very large commercial package air conditioning and heating equipment' means commercial package air conditioning and heating equipment that is rated at or above 240,000 Btu per hour and below 760,000 Btu per hour (cooling capacity).'';

(D) by redesignating paragraphs (10) through (18) as paragraphs (9) through (17), respectively; and

(E) in paragraph (10) (as redesignated by subparagraph (D)), by inserting '', except for gas unit heaters and gas duct furnaces'' after ''furnaces''.

(2) STANDARDS.—Section 342(a) of the Energy Policy and Conservation Act (42 U.S.C. 6313(a)) is amended—

(A) in the subsection heading, by striking ''SMALL AND LARGE'' and inserting ''SMALL, LARGE, AND VERY LARGE'';

(B) in paragraph (1), by inserting ''but before January 1, 2010,'' after ''January 1, 1994,'';

(C) in paragraph (2), by inserting ''but before January 1, 2010,'' after ''January 1, 1995,'';

(D) in paragraph (4), by inserting '', except for a gas unit heater or gas duct furnace,'' after ''boiler'';

(E) in paragraph (6)—

(i) in subparagraph (A)—

(I) by inserting ''(i)'' after ''(A)'';

(II) by striking ''the date of enactment of the Energy Policy Act of 1992'' and inserting ''January 1, 2010'';

(III) by inserting after ''large commercial package air conditioning and heating equipment'' the following: ''and very large commercial package air conditioning and heating equipment, or if ASHRAE/IES Standard 90.1, as in effect on October 24, 1992, is amended with respect to any''; and

(IV) by adding at the end the following:

''(ii) If ASHRAE/IES Standard 90.1 is not amended with respect to small commercial package air conditioning and heating equipment, large commercial package air conditioning and heating equipment, and very large commercial package air conditioning and heating equipment during the 5-year period beginning on the effective date of a standard, the Secretary may initiate a rulemaking to determine whether a more stringent standard would result in significant additional conservation of energy and is technologically feasible and economically justified.

''(iii) This subparagraph does not apply to gas-fired warm-air furnaces, gas-fired package boilers, storage water heaters, gas unit heaters, or gas duct furnaces manufactured 5 or more years after the date of enactment of the Natural Gas Price Reduction Act of 2005.''; and

(ii) in subparagraph (C)(ii), by inserting ''and very large commercial package air conditioning and heating equipment'' after ''large commercial package air conditioning and heating equipment''; and

(F) by adding at the end the following:

''(7) Each small commercial package air conditioning and heating equipment manufactured on or after January 1, 2010, shall meet the following standards:

''(A) The minimum energy efficiency ratio of air-cooled central air conditioners at or above 65,000 Btu per hour (cooling capacity) and less than 135,000 Btu per hour (cooling capacity) shall be—

''(i) 11.2 for equipment with no heating or electric resistance heating; and

''(ii) 11.0 for equipment with all other heating system types that are integrated into the equipment (at a standard rating of 95 degrees F db).

''(B) The minimum energy efficiency ratio of air-cooled central air conditioner heat pumps at or above 65,000 Btu per hour (cooling capacity) and less than 135,000 Btu per hour (cooling capacity) shall be—

''(i) 11.0 for equipment with no heating or electric resistance heating; and

''(ii) 10.8 for equipment with all other heating system types that are integrated into the equipment (at a standard rating of 95 degrees F db).

''(C) The minimum coefficient of performance in the heating mode of air-cooled central air conditioning heat pumps at or above 65,000 Btu per hour (cooling capacity) and less than 135,000 Btu per

hour (cooling capacity) shall be 3.3 (at a high temperature rating of 47 degrees F db).

''(8) Each large commercial package air conditioning and heating equipment manufactured on or after January 1, 2010, shall meet the following standards:

''(A) The minimum energy efficiency ratio of air-cooled central air conditioners at or above 135,000 Btu per hour (cooling capacity) and less than 240,000 Btu per hour (cooling capacity) shall be—

''(i) 11.0 for equipment with no heating or electric resistance heating; and

''(ii) 10.8 for equipment with all other heating system types that are integrated into the equipment (at a standard rating of 95 degrees F db).

''(B) The minimum energy efficiency ratio of air-cooled central air conditioner heat pumps at or above 135,000 Btu per hour (cooling capacity) and less than 240,000 Btu per hour (cooling capacity) shall be—

''(i) 10.6 for equipment with no heating or electric resistance heating; and

''(ii) 10.4 for equipment with all other heating system types that are integrated into

the equipment (at a standard rating of 95 degrees F db).

''(C) The minimum coefficient of performance in the heating mode of air-cooled central air conditioning heat pumps at or above 135,000 Btu per hour (cooling capacity) and less than 240,000 Btu per hour (cooling capacity) shall be 3.2 (at a high temperature rating of 47 degrees F db).

''(9) Each very large commercial package air conditioning and heating equipment manufactured on or after January 1, 2010, shall meet the following standards:

''(A) The minimum energy efficiency ratio of air-cooled central air conditioners at or above 240,000 Btu per hour (cooling capacity) and less than 760,000 Btu per hour (cooling capacity) shall be—

''(i) 10.0 for equipment with no heating or electric resistance heating; and

''(ii) 9.8 for equipment with all other heating system types that are integrated into the equipment (at a standard rating of 95 degrees F db).

''(B) The minimum energy efficiency ratio of air-cooled central air conditioner heat pumps at or above 240,000 Btu per hour (cooling capacity) and

less than 760,000 Btu per hour (cooling capacity) shall be—

"(i) 9.5 for equipment with no heating or electric resistance heating; and

"(ii) 9.3 for equipment with all other heating system types that are integrated into the equipment (at a standard rating of 95 degrees F db).

"(C) The minimum coefficient of performance in the heating mode of air-cooled central air conditioning heat pumps at or above 240,000 Btu per hour (cooling capacity) and less than 760,000 Btu per hour (cooling capacity) shall be 3.2 (at a high temperature rating of 47 degrees F db).

"(10) Notwithstanding paragraph (4) and except as provided in paragraph (14), the minimum thermal efficiency at the maximum rated capacity of a gas-fired warm-air furnace with the capacity of 225,000 Btu per hour or more manufactured 4 or more years after the date of enactment of this paragraph shall be 79.5 percent.

"(11) Notwithstanding paragraph (4) and except as provided in paragraph (14), the minimum thermal efficiency at the maximum rated capacity of a gas-fired package boiler with the capacity of 300,000 Btu per hour or

more manufactured 4 or more years after the date of enactment of this paragraph shall be 79 percent.

''(12) Notwithstanding paragraph (5) (excluding paragraph (5)(G)), and except as provided in paragraph (14)—

''(A) the maximum standby loss (expressed as a percent per hour) of a gas-fired storage water heater shall be 1.30 (expressed as a measurement of storage volume in gallons); and

''(B) the minimal thermal efficiency of a gas-fired storage water heater shall be 82 percent.

''(13)(A) Not later than 5 years after the date on which a standard for a product under paragraph (10), (11), or (12) takes effect, the Secretary shall promulgate a final rule to determine whether the standard for that product should be amended.

''(B) If the Secretary determines that a standard should be amended under subparagraph (A)—

''(i) the final rule promulgated pursuant to subparagraph (A) shall contain the new standard; and

''(ii) the new standard shall apply to any product manufactured 4 or more years after the date on which the final rule is promulgated.''.

(3) TEST PROCEDURES.—Section 343 of the Energy Policy and Conservation Act (42 U.S.C.

6314) is amended in subsections (a)(4) and (d)(1), by inserting ''very large commercial package air conditioning and heating equipment,'' after ''large commercial package air conditioning and heating equipment,'' each place it appears.

(4) LABELING.—Section 344(e) of the Energy Policy and Conservation Act (42 U.S.C. 6315(e)) is amended in the first and second sentences, by inserting ''very large commercial package air conditioning and heating equipment,'' after ''large commercial package air conditioning and heating equipment,'' each place it appears.

(5) ADMINISTRATION, PENALTIES, ENFORCEMENT, AND PREEMPTION.—Section 345 of the Energy Policy and Conservation Act (42 U.S.C. 6316) is amended by adding at the end the following:

''(d)(1) Except as provided in paragraphs (2) and (3), section 327 shall apply with respect to the equipment specified in section 340(1)(D) to the same extent and in the same manner as section 327 applies under part A on the date of enactment of this subsection.

''(2) Any State or local standard prescribed or enacted prior to the date of enactment of this subsection shall not be preempted until the standards established under section 342(a)(9) take effect on January 1, 2010.

''(3) If the California Energy Commission adopts, not later than March 31, 2005, a regulation concerning the energy efficiency or energy use of the equipment specified in section 340(1)(D), the regulation shall be effective until, and shall no longer be effective after, the standards established under section 342(a)(9) take effect on January 1, 2010.''.

(6) TECHNICAL AMENDMENT.—Section 345(b)(1) of the Energy Policy and Conservation Act (42 U.S.C. 6316(b)(1)) is amended in the first sentence by striking ''part B'' and inserting ''part A''.

(d) COMMERCIAL REFRIGERATORS, FREEZERS, AND REFRIGERATOR-FREEZERS.—

(1) DEFINITIONS.—Section 340 of the Energy Policy and Conservation Act (42 U.S.C. 6311) (as amended by subsection (c)(1)) is amended—

(A) in paragraph (1)—

(i) by redesignating subparagraph (H) as subparagraph (I); and

(ii) by inserting after subparagraph (G) the following:

''(H) Commercial refrigerators, freezers, and refrigerator-freezers.''; and

(B) by adding at the end the following:

''(18)(A) The term 'commercial refrigerator, freezer, and refrigerator-freezer' means refrigeration equipment that—

''(i) is not a consumer product (as defined in section 321);

''(ii) operates at a chilled, frozen, combination chilled and frozen, or variable temperature;

''(iii) displays or stores merchandise and other perishable materials horizontally, semivertically, or vertically;

''(iv) has transparent or solid doors, sliding or hinged doors, a combination of hinged, sliding, transparent, or solid doors, or no doors;

''(v) is designed for pull-down temperature applications or holding temperature applications; and

''(vi) is connected to a self-contained condensing unit or to a remote condensing unit.

''(B) The term 'holding temperature application' means a use of commercial refrigeration equipment other than a pull-down temperature application, except a blast chiller or freezer.

''(C) The term 'integrated average temperature' means the average temperature of all test package measurements taken during the test.

''(D) The term 'pull-down temperature application' means a commercial refrigerator with doors that, when fully loaded with 12 ounce beverage cans at 90 degrees F, can cool those beverages to an average stable temperature of 38 degrees F in 12 hours or less.

''(E) The term 'remote condensing unit' means a factory-made assembly of refrigerating components designed to compress and liquefy a specific refrigerant that is remotely located from the refrigerated equipment and consists of 1 or more refrigerant compressors, refrigerant condensers, condenser fans and motors, and factory supplied accessories.

''(F) The term 'self-contained condensing unit' means a factory-made assembly of refrigerating components designed to compress and liquefy a specific refrigerant that is an integral part of the refrigerated equipment and consists of 1 or more refrigerant compressors, refrigerant condensers, condenser fans and motors, and factory supplied accessories.''.

(2) STANDARDS.—

(A) IN GENERAL.—Section 342 of the Energy Policy and Conservation Act (42 U.S.C. 6313) is amended by adding at the end the following:

''(c) COMMERCIAL REFRIGERATORS, FREEZERS, AND REFRIGERATOR-FREEZERS.—(1) In this subsection:

''(A) The term 'AV' means the adjusted volume (ft^3) (defined as 1.63 x frozen temperature compartment volume (ft^3) + chilled temperature compartment volume (ft^3)) with compartment volumes measured in accordance with the Association of Home Appliance Manufacturers Standard HRF1–1979.

''(B) The term 'V' means the chilled or frozen compartment volume (ft^3) (as defined in the Association of Home Appliance Manufacturers Standard HRF1–1979).

''(C) Other terms have the meanings established by the Secretary, based on industry-accepted definitions and practice.

''(2) Each commercial refrigerator, freezer, and refrigerator-freezer with a self-contained condensing unit designed for holding temperature applications manufactured on or after January 1, 2010, shall meet the following standard levels in kilowatt hours per day:

''Refrigerators with solid doors	0.10 V + 2.04
Refrigerators with transparent doors	0.12 V + 3.34
Freezers with solid doors	0.40 V + 1.38
Freezers with transparent doors	0.75 V + 4.10
Refrigerators/freezers with solid doors...the greater of.	0.27 AV − 0.71 or 0.70

''(3) Each commercial refrigerator with a self-contained condensing unit designed for pull-down temperature applications manufactured on or after January 1, 2010, shall meet the following standard levels in kilowatt hours per day: Refrigerators with transparent doors 0.126 V + 3.51.''.

(B) ESTABLISHMENT OF STANDARDS.—

(i) SPECIFIED TYPES.—Not later than January 1, 2009, the Secretary of Energy may prescribe, by rule, standard levels for ice-cream freezers, self-contained commercial refrigerators, freezers, and refrigerator-freezers without doors, and remote condensing commercial refrigerators, freezers, and refrigerator-freezers, with the standard levels effective for equipment manufactured on or after January 1, 2012.

(ii) OTHER TYPES.—Not later than January 1, 2009, the Secretary may prescribe, by rule, standard levels for other types of commercial refrigerators, freezers, and refrigerator-freezers not covered by clause (i) or section 342(c) of the Energy Policy and Conservation Act (as added by subparagraph (A)), with the standard lev-

els effective for equipment manufactured on or after January 1, 2012.

(C) REVISIONS TO STANDARDS.—

(i) INITIAL REVISION OF STANDARDS.—

(I) IN GENERAL.—Not later than January 1, 2013, the Secretary shall publish a final rule to determine if the standards established under section 342(c) of the Energy Policy and Conservation Act (as added by subparagraph (A)) should be amended.

(II) APPLICATION DATE.—The rule shall provide that any amended standards shall apply to products manufactured on or after the date that is 3 years after the final amended standard is published unless the Secretary determines, by rule, that 3 years is inadequate, in which case the Secretary may establish an application date for products manufactured not later than 5 years after the final amended standard is published.

(ii) SUBSEQUENT REVISION OF STANDARDS.—

(I) IN GENERAL.—Not later than 3 years after the amended final standard referred to in subparagraph (A) takes effect or after the Secretary publishes a final rule determining that the standard should not be amended, the Secretary shall publish a final rule to determine if the standards established under section 342(c) of the Energy Policy and Conservation Act (as added by subparagraph (A)) should be amended.

(II) APPLICATION DATE.—The rule shall provide that any amended standards shall apply to products manufactured on or after the date that is 3 years after the final amended standard is published unless the Secretary determines, by rule, that 3 years is inadequate, in which case the Secretary may establish an application date for products manufactured not

later than 5 years after the final amended standard is published.

(3) TEST PROCEDURES.—Section 343 of the Energy Policy and Conservation Act (42 U.S.C. 6314) is amended—

(A) in subsection (a), by adding at the end the following:

''(6)(A)(i) In the case of commercial refrigerators, freezers, and refrigerator-freezers, the test procedures shall be the test procedures determined by the Secretary to be generally accepted industry testing procedures or rating procedures developed or recognized by the ASHRAE or by the American National Standards Institute.

''(ii) In the case of self-contained refrigerators, freezers, and refrigerator-freezers to which standards are applicable under subsection 342(c)(1), the initial test procedures shall be ASHRAE 117 that is in effect on January 1, 2005.

''(B) In the case of commercial refrigerators, freezers, and refrigerators-freezers with doors covered by the standards adopted in February 2002, by the California Energy Commission, the rating temperatures shall be an integrated average temperature of 38 degrees F (+/− 2

degrees F) for refrigerator compartments and 0 degrees F (+/− 2 degrees F) for freezer compartments.

''(C) The Secretary shall prescribe a rule, that meets the requirements of paragraphs (2) and (3), to establish the appropriate rating temperatures for the other products for which standards will be established under subsection 342(c)(2).

''(D) In establishing the appropriate test temperatures under this subparagraph, the Secretary shall follow the procedures and meet the requirements specified in section 323(e).

''(E)(i) Not later than 180 days after the publication of a new ASHRAE 117 test procedure, if the ASHRAE 117 test procedure for commercial refrigerators, freezers, and refrigerator-freezers is amended, the Secretary shall, by rule, amend the test procedure for the product as necessary to be consistent with the amended ASHRAE 117 test procedure unless the Secretary makes a determination, by rule, and supported by clear and convincing evidence, that to do so would not meet the requirements for test procedures described in paragraphs (2) and (3).

''(ii) If the Secretary needs more than 180 days to review and adopt the amended test procedure or rating procedure, the Secretary shall publish a notice in the Federal Register stating the intent of the Secretary to take

up to an additional 1 year before the amended test procedure or rating procedure would become effective.

''(F)(i) If another test procedure besides ASHRAE 117 is approved by the American National Standards Institute, the Secretary shall, by rule—

''(I) review the relative strengths and weaknesses of the new test procedure relative to ASHRAE 117; and

''(II) based on that review, adopt 1 of those test procedures for subsequent use in the standards program.

''(ii) If a new test procedure is adopted—

''(I) section 323(e) shall apply; and

''(II) subparagraph (B) shall apply to the adopted test procedure.''; and

(B) in subsection (d)(1), by striking ''and unfired hot water storage tanks,'' and inserting: ''unfired hot water storage tanks, and commercial refrigerators, freezers, and refrigerator-freezers,''.

(4) LABELING.—Section 344(e) of the Energy Policy and Conservation Act (42 U.S.C. 6315(e)) is amended by striking ''and unfired hot water storage tanks'' each place it appears and inserting ''unfired

hot water storage tanks, and commercial refrigerators, freezers, and refrigerator-freezers''.

(5) ADMINISTRATION, PENALTIES, ENFORCEMENT, AND PREEMPTION.—Section 345 of the Energy Policy and Conservation Act (42 U.S.C. 6316) (as amended by subsection (c)(5)) is amended by adding at the end the following:

''(e)(1)(A) The provisions of subsections (a), (b), and (d) of section 326, subsections (m) through (s) of section 325, and sections 328 through 336 shall apply with respect to equipment specified in section 340(1)(G) to the same extent and in the same manner as those provisions apply under part A.

''(B) In applying those provisions to that equipment, paragraphs (1), (2), (3), and (4) of subsection (a) shall apply.

''(2)(A)(i) The provisions of section 327 shall apply with respect to the equipment specified in section 340(1)(G) that have standards established under section 342(c)(2) to the same extent and in the same manner as those provisions apply under part A on the date of enactment of this subsection, except that any State or local standard prescribed or enacted before the date of enactment of this subsection shall not be preempted until the standards established under section 342(c) take effect.

''(ii) In applying those provisions to that equipment, paragraphs (1), (2), and (3) of subsection (a) shall apply.

''(B) Notwithstanding subparagraph (A), if the California Energy Commission adopts, not later than March 31, 2005, a regulation concerning the energy efficiency or energy use of the equipment specified in section 340(1)(G) that have standards established under section 342(c)(2), those standards shall be effective until, and shall no longer be effective after, the standards established under section 342(c)(2) take effect on January 1, 2010.

''(3)(A) The provisions of section 327 shall apply with respect to the equipment specified in 340(1)(G) that have standards established under section 342(c)(3) to the same extent and in the same manner as they apply under part A on the date of publication of the final rule by the Secretary, except that any State or local standard prescribed or enacted before the date of publication of the final rule by the Secretary shall not be preempted until the standards take effect.

''(B) In applying those provisions for the purpose of that equipment, paragraphs (1), (2), and (3) of subsection (a) shall apply.

''(4) If the Secretary does not issue a final rule for a specific type of equipment specified in section 340(1)(G) within the time frame specified in section 342(c)(3), the

provisions of subsections (b) and (c) of section 327 shall no longer apply to that specific type of equipment beginning on the date that is 2 years after the scheduled date for a final rule and until the Secretary publishes a final rule covering the specific type of equipment, at which time those provisions shall apply to the specific type of equipment.

''(5)(A) In the case of any commercial refrigerator, freezer, and refrigerator-freezer to which standards are applicable under section 342(c)(2), the Secretary shall require manufacturers to certify, through an independent testing or certification program nationally recognized in the United States, that the commercial refrigerator, freezer, and refrigerator-freezer meets the applicable standard.

''(B) The Secretary shall, to the maximum extent practicable, encourage the establishment of at least 2 such independent testing and certification programs.

''(C) As part of certification, information on equipment energy use and interior volume shall be made available to the Secretary.''.

SEC. 103. DEPLOYMENT FOR DISTRIBUTED GENERATION, SOLAR ENERGY TECHNOLOGIES, AND BIOMASS.

(a) DISTRIBUTED POWER SYSTEMS.—

(1) REQUIREMENT.—Not later than 1 year after the date of enactment of this Act, the Secretary of Energy shall develop and transmit to Congress a strategy for a comprehensive research, development, demonstration, and commercial application program to develop distributed power systems that use non-intermittent electric power generation technologies suitable for use in a distributed power system.

(2) CONTENTS.—The strategy shall—

(A) identify the needs best met with such distributed power systems and the technological barriers to the use of the systems;

(B) provide for the development of methods to design, test, integrate into systems, and operate the distributed power systems;

(C) include, as appropriate, research, development, demonstration, and commercial application on related technologies needed for the adoption of the distributed power systems, including energy storage devices and environmental control technologies;

(D) include research, development, demonstration, and commercial application of interconnection technologies for communications and

controls of distributed generation architectures, particularly technologies promoting real-time response to power market information and physical conditions on the electrical grid; and

(E) describe how activities under the strategy will be integrated with other research, development, demonstration, and commercial application activities supported by the Department of Energy related to electric power technologies.

(b) MICRO-COGENERATION ENERGY TECHNOLOGY.—The Secretary of Energy shall make competitive, merit-based grants to consortia for the development of micro-cogeneration energy technology that explore—

(1) the use of small-scale combined heat and power in residential heating appliances; and

(2) the use of excess power to operate other appliances within the residence and supply excess generated power to the power grid.

(c) SOLAR ENERGY TECHNOLOGIES DEMONSTRATION PROGRAM.—

(1) IN GENERAL.—The Secretary of Energy shall conduct a program under which the Secretary makes grants to State energy offices and other appropriate State entities, as determined by the Secretary, to provide the Federal share of the cost of

demonstrating the use of advanced photovoltaic, solar water heating, and hybrid solar lighting technologies to generate and displace electricity.

(2) FEDERAL SHARE.—The Federal share of the cost of an activity described in paragraph (7) shall be not more than 40 percent, as determined by the Secretary.

(3) PROPOSALS.—

(A) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, the Secretary shall solicit from State energy offices and other appropriate State entities, as determined by the Secretary, proposals to receive grants under this subsection.

(B) CONTENTS.—A proposal under this paragraph shall contain provisions that—

(i) meet the cost-sharing requirement of this subsection;

(ii) maximize the quantity of photovoltaic, solar water heating, and hybrid solar lighting technologies installed for each Federal dollar expended under this subsection, including by increasing the non-Federal share of the cost of an activity under this subsection;

(iii) measure and verify the output of a photovoltaic, solar water heating, or hybrid solar lighting technology under this subsection for a period of not less than 20 years after the date on which the technology is installed; and

(iv) for each building on which a photovoltaic, solar water heating, or hybrid solar lighting technology is installed under this subsection, require that the building receive an energy efficiency audit not earlier than 180 days before the date on which the technology is installed.

(4) PREFERENCE.—In making a grant under this subsection, the Secretary shall give preference to a State energy office or entity if making a grant to that office or entity—

(A) promotes the geographic diversity of demonstration sites, as determined by the Secretary; or

(B) limits overhead costs under this subsection, including the administrative costs to the Department of Energy or a State.

(5) AMOUNTS.—

(A) DISTRIBUTION.—Of the amount of funds made available to provide grants under this subsection for a fiscal year, the Secretary shall use 75 percent of that amount to distribute the grants described in paragraph (1)—

(i) to State energy offices or entities based on the ratio that—

(I) the percentage contribution of the State of the energy office or entity to the cost of an activity described in paragraph (7); bears to

(II) the percentage contribution of all States to the cost of an activity described in paragraph (7); and

(ii) if a recipient of a grant under this subsection is a commercial, industrial, or residential recipient, proportionally to the use of electricity by the recipient.

(B) REMAINDER OF FUNDS.—Of the amount of funds made available to provide grants under this subsection for a fiscal year, the Secretary shall use 25 percent of that amount to distribute the grants described in paragraph (1) to any State energy office or entity the proposal of which the Secretary con-

siders highly likely to encourage widespread adoption of solar energy technologies.

(C) LIMITATION.—The amount of a grant under this subsection shall not exceed $5,000,000.

(6) TERMINATION.—

(A) INDIVIDUAL GRANTS.—If the Secretary determines that the recipient of a grant under this subsection fails to act in accordance with the approved proposal of the recipient, the Secretary—

(i) shall take such action as is necessary to obtain repayment of the Federal share of the amount of the grant; and

(ii) shall not provide any further grants to that recipient under this subsection.

(B) ALL GRANTS.—Not later than 1 year after the date on which the United States achieves a total installed capacity of 10,000 megawatts (or the equivalent of that capacity) under the program, the Secretary shall not make any further grants under this subsection.

(7) USE OF FUNDS.—A State energy office or other appropriate entity may use a grant provided under paragraph (1) to—

(A) demonstrate the commercial application of using a concentrated solar power, advanced photovoltaic, solar water heating, or hybrid solar lighting technology to generate or displace not less than 10 kilowatts at a demonstration site;

(B) install a photovoltaic, solar water heating, or hybrid solar lighting technology on a public, private, commercial, industrial, or residential demonstration site;

(C) monitor an installation described in paragraph (2) to ensure the successful operation, and quantify the results, of the technology; and

(D) increase public awareness of the use of advanced photovoltaic, solar water heating, or hybrid solar lighting technology.

(8) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this subsection.

(d) SOLAR LIGHTING DEVELOPMENT PROGRAM.—

(1) DEFINITIONS.—In this subsection:

(A) DEVELOPMENT ACTIVITY.—The term ''development activity'' includes the development of a technology, material, or manufacturing process required—

(i) to collect direct, nondiffuse sunlight;

(ii) to transmit or otherwise direct and distribute sunlight into buildings through any method (including through optical fibers);

(iii) to integrate sunlight with an electric lighting system in a hybrid configuration with collocated electric lamps;

(iv) to control the spatial, temporal, or spectral quality of sunlight to improve energy efficiency, worker productivity, or retail sales; or

(v) to remotely monitor the performance of a solar energy system through web-based metering.

(B) FOR-PROFIT PARTICIPANT.—The term ''for-profit participant'' includes the following entities that operate for profit:

(i) An organization that manufactures original equipment for emerging components or systems used in solar lighting.

(ii) A lighting designer.

(iii) An illumination or architectural engineer.

(C) SOLAR LIGHTING.—

(i) IN GENERAL.—The term ''solar lighting'' means a lighting system that incorporates sunlight in accordance with paragraph (2) and offers the flexibility, convenience, reliability, and control available in electric-only lighting.

(ii) EXCLUSIONS.—The term ''solar lighting'' does not include an architecturally-intrusive product in existence on the date of enactment of this Act, including—

(I) a skylight;

(II) a lightwell;

(III) a light shelf; or

(IV) a roof monitor.

(2) PURPOSE.—The purpose of this subsection is to support the development of advanced solar lighting systems that are—

(A) multifunctional;

(B) compatible with different electric lamps and light fixtures used for direct, indirect, ambient, task, or accent lighting;

(C) reconfigurable;

(D) easily added, removed, or modified as lighting needs change;

(E) easily integrated with electric lights and controllable to—

(i) ensure that disruptions in lighting quality or quantity do not occur on cloudy days or at night; and

(ii) provide dimming and on/off switching capabilities;

(F) designed to eliminate architectural design and maintenance problems that limit the conventional use of daylighting in most buildings;

(G) more efficient than electric lighting systems used in the same lighting applications; and

(H) more efficient and cost-efficient than solar generation technologies used in buildings to convert sunlight into electricity and reconvert

the sunlight back into electrically-generated light through electric lamps.

(3) DEVELOPMENT ACTIVITIES.—

(A) IN GENERAL.—The Secretary shall conduct a program under which the Secretary makes grants to provide the Federal share of the cost of a development activity under this subsection to solar lighting technology developers, including—

(i) for-profit participants;

(ii) National Laboratories; and

(iii) educational institutions.

(B) FEDERAL SHARE.—The Federal share of the cost of a development activity under this subsection shall be not more than 50 percent, as determined by the Secretary.

(C) PROPOSALS.—

(i) IN GENERAL.—To receive a grant under this section, a solar lighting technology developer shall submit to the Secretary an application at the time, in the manner, and containing any information that the Secretary requires.

(ii) PREFERENCE.—In making a grant under this subsection, the Secretary

may give preference to a development activity led by a for-profit participant.

(4) NATIONAL ACADEMY OF SCIENCES.—

(A) IN GENERAL.—Not later than 2 years after the date of enactment of this Act, the Secretary shall offer to enter into a contract with the National Academy of Sciences to conduct a biannual review of each development activity carried out during the preceding year under this subsection.

(B) INCLUSIONS.—The review under this paragraph shall include, for each development activity—

(i) an assessment of—

(I) priorities;

(II) technical milestones; and

(III) if appropriate, plans for technology transfer and any progress made towards achieving the plans; and

(ii) a comparison of the merits of solar lighting with other practicable uses of solar energy technologies in a building to reduce the use by the building of non-renewable energy.

(5) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection—

(A) for fiscal year 2006, $10,000,000;

(B) for fiscal year 2007, $15,000,000;

(C) for fiscal year 2008, $20,000,000;

(D) for fiscal year 2009, $15,000,000; and

(E) for fiscal year 2010, $10,000,000.

(e) DISTRIBUTED ENERGY.—

(1) IN GENERAL.—The Secretary shall conduct program under which the Secretary provides grants to eligible consortia (as determined by the Secretary) to provide the Federal share of the cost of developing microcogeneration energy technology.

(2) FEDERAL SHARE.—The Federal share of the cost of an activity under this subsection shall be not greater than 40 percent.

(3) USE OF FUNDS.—

(A) IN GENERAL.—A consortium may use funds provided under this subsection for a project relating to—

(i) the use of small-scale combined heat and power in residential heating appliances; or

(ii) the use of excess power to—

(I) operate other appliances in a residence; and

(II) supply power to a power grid.

(B) INCLUSIONS.— A project under subparagraph (A) shall include the use of—

(i) a fuel cell;

(ii) a combined heat and power system;

(iii) a microturbine;

(iv) an advanced natural gas turbine;

(v) an advanced internal combustion engine generator;

(vi) an energy storage device;

(vi) an interconnection standard, protocol, or piece of equipment;

(vii) ancillary equipment for dispatch and control; or

(ix) any other energy technologies, as appropriate.

(4) REPORT.—Concurrent with the submission by the President of the annual budget request for fiscal year 2007, the Secretary shall submit to Congress a report describing—

(A) the goals of the Secretary relating to microcogeneration energy technology projects under this subsection, including cost and energy savings targets for fiscal years 2007 through 2012;

(B) progress made during the preceding year toward achieving the goals of the Secretary relating to microcogeneration energy technology; and

(C) the results of each project carried out by an eligible consortium under this subsection.

(f) BIOENERGY PROGRAMS.—

(1) IN GENERAL.—The Secretary shall conduct a program of research, development, and demonstration of commercial applications of cellulosic biomass, including—

(A) converting biomass to heat and electricity;

(B) converting biomass to liquid fuels;

(C) biobased products;

(D) the use of integrated biorefineries to produce heat, electricity, liquid fuels, and biobased products;

(E) cross-cutting activities on feedstocks and enzymes; and

(F) economic analysis of applications of cellulosic biomass.

(2) BIOFUELS AND BIOBASED PRODUCTS.—In carrying out a program relating to a biofuel or biobased product under paragraph (1), the Secretary, in cooperation with the energy industry, shall develop—

(A) advanced biochemical and thermochemical conversion technologies to make high-value biobased chemical feedstocks and products, to substitute for petroleum-based feedstocks and products;

(B) biofuels that are price-competitive with gasoline or diesel in—

(i) internal combustion engines; or

(ii) fuel cell-powered vehicles;

(C) biobased products from a variety of feedstocks, including grains, cellulosic biomass, and agricultural byproducts; and

(D) advanced biotechnology processes to make biofuels and biobased products, with emphasis on development of biorefinery technologies, including enzyme-based processing technologies.

(3) BIOMASS INTEGRATED REFINERY DEMONSTRATION.—

(A) IN GENERAL.—The Secretary shall conduct a program under which the Secretary provides grants to advanced biorefineries to provide the Federal share of the cost of demonstrating the commercial application of integrated biorefineries.

(B) LIMITATIONS.—

(i) QUANTITY OF GRANTS.—The Secretary shall provide grants under this paragraph to not fewer than 5 advanced biorefineries.

(ii) FEDERAL SHARE.—The Federal share of the cost of a demonstration under this paragraph shall not exceed 40 percent.

(iii) MAXIMUM AMOUNT.—The Secretary shall provide not greater than $100,000,000 for a biorefinery demonstration under this paragraph.

(C) FACTORS.—The Secretary shall select biorefinery demonstrations under this subsection in a manner that supports—

(i) the geographic diversity of the demonstrations;

(ii) the demonstration of a wide variety of cellulosic biomass feedstocks;

(iii) the commercial application of biomass technologies for a variety of uses, including—

(I) liquid transportation fuels;

(II) high-value biobased chemicals;

(III) substitutes for petroleum-based feedstocks and products; and

(IV) energy in the form of electricity or useful heat; and

(iv) the demonstration of the collection and treatment of a variety of biomass feedstocks.

(D) PROPOSALS.—

(i) IN GENERAL.—To obtain a grant under this subsection, not later than 180 days after the date of enactment of this Act, an advanced biorefinery shall submit to the Secretary a proposal in the time and in the manner, and containing any information, that the Secretary requires.

(ii) CONSIDERATION.—In making a grant under this subsection, the Secretary

shall select advanced biorefineries the proposals of which—

(I) demonstrate that the project of the biorefinery will operate profitably without a direct Federal subsidy after initial construction costs are paid; and

(II) allow for easy replication of the biorefinery, as determined by the Secretary.

SEC. 104. HYDROGEN AND FUEL CELL INITIATIVE.

(a) DEFINITIONS.—In this section:

(1) ADVISORY COMMITTEE.—The term ''Advisory Committee'' means the Hydrogen Technical and Fuel Cell Advisory Committee established by subsection (e)(1).

(2) DEPARTMENT.—The term ''Department'' means the Department of Energy.

(3) FUEL CELL.—The term ''fuel cell'' means a device that directly converts the chemical energy of a fuel and an oxidant into electricity by an electrochemical process that take place at separate electrodes in the device.

(4) INFRASTRUCTURE.—The term ''infrastructure'' means any equipment, system, or facility used to produce, distribute, deliver, or store hydrogen.

(5) LIGHT DUTY VEHICLE.—The term ''light duty vehicle'' means a car or truck classified by the Department of Transportation as a Class I or IIA vehicle.

(6) SECRETARY.—The term ''Secretary'' means the Secretary of Energy.

(b) PLAN.—

(1) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, the Secretary shall submit to Congress a coordinated plan for carrying out—

(A) the programs described in this section; and

(B) any other program of the Department that is directly related to fuel cells or hydrogen.

(2) INCLUSIONS.—The plan shall include a description of—

(A) for the first 5 years beginning on the date of enactment of this Act, an agenda for each program under this section, including the agenda for each activity under subsection (c)(1);

(B) each type of entity that will carry out an activity under this section and the role each entity is expected to play;

(C) any milestone that will be used to evaluate a program carried out during the first 5 years beginning on the date of enactment of this Act;

(D) the most significant technical and non-technical obstacles to achieving the goals described in subsection (c)(2) and the means by which each program under this section will address the obstacles; and

(E) any policy assumption that is implicit in the plan, including any assumption that affects a source of hydrogen or the marketability of hydrogen-related products.

(c) PROGRAMS.—

(1) ACTIVITIES.—The Secretary, in partnership with the private sector, shall conduct programs to address—

(A) the production of hydrogen from diverse energy sources, including—

(i) fossil fuels (including carbon capture and sequestration);

(ii) hydrogen-carrier fuels (including ethanol and methanol);

(iii) renewable energy resources, including biomass; and

(iv) nuclear energy;

(B) the use of hydrogen for commercial, industrial, and residential electric power generation;

(C) safe delivery of hydrogen or hydrogen-carrier fuels, including—

(i) transmission by pipeline and other distribution methods; and

(ii) convenient and economic refueling of vehicles—

(I) at central refueling stations; or

(II) through distributed on-site generation;

(D) advanced vehicle technologies, including—

(i) engine and emission control systems;

(ii) energy storage, electric propulsion, and hybrid systems;

(iii) automotive materials; and

(iv) other advanced vehicle technologies;

(E) storage of hydrogen and hydrogen-carrier fuels, including development of materials for safe and economic storage in gaseous, liquid, or solid form at refueling facilities and onboard vehicles;

(F) the development of safe, durable, affordable, and efficient fuel cells, including—

(i) fuel-flexible fuel cell power systems;

(ii) improved manufacturing processes;

(iii) high-temperature membranes;

(iv) cost-effective fuel processing for natural gas;

(v) fuel cell stack and system reliability;

(vi) low temperature operation; and

(vii) cold start capability;

(G) development, after consultation with the private sector, of necessary codes and standards (including international codes and standards and voluntary consensus standards adopted in accordance with Office of Manage-

ment and Budget Circular A–119) and safety practices for the production, distribution, storage, and use of hydrogen, hydrogen-carrier fuels, and related products; and

(H) a public information program to improve the knowledge and acceptance of the public of hydrogen-based systems.

(2) PROGRAM GOALS.—

(A) VEHICLES.—The goals of programs under this section relating to vehicles include the facilitation of—

(i) the making of a commitment by automakers to offer safe, affordable, and technically viable hydrogen fuel cell vehicles in the mass market in the United States by 2015; and

(ii) the production, delivery, and acceptance by consumers in the United States of model year 2020 hydrogen fuel cell and other hydrogen-powered vehicles with—

(I) a range of at least 300 miles;

(II) improved performance and ease of driving;

(III) safety and performance comparable to vehicle technologies in the market on the date of enactment of this Act; and

(IV) compared to light duty vehicles produced for model year 2005—

(aa) substantially higher fuel economy;

(bb) substantially lower emissions of air pollutants; and

(cc) equivalent or improved vehicle fuel system crash integrity and occupant protection.

(B) HYDROGEN ENERGY AND ENERGY INFRASTRUCTURE.—The goals of programs under this section relating to hydrogen energy and energy infrastructure include establishing infrastructure by not later than 2020 that will provide—

(i) safe and convenient refueling;

(ii) improved overall efficiency;

(iii) widespread availability of hydrogen from domestic energy sources through—

(I) production, taking into consideration emissions levels;

(II) delivery, including transmission by pipeline and other distribution methods for hydrogen; and

(III) storage, including storage in surface transportation vehicles;

(iv) hydrogen for fuel cells, internal combustion engines, and other energy conversion devices for portable, stationary, and transportation applications; and

(v) other technologies in accordance with the plan of the Department under subsection (b).

(C) FUEL CELLS.—The goals of programs under this section relating to fuel cells and the portable, stationary, and transportation applications of fuel cells include—

(i) producing safe, economical, and environmentally sound hydrogen fuel cells;

(ii) producing fuel cells for light duty vehicles and other vehicles; and

(iii) producing other technologies in accordance with the plan of the Department under subsection (b).

(3) DEMONSTRATION PROJECTS.—

(A) IN GENERAL.—In carrying out programs under this section, the Secretary shall fund a limited number of demonstration projects, taking into consideration the maturity, cost-effectiveness, and environmental impacts of the technologies supporting each project.

(B) PROJECT SELECTION.—

(i) IN GENERAL.—In selecting projects under this paragraph, the Secretary shall, to the maximum extent practicable and in accordance with public interest, select projects that—

(I) use hydrogen and related products at facilities or installations in existence on the date of enactment of this Act, including office buildings, military bases, vehicle fleet centers, transit bus authorities, and units of the National Park System;

(II) depend on reliable power from hydrogen to carry out essential activities;

(III) lead to the replication of hydrogen technologies and draw hydrogen technologies into the marketplace;

(IV) include vehicle, portable, and stationary demonstrations of fuel cell and hydrogen-based energy technologies;

(V) address the interdependency of demand for hydrogen fuel cell applications and hydrogen fuel infrastructure;

(VI) raise awareness of hydrogen technology among the public;

(VII) facilitate the identification of an optimum technology among competing alternatives;

(VIII) address distributed generation using renewable sources; and

(IX) address applications specific to rural or remote locations, including isolated villages and islands, the National Park System, and Indian reservations.

(ii) PREFERENCE.—The Secretary shall give preference to a project that ad-

dresses more than 1 element described in clause (i).

(4) DEPLOYMENT.—In carrying out programs under this section, the Secretary, in partnership with the private sector, shall conduct activities to facilitate the deployment of hydrogen energy and energy infrastructure, fuel cells, and advanced vehicle technologies.

(5) FUNDING.—

(A) IN GENERAL.—The Secretary shall carry out the programs under this section using a competitive, merit-based review process in accordance with the generally applicable Federal law (including regulations) governing awards of financial assistance, contracts, and other agreements.

(B) RESEARCH CENTERS.—The Secretary may carry out an activity under this section by funding a nationally recognized university-based or Federal laboratory research center.

(6) COST SHARING.—

(A) RESEARCH AND DEVELOPMENT.—

(i) NON-FEDERAL SHARE.—Except as otherwise provided in this section, to be eligible for assistance under this section, the

Secretary shall require each non-Federal source of a research and development program under this section to provide at least 20 percent of the cost of the project.

(ii) REDUCING AND ELIMINATING NON-FEDERAL SHARE.—The Secretary may reduce or eliminate the non-Federal share required under clause (i) if the Secretary determines that the research and development—

(I) is of a basic or fundamental nature; or

(II) involves a technical analysis or an educational activity.

(B) DEMONSTRATION AND COMMERCIAL APPLICATION.—

(i) NON-FEDERAL SHARE.—Except as otherwise provided in this section, to be eligible for assistance under this section, the Secretary shall require that at least 50 percent of the costs directly and specifically related to any demonstration or commercial application project under this section be provided by non-Federal sources.

(ii) REDUCING NON-FEDERAL SHARE.—The Secretary may reduce the non-Federal share required under clause (i) if the Secretary determines that the reduction—

(I) is necessary and appropriate, taking into consideration any technological risk involved in the project; and

(II) is necessary to achieve the goals of this section.

(C) CALCULATION OF AMOUNT.—In calculating the amount of the non-Federal share provided under subparagraphs (A) and (B), the Secretary may include the costs of personnel, services, equipment, and other resources relating to a project.

(D) SIZE OF NON-FEDERAL SHARE.—The Secretary may consider the amount of the non-Federal share in selecting a project under this section.

(7) DISCLOSURE.—Section 623 of the Energy Policy Act of 1992 (42 U.S.C. 13293) shall apply to any project carried out through a grant, a cooperative agreement, or a contract under this section.

(d) INTERAGENCY TASK FORCE.—

(1) ESTABLISHMENT.—Not later than 120 days after the date of enactment of this Act, the President shall establish an interagency task force—

(A) the chairperson of which shall be the Secretary; and

(B) that includes representatives from—

(i) the Office of Science and Technology Policy within the Executive Office of the President;

(ii) the Department of Transportation;

(iii) the Department of Defense;

(iv) the Department of Commerce (including the National Institute of Standards and Technology);

(v) the Department of State;

(vi) the Environmental Protection Agency;

(vii) the National Aeronautics and Space Administration; and

(viii) other Federal agencies as the President determines appropriate.

(2) GOALS.—The goals of the interagency task force shall be—

(i) to provide a safe, economical, and environmentally sound fuel infrastructure for hydrogen and hydrogen-carrier fuels, including an infrastructure that supports buses and other fleet transportation;

(ii) to support the use of fuel cells in government and other applications, including portable, stationary, and transportation applications;

(iii) to promote distributed power generation, including the generation of combined heat, power, and clean fuels (including hydrogen);

(iv) to develop uniform hydrogen codes, standards, and safety protocols; and

(v) to support the integrity, safety, and performance of vehicle hydrogen fuel systems.

(B) DUTIES.—

(i) IN GENERAL.—The interagency task force may organize workshops and conferences, issue publications, and create databases to carry out any activity described in clause (ii).

(ii) ACTIVITIES.—The activities referred to in clause (i) are—

(I) to foster the exchange of generic, nonproprietary information and technology among industry, academia, and government;

(II) to develop and maintain an inventory and assessment of hydrogen, fuel cells, and other advanced technologies, including the commercial capability of each technology for the economic and environmentally safe production, distribution, delivery, storage, and use of hydrogen;

(III) to integrate technical and other information made available as a result of the programs and activities under this section;

(IV) to promote introduction to the market of infrastructure for hydrogen fuel vehicles; and

(V) to conduct an informative program to provide hydrogen and fuel cell information to potential end-users.

(3) AGENCY COOPERATION.—The head of each Federal agency shall cooperate with and furnish information to the interagency task force, the Advisory Committee, and the Department.

(e) ADVISORY COMMITTEE.—

(1) ESTABLISHMENT.—The Hydrogen Technical and Fuel Cell Advisory Committee is established to advise the Secretary on programs and activities under this section.

(2) MEMBERSHIP.—

(A) MEMBERS.—

(i) IN GENERAL.—The Advisory Committee shall consist of not less than 12, and not more than 25, members.

(ii) APPOINTMENT.—Each member of the Advisory Committee shall be appointed by the Secretary.

(iii) REQUIREMENTS.—In making an appointment under clause (ii), the Secretary shall appoint a member to represent—

(I) domestic automobile industry;

(II) academia;

(III) professional societies;

(IV) government agencies;

(V) Federal laboratories;

(VI) foreign automobile industry; and

(VII) financial, environmental, and other organizations, as the Secretary determines appropriated based on an assessment of the technical and other qualifications of each committee member and the needs of the Advisory Committee.

(B) TERMS.—

(i) IN GENERAL.—The term of a member of the Advisory Committee shall be not more than 3 years.

(ii) INTERVALS.—The Secretary may appoint members of the Advisory Committee in a manner that allows the terms of the members serving at any time to expire at staggered intervals to ensure continuity in the functioning of the Advisory Committee.

(iii) REAPPOINTMENT.—A member of the Advisory Committee may be reappointed when the term of the member expires.

(C) CHAIRPERSON.—The Advisory Committee shall elect a chairperson at the initial meeting of the Advisory Committee.

(3) DUTIES.—The Advisory Committee shall review and make recommendations to the Secretary regarding—

(A) carrying out programs and activities under this section;

(B) the safety, economical, and environmental consequences of technologies for the production, distribution, delivery, storage, or use of hydrogen energy and fuel cells; and

(C) the plan established under subsection (b).

(4) CONSIDERATION OF RECOMMENDATIONS.—The Secretary shall consider, but need not adopt, any recommendation of the Advisory Committee under paragraph (3).

(5) BIENNIAL REPORT.—

(A) IN GENERAL.—Not later than 2 years after the date of enactment of this Act, and biennially thereafter, concurrent with the submission to Congress by the President of a budget proposal, the Secretary shall submit to Congress a biennial report describing any rec-

ommendation made by the Advisory Committee during the preceding 2 years.

(B) INCLUSIONS.—The biennial report shall include—

(i) a description of the means through which the Secretary has carried out or plans to carry out the recommendations described in the report; or

(ii) if the Secretary decides not to carry out a recommendation described in the report, an explanation of that decision.

(f) EXTERNAL REVIEW.—

(1) PLAN.—

(A) IN GENERAL.—The Secretary shall enter into an agreement with the National Academy of Sciences to review the plan under subsection (b).

(B) TIMING OF REVIEW.—Not later than 180 days after receipt of the plan from the Secretary, the National Academy of Sciences shall submit to the Secretary the results of the review under subparagraph (A).

(C) TRANSMISSION OF REVIEW.—Not later than 45 days after receipt of the results of the

review under subparagraph (B), the Secretary shall transmit to Congress—

(i) a copy of the results of the review; and

(ii)(I) a plan to carry out any recommendation described in the review; or

(II) if the Secretary decides not to carry out a recommendation described in the review, an explanation of that decision.

(2) ADDITIONAL REVIEW.—

(A) IN GENERAL.—The Secretary shall enter into an agreement with the National Academy of Sciences to review the programs described in subsection (c) during the fourth year after the date of enactment of this Act.

(B) INCLUSIONS.—The review under subparagraph (A) shall include—

(i) a description of any research priority or technical milestone established during the preceding 3 years; and

(ii) an evaluation of any progress made toward achieving a priority or milestone described in clause (i) during the preceding 3 years.

(C) TIMING OF REVIEW.—Not later than 5 years after the date of enactment of this Act, the National Academy of Sciences shall—

(i) complete the review under subparagraph (A); and

(ii) submit to the Secretary a report describing the results of the review.

(D) TRANSMISSION.—Not later than 45 days after receipt of the results of the review under subparagraph (C)(ii), the Secretary shall transmit to Congress—

(i) a copy of the results of the review; and

(ii)(I) a plan to carry out any recommendation described in the review; or

(II) if the Secretary decides not to carry out a recommendation described in the review, an explanation of that decision.

(g) REPRESENTATION.—The Secretary, in coordination with the Department of Transportation, the National Institute of Standards and Technology, and other relevant Federal agencies, may represent the interests of the United States with respect to any activity or program under this section before a government or nongovernmental organization, including—

(1) other Federal, State, regional, and local governments;

(2) industry (and industry representatives), including members of the energy and transportation industries; and

(3) in consultation with the Department of State, foreign governments and representatives of those governments, including international organizations.

(h) EFFECT OF SECTION.—Nothing in this section decreases the authority of the Secretary of Transportation as in existence on the day before the date of enactment of this Act with respect to—

(1) representation of the interests of the United States with respect to activities and programs under title 49, United States Code;

(2) the regulation of hazardous materials transportation under chapter 51 of title 49, United States Code;

(3) the regulation of motor vehicle safety under chapter 301 of title 49, United States Code;

(4) automobile fuel economy under chapter 329 of title 49, United States Code;

(5) the support and promotion of research, development, and deployment activities relating to ad-

vanced vehicle technologies under section 5506 of title 49, United States Code;

(6) research into, and regulation of, the fuel systems integrity, standards, and safety of hydrogen-powered vehicles under subtitle VI of title 49, United States Code; or

(7) the regulation of pipeline safety under chapter 601 of title 49, United States Code.

(i) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Secretary to carry out this section—

(1) $273,500,000 for fiscal year 2006;

(2) $375,000,000 for fiscal year 2007;

(3) $450,000,000 for fiscal year 2008;

(4) $500,000,000 for fiscal year 2009; and

(5) $550,000,000 for fiscal year 2010.

SEC. 105. CLARIFICATION OF EXISTING COGENERATION CONTRACTS.

(a) TERMINATION OF MANDATORY PURCHASE AND SALE REQUIREMENTS.—Section 210 of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 824a–3) is amended—

(1) by redesignating subsections (k) and (l) as subsections (m) and (n), respectively; and

(2) by inserting after subsection (j) the following:

''(k) TERMINATION OF MANDATORY PURCHASE AND SALE REQUIREMENTS.—(1) After the date of enactment of this subsection, no electric utility shall be required to enter into a new contract or obligation to purchase electric energy from a qualifying cogeneration facility or a qualifying small power production facility under this section if the Commission finds that the qualifying cogeneration facility or qualifying small power production facility has nondiscriminatory access to—

''(A)(i) independently administered, auction-based day ahead and real time wholesale markets for the sale of electric energy; and

''(ii) wholesale markets for long-term sales of capacity and electric energy; or

''(B)(i) transmission and interconnection services that are provided by a Commission-approved regional transmission entity and administered pursuant to an open access transmission tariff that affords nondiscriminatory treatment to all customers; and

''(ii) competitive wholesale markets that provide a meaningful opportunity to sell capacity, including long-term and short-term sales, and electric energy,

including long-term, short-term, and real-time sales, to buyers other than the utility to which the qualifying facility is interconnected, except that, in determining whether a meaningful opportunity to sell exists, the Commission shall consider, among other factors, evidence of transactions within the relevant market; or

''(C) wholesale markets for the sale of capacity and electric energy that are, at a minimum, of comparable competitive quality as markets described in subparagraphs (A) and (B).

''(2)(A) In this paragraph, the term 'existing qualifying cogeneration facility' means a facility that—

''(i) was a qualifying cogeneration facility on the date of enactment of this paragraph; or

''(ii) had filed with the Commission a notice of self-certification, a self-recertification, or an application for Commission certification under section 292.207 of title 18, Code of Federal Regulations (or a successor regulation), prior to the date on which the Commission issues the final rule required by subsection (l).

''(B) After the date of enactment of this subparagraph, no electric utility shall be required pursuant to this section to enter into a new contract or obligation to pur-

chase from or sell electric energy to a facility that is not an existing qualifying cogeneration facility unless the facility meets the criteria for qualifying cogeneration facilities established by the Commission pursuant to the rulemaking required by subsection (l).

''(3)(A) Any electric utility may file an application with the Commission for relief from the mandatory purchase obligation pursuant to this subsection on a service territory-wide basis.

''(B) The application shall set forth the factual basis on which relief is requested and describe why the conditions set forth in subparagraphs (A), (B) or (C) of paragraph (1) of this subsection have been met.

''(C) After notice (including sufficient notice to potentially affected qualifying cogeneration facilities and qualifying small power production facilities) and an opportunity for comment, the Commission shall make a final determination within 90 days of receipt of the application regarding whether the conditions set forth in subparagraphs (A), (B) or (C) of paragraph (1) have been met.

''(4)(A) At any time after the Commission makes a finding under paragraph (3) relieving an electric utility of the obligation of the electric utility to purchase electric energy, a qualifying cogeneration facility, a qualifying small power production facility, a State agency, or any

other affected person may apply to the Commission for an order reinstating the obligation of the electric utility to purchase electric energy under this section.

''(B) The application shall set forth the factual basis on which the application is based and describe why the conditions set forth in subparagraphs (A), (B) or (C) of paragraph (1) of this subsection are no longer met.

''(C) After notice (including sufficient notice to potentially affected utilities) and opportunity for comment, the Commission shall issue an order within 90 days after receipt of the application reinstating the obligation of the electric utility to purchase electric energy under this section if the Commission finds that the conditions set forth in subparagraph (A), (B), or (C) of paragraph (1) that relieved the obligation to purchase, are no longer met.

''(5) After the date of enactment of this subsection, no electric utility shall be required to enter into a new contract or obligation to sell electric energy to a qualifying cogeneration facility or a qualifying small power production facility under this section if the Commission finds that—

''(A) competing retail electric suppliers are willing and able to sell and deliver electric energy to the qualifying cogeneration facility or qualifying small power production facility; and

''(B) the electric utility is not required by State law to sell electric energy in the service territory of the electric utility.

''(6) Nothing in this subsection affects the rights or remedies of any party under any contract or obligation, in effect or pending approval before the appropriate State regulatory authority or non-regulated electric utility on the date of enactment of this subsection, to purchase electric energy or capacity from or to sell electric energy or capacity to a qualifying cogeneration facility or qualifying small power production facility under this Act (including the right to recover costs of purchasing electric energy or capacity).

''(7)(A) The Commission shall issue and enforce such regulations as are necessary to ensure that an electric utility that purchases electric energy or capacity from a qualifying cogeneration facility or qualifying small power production facility in accordance with any legally enforceable obligation entered into or imposed under this section recovers all prudently incurred costs associated with the purchase.

''(B) A regulation under subparagraph (A) 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.).

''(l) RULEMAKING FOR NEW QUALIFYING FACILITIES.—(1)(A) Not later than 180 days after the date of enactment of this subparagraph, the Commission shall issue a rule revising the criteria established under section 292.205 of title 18, Code of Federal Regulations (or a successor regulation), for new qualifying cogeneration facilities seeking to sell electric energy pursuant to section 210 to ensure that—

''(i) the thermal energy output of a new qualifying cogeneration facility is used in a productive and beneficial manner;

''(ii) the electrical, thermal, and chemical output of the cogeneration facility is used fundamentally for industrial, commercial, or institutional purposes and is not intended fundamentally for sale to an electric utility, taking into account technological, efficiency, economic, and variable thermal energy requirements, as well as State laws applicable to sales of electric energy from a qualifying facility to the host facility of the qualifying facility; and

''(iii) continuing progress is made in the development of efficient electric energy generating technology.

''(B)(i) The rule issued pursuant to subparagraph (A) shall be applicable only to facilities that seek to sell electric energy pursuant to section 210.

''(ii) For all other purposes, except as specifically provided in section (k)(2)(A), qualifying facility status shall be determined in accordance with this Act.

''(2) Notwithstanding rule revisions under paragraph (1), the criteria of the Commission for qualifying cogeneration facilities in effect prior to the date on which the Commission issues the final rule required by paragraph (1) shall continue to apply to any cogeneration facility that—

''(A) was a qualifying cogeneration facility on the date of enactment of this paragraph, or

''(B) had filed with the Commission a notice of self-certification, self-recertification, or an application for Commission certification under section 292.207 of title 18, Code of Federal Regulations (or a successor regulation) prior to the date on which the Commission issues the final rule required by paragraph (1).''.

(b) ELIMINATION OF OWNERSHIP LIMITATIONS.—

(1) QUALIFYING SMALL POWER PRODUCTION FACILITY.—Section 3(17) of the Federal Power Act

(16 U.S.C. 796(17)) is amended by striking subparagraph (C) and inserting the following:

''(C) 'qualifying small power production facility' means a small power production facility that the Commission determines, by rule, meets such requirements (including requirements respecting fuel use, fuel efficiency, and reliability) as the Commission may, by rule, prescribe;''.

(2) QUALIFYING COGENERATION FACILITY.—Section 3(18) of the Federal Power Act (16 U.S.C. 796(18)) is amended by striking subparagraph (B) and inserting the following:

''(B) 'qualifying cogeneration facility' means a cogeneration facility that the Commission determines, by rule, meets such requirements (including requirements respecting minimum size, fuel use, and fuel efficiency) as the Commission may, by rule, prescribe;''.

SEC. 106. COGENERATION DEVELOPMENT.

(a) ELECTRICAL GENERATION AND RATES.—

(1) BENEFITS OF DISTRIBUTED GENERATION OF ELECTRICITY.—Part II of the Federal Power Act (16 U.S.C. 824 et seq.) (as amended by section 105) is amended by adding at the end the following:

''SEC. 215. BENEFITS OF DISTRIBUTED GENERATION OF ELECTRICITY.

''(a) STUDY.—

''(1) IN GENERAL.—

''(A) POTENTIAL BENEFITS.—The Secretary, in consultation with the Commission, shall conduct a study of the potential benefits of cogeneration and small power production.

''(B) RECIPIENTS.—The benefits described in subparagraph (A) include benefits that are received directly or indirectly by—

''(i) an electricity distribution or transmission service provider;

''(ii) other customers served by an electricity distribution or transmission service provider; and

''(iii) the general public in the area served by the public utility in which the cogenerator or small power producer is located.

''(2) INCLUSIONS.—The study shall include an analysis of the potential benefits of—

''(A) increased system reliability;

''(B) improved power quality;

''(C) the provision of ancillary services;

''(D) reduction of peak power requirements through onsite generation;

''(E) the provision of reactive power or volt-ampere reactives;

''(F) an emergency supply of power;

''(G) offsets to investments in generation, transmission, or distribution facilities that would otherwise be recovered through rates;

''(H) diminished land use effects and right-of-way acquisition costs; and

''(I) reducing the vulnerability of a system to terrorism.

''(3) VALUATION OF BENEFITS.—In carrying out the study, the Secretary shall determine an appropriate method of valuing potential benefits under varying circumstances for individual cogeneration or small power production units.

''(b) REPORT.—Not later than 18 months after the date of enactment of this section, the Secretary shall—

''(1) complete the study;

''(2) provide an opportunity for public comment on the results of the study; and

''(3) submit to the President and Congress a report describing—

''(A) the results of the study; and

''(B) information relating to the public comments received under paragraph (2).

''(c) PUBLICATION.—After submission of the report under subsection (b) to the President and Congress, the Secretary shall publish the report.''.

(2) RATE AND CHARGES; SCHEDULES; SUSPENSION OF NEW RATES.—Section 205 of the Federal Power Act (16 U.S.C. 824d) is amended by adding at the end the following:

''(g)(1) Subject to paragraph (2), if a rate or charge made, demanded, or received by a public utility subject to regulation by the Commission varies because of (or includes any component reflecting) the existence or volume of any self-generation, cogeneration, or small power production by the ratepayer (or by any third party wholly inside the premises of the ratepayer and on the side of the ratepayer of the meter that measures services received from that public utility), the rate or charge shall not be considered just, reasonable, or nondiscriminatory.

''(2) If a rate or charge described in paragraph (1) varies because of (or a component of the rate or charge reflects) an actual difference in the cost to the public utility of service relative to the cost to the utility of serving ratepayers without self-generation, cogeneration, or small-power production, the rate or charge shall be considered just, reasonable, and nondiscriminatory.

''(3) Not later than the date of enactment of this subsection, any public utility in the jurisdiction of the Commission shall—

''(A) modify any tariff charged by the utility so that a customer that installs, owns, or operates self-generation, cogeneration, or small power production is served under rates, rules, and requirements identical to those that apply to a customer of the same class that does not install, own, or operate self-generation, cogeneration, or small power production; and

''(B) withdraw any provision that provides for punitive terms, rates, or rules if a customer installs, owns, or operates self-generation, cogeneration or small power production equipment.''.

(3) CERTAIN INTERCONNECTION AUTHORITY.—Section 210 of the Federal Power Act (16 U.S.C. 824i) is amended—

(A) by redesignating subsection (e) as subsection (f); and

(B) by inserting after subsection (d) the following:

''(e)(1) Notwithstanding any other provision of this section, to the extent any cogenerator or small power producer seeks to interconnect the generator of the cogener-

ator or small power producer to the facilities of any public utility under the jurisdiction of the Commission for the purpose of engaging in a transaction under the jurisdiction of the Commission, the cogenerator or small power producer shall be entitled to elect to apply—

''(A) the interconnection rules and procedures adopted by the Commission by rule; or

''(B) the interconnection rules and procedures adopted by the State in which the cogenerator or small power producer is located.

''(2) The choice under paragraph (1) does not affect jurisdiction over the terms and conditions of services by the public utility to the cogenerator or small power producer.''.

(b) TRANSPORTATION AND SALE OF NATURAL GAS.—Section 4(b) of the Natural Gas Act (15 U.S.C. 717c(b)) is amended by striking subsection (b) and inserting the following:

''(b)(1) No natural-gas company shall, with respect to any transportation or sale of natural gas subject to the jurisdiction of the Commission, as between localities or classes of service—

''(A) make or grant any undue preference or advantage to any person or subject any person to undue prejudice or disadvantage; or

''(B) maintain any unreasonable difference in rates, charges, service, facilities, or in any other respect.

''(2) A person using natural gas for cogeneration shall obtain from a natural-gas company rates and conditions of service not less advantageous than the rates and conditions of service for a person using natural gas primarily to generate electricity.

''(3) Not later than 1 year after the date of enactment of this paragraph, each natural gas company shall amend any existing schedule of rates and conditions of service as necessary to comply with this subsection.''.

SEC. 107. EFFICIENT USE OF NATURAL GAS FOR ELECTRIC ENERGY GENERATION.

(a) FINDINGS.—Congress finds that it is in the national interest to ensure that electric energy is generated from natural gas in the most efficient manner practicable.

(b) POLICY.—If 2 or more natural gas-fired electric energy generation facilities are capable of meeting demand for electric energy, the facility that generates electric energy at the greatest level of thermal efficiency, and at the lowest cost to consumers of electric energy, shall be used first, in accordance with any operational or reliability requirement of an electric energy transmission system.

(c) ACTION BY STATES.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Governor (or other appropriate regulatory authority) of each State may establish and carry out a program to achieve the policy described in subsection (b) with respect to electric energy generation facilities that are subject to the regulatory jurisdiction of the State.

(2) CERTIFICATION.—If the Governor (or other appropriate regulatory authority) of a State determines that the policy described in subsection (b) is carried out appropriately in the State through a State program, or another program, in existence on the date of enactment of this Act, the Governor shall submit to the Secretary of Energy a certification of that determination.

(d) ACTION BY FEDERAL GOVERNMENT.—The Secretary of Energy shall promulgate regulations to carry out the policy described in subsection (b) to apply to any State—

(1) the Governor (or other appropriate regulatory authority) of which fails to act in accordance with subsection (c); and

(2) the electric energy generation facilities of which are not subject to State regulatory authority.

SEC. 108. DEMAND SIDE MANAGEMENT FOR INDUSTRIALS AND UTILITIES: NET METERING AND OTHER STANDARDS.

(a) ADOPTION OF STANDARDS.—Section 111(d) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2621(d)) is amended by adding at the end the following:

''(11) NET METERING.—

''(A) DEFINITION OF NET METERING SERVICE.—In this paragraph, the term 'net metering service' means service to an electric consumer under which electric energy generated by that electric consumer from an eligible on-site generating facility and delivered to the local distribution facilities may be used to offset electric energy provided by the electric utility to the electric consumer during the applicable billing period.

''(B) AVAILABILITY.—Each electric utility shall make available on request net metering service to any electric consumer that the electric utility serves.

''(12) FUEL SOURCES.—Each electric utility shall develop a plan to minimize dependence on 1 fuel source and to ensure that the electric energy the electric utility sells to consumers is generated using

a diverse range of fuels and technologies, including renewable technologies.

''(13) FOSSIL FUEL GENERATION EFFICIENCY.—Each electric utility shall develop and implement a 10-year plan to increase the efficiency of the fossil fuel generation of the electric utility.''.

(b) COMPLIANCE.—

(1) TIME LIMITATIONS.—Section 112(b) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2622(b)) is amended by adding at the end the following:

''(3)(A) Not later than 2 years after the date of enactment of this paragraph, each State regulatory authority (with respect to each electric utility for which the state regulatory authority has ratemaking authority) and each nonregulated electric utility shall commence the consideration referred to in section 111, or set a hearing date for the consideration, with respect to each standard established under paragraphs (11) through (13) of section 111(d).

''(B) Not later than 3 years after the date of enactment of this paragraph, each State regulatory authority (with respect to each electric utility for which the state regulatory authority has ratemaking authority), and each nonregulated electric utility, shall complete the consider-

ation, and shall make the determination, referred to in section 111 with respect to each standard established under paragraphs (11) through (13) of section 111(d).''.

(2) FAILURE TO COMPLY.—Section 112(c) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2622(c)) is amended—

(A) by inserting ''(1)'' before ''Each''; and

(B) by adding at the end the following:

''(2) In the case of each standard established under paragraphs (11) through (13) of section 111(d), the reference contained in this subsection to the date of enactment of this Act shall be deemed to be a reference to the date of enactment of those paragraphs.''.

(3) PRIOR STATE ACTIONS.—

(A) IN GENERAL.—Section 112 of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2622) is amended by adding at the end the following:

''(d) PRIOR STATE ACTIONS.—Subsections (b) and (c) shall not apply to the standards established under paragraphs (11) through (13) of section 111(d) in the case of any electric utility in a State if, before the date of enactment of this subsection—

''(1) the State has implemented for the utility the standard concerned (or a comparable standard);

''(2) the State regulatory authority for the State or relevant nonregulated electric utility has conducted a proceeding to consider implementation of the standard concerned (or a comparable standard) for the utility; or

''(3) the State legislature has voted on the implementation of the standard (or a comparable standard) for the utility.''.

(B) CROSS REFERENCE.—Section 124 of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2634) is amended—

(i) in the first sentence, by inserting ''(A) COMPLETED PROCEEDINGS AND ACTIONS.—'' before ''For'';

(ii) in the second sentence, by inserting ''(B) INCOMPLETE PROCEEDINGS AND ACTIONS.—'' before ''For''; and

(iii) by adding at the end the following:

''(c) CROSS REFERENCE.—In the case of each standard established under paragraphs (11) through (13) of section 111(d), the reference contained in this subsection to the date of enactment of this Act shall be deemed to

be a reference to the date of enactment of those paragraphs.''.

SEC. 109. DEMAND SIDE MANAGEMENT FOR RESIDENTIAL CUSTOMERS: SMART METERING.

(a) IN GENERAL.—Section 111(d) of the Public Utilities Regulatory Policies Act of 1978 (16 U.S.C. 2621(d)) is amended by adding at the end the following:

''(14) TIME-BASED METERING AND COMMUNICATIONS.—(A) Not later than 18 months after the date of enactment of this paragraph, each electric utility shall offer each customer class of the electric utility, and provide individual customers on customer request, a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the costs of the electric utility of generating and purchasing electricity at the wholesale level.

''(B) The time-based rate schedule shall enable the electric consumer to manage energy use and cost through advanced metering and communications technology.

''(C) The types of time-based rate schedules that may be offered under the schedule referred to in subparagraph (A) include, among others—

''(i) time-of-use pricing under which—

''(I) electricity prices are set for a specific time period on an advance or forward basis, typically not changing more often than twice a year, based on the cost to the utility of generating or purchasing such electricity at the wholesale level for the benefit of the consumer; and

''(II) policy prices paid for energy consumed during those periods shall be pre-established and known to consumers in advance of the consumption, allowing the consumers to vary the demand and usage of the consumers in response to such prices and manage the energy costs of the consumers by shifting usage to a lower cost period or reducing the overall consumption of the consumers;

''(ii) critical peak pricing under which time-of-use prices are in effect except for certain peak days, when prices may reflect the costs of generating or purchasing electricity at the wholesale level and when consumers may receive additional discounts for reducing peak period energy consumption; and

''(iii) real-time pricing under which electricity prices are set for a specific time period on an advanced or forward basis, reflecting the cost to the utility of generating or purchasing electricity at the wholesale level, and may change as often as hourly.

''(D) Each electric utility subject to subparagraph (A) shall provide each customer requesting a time-based rate with a time-based meter capable of enabling the utility and customer to offer and receive that rate, respectively.

''(E) For purposes of implementing this paragraph, any reference contained in this section to the date of enactment of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2601 et seq.) shall be deemed to be a reference to the date of enactment of this paragraph.

''(F) In a State that permits third-party marketers to sell electric energy to retail electric consumers, the consumers shall be entitled to receive the same time-based metering and communications device and service as a retail electric consumer of the electric utility.

''(G) Notwithstanding subsections (b) and (c) of section 112, not later than 18 months after the

date of enactment of this paragraph, each State regulatory authority shall—

"(i) conduct an investigation in accordance with section 115(i); and

"(ii) issue a decision whether it is appropriate to implement the standards set out in subparagraphs (A) and (C).".

(b) STATE INVESTIGATION OF DEMAND RESPONSE AND TIME-BASED METERING.—Section 115 of the Public Utilities Regulatory Policies Act of 1978 (16 U.S.C. 2625) is amended—

(1) in subsection (b)—

(A) by inserting "and the standard for time-based metering and communications established by section 111(d)(14)" after "the standard for time-of-day rates established by section 111(d)(3)"; and

(B) by inserting "and communications" after "are likely to exceed the metering"; and

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

"(i) TIME-BASED METERING AND COMMUNICATIONS.—(1) In making a determination with respect to the standard established by section 111(d)(14), the investigation requirement of section 111(d)(14)(F) shall apply in accordance with this subsection.

''(2) A state regulatory authority shall conduct an investigation and issue a decision whether or not it is appropriate for electric utilities to provide and install time-based meters and communications devices for each of their customers that enable the customers to participate in time-based pricing rate schedules and other demand response programs.''.

(c) FEDERAL ASSISTANCE ON DEMAND RESPONSE.—Section 132(a) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2642(a)) is amended—

(1) in paragraph (3), by striking ''and'' at the end;

(2) by striking the period at the end of paragraph (4) and inserting ''; and''; and

(3) by adding at the end the following:

''(5) technologies, techniques, and ratemaking methods relating to advanced metering and communications and the use of those technologies, techniques, and methods in demand response programs.''.

(d) FEDERAL GUIDANCE.—Section 132 of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2642) is amended—

(1) by redesignating subsection (c) as subsection (d); and

(2) by inserting after subsection (b) the following:

''(c) DEMAND RESPONSE.—The Secretary shall be responsible for—

''(1) informing consumers of the availability, advantages, and benefits of advanced metering and communications technologies, including the funding of demonstration or pilot projects;

''(2) working with States, utilities, other energy providers, and advanced metering and communications experts to identify and address barriers to the adoption of demand response programs; and

''(3) not later than 180 days after the date of enactment of the Natural Gas Price Reduction Act of 2005, providing Congress with a report that identifies and quantifies the national benefits of demand response and makes a recommendation on achieving specific levels of those benefits by January 1, 2008.''.

(e) DEMAND RESPONSE AND REGIONAL COORDINATION.—

(1) IN GENERAL.—It is the policy of the United States to encourage States to coordinate, on a regional basis, State energy policies to provide reliable

and affordable electricity demand response services to the public.

(2) TECHNICAL ASSISTANCE.—The Secretary of Energy shall provide technical assistance to States and regional organizations formed by 2 or more States to assist the organizations in—

(A) identifying the areas with the greatest electricity demand response potential;

(B) identifying and resolving problems in transmission and distribution networks, including through the use of demand response;

(C) developing plans and programs to use demand response to respond to peak demand or emergency needs; and

(D) identifying specific measures consumers can take to participate in those demand response programs.

(3) REPORT.—Not later than 1 year after the date of enactment of this Act, the Federal Energy Regulatory Commission shall prepare and publish an annual report, by appropriate region, that assesses electricity demand response resources, including those available from all consumer classes, and that identifies and reviews—

(A) saturation and penetration rate of advanced meters and communications technologies, devices, and systems;

(B) existing demand response programs and time-based rate programs;

(C) the annual resource contribution of demand resources;

(D) the potential for demand response as a quantifiable, reliable resource for regional planning purposes; and

(E) steps taken to ensure that, in regional transmission planning and operations, demand resources are provided equitable treatment as a quantifiable, reliable resource relative to the resource obligations of any load-serving entity, transmission provider, or transmitting party.

(f) FEDERAL ENCOURAGEMENT OF DEMAND RESPONSE DEVICES.—It is the policy of the United States that—

(1) time-based pricing and other forms of electricity demand response, under which electricity customers are provided with electricity price signals and the ability to benefit by responding to the consumers, shall be encouraged, and the deployment of the technology and devices that enable electricity

customers to participate in the pricing and demand response systems shall be facilitated; and

(2) the benefits of the demand response that accrue to persons not deploying the technology and devices, but who are part of the same regional electricity entity, shall be recognized.

(g) TIME LIMITATIONS.—Section 112(b) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2622(b)) is amended by adding at the end the following:

''(4)(A) Not later than 1 year after the date of enactment of this paragraph, each State regulatory authority (with respect to each electric utility for which the authority has ratemaking authority) and each nonregulated electric utility shall commence the consideration referred to in section 111, or set a hearing date for the consideration, with respect to the standard established by section 111(d)(14).

''(B) Not later than 2 years after the date of enactment of this paragraph, each State regulatory authority (with respect to each electric utility for which the authority has ratemaking authority), and each nonregulated electric utility, shall complete the consideration, and shall make the determination, referred to in section 111 with respect to the standard established by section 111(d)(14).''.

SEC. 110. PROTECTING INDUSTRIAL COGENERATORS.

Nothing in subtitle D of the Energy Conference Report (House of Representatives Report 108–375, 108th Congress, agreed to November 17, 2003) (relating to participant funding) shall apply to a qualifying facility, as determined under section 210(n) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 824a–3) (as added by section 104).

SEC. 111. REDUCTION OF DEPENDENCE ON IMPORTED PETROLEUM.

(a) REPORT.—

(1) IN GENERAL.—Not later than July 1, 2007, and annually thereafter, the President shall submit to Congress a report, based on the most recent edition of the Annual Energy Outlook published by the Energy Information Administration, assessing the progress made by the United States toward the goal of reducing dependence on imported petroleum sources by 2015.

(2) CONTENTS.—The report under paragraph (1) shall—

(A) include a description of the implementation, during the previous fiscal year, of provisions of this Act and amendments made by this Act relating to domestic crude petroleum production;

(B) assess the effectiveness of those provisions in meeting the goal described in paragraph (1); and

(C) describe the progress in developing and implementing measures under subsection (b).

(b) MEASURES TO REDUCE IMPORT DEPENDENCE THROUGH INCREASED DOMESTIC PETROLEUM CONSERVATION.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the President shall develop and implement measures to conserve petroleum in end-uses throughout the economy of the United States that are sufficient to reduce total demand for petroleum in the United States by 1,750,000 barrels per day from the quantity projected for calendar year 2015 in the reference case contained in the report of the Energy Information Administration entitled ''Annual Energy Outlook 2005''.

(2) CONTENTS.—The measures under paragraph (1) shall be designed to ensure continued reliable and affordable energy for consumers.

(3) IMPLEMENTATION.—The measures under paragraph (1) shall be implemented under existing

authorities of appropriate Federal executive agencies identified by the President.

SEC. 112. NATIONAL GASIFICATION STRATEGY FOR POWER SECTOR.

(a) STREAMLINED PERMITTING.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Administrator of the Environmental Protection Agency shall promulgate regulations to revise the requirements under section 111 of the Clean Air Act (42 U.S.C. 7411), and parts C and D of title I of that Act (42 U.S.C. 7470 et seq.), in accordance with this section.

(2) APPLICATION DATE.—The revised regulations adopted pursuant to this section shall apply until January 1, 2017, but may continue to apply after that date if the Environmental Protection Agency determines that such regulations are authorized by another provision of the Clean Air Act (42 U.S.C. 7401 et seq.).

(b) APPLICABILITY.—A qualifying project shall not be considered to be a major stationary source that is subject to the preconstruction review requirements of parts C and D of title I of the Clean Air Act (42 U.S.C. 7470 et seq.), for purposes of constructing such qualifying

projects, provided each of the following requirements of this subsection is met:

(1) Emissions reductions are achieved by other stationary sources located within the same air quality region, as determined by the Administrator based on best available air quality modeling, and such emissions reductions offset the emissions of the qualifying project on a pollutant-by-pollutant basis.

(2) Such emissions reductions by other stationary sources are achieved through a federally enforceable limitation that is not otherwise required under the Clean Air Act, and occurred within a 5-year period prior to the date that the qualifying project commenced commercial operation.

(3)(A) The owner or operator of qualifying project demonstrates the following requirements are met prior to the commencement of construction of the project:

(i) In an area designated as attainment or unclassifiable under section 107(d) of the Clean Air Act (42 U.S.C. 7407(d)), the emissions increase resulting from the qualifying project will not cause or contribute to air pollution in excess of any national ambient air quality standard.

(ii) In an area designated as nonattainment under section 107(d) of the Clean Air Act (42 U.S.C. 7407(d)), the emissions increase resulting from the qualifying project will not interfere with any program to assure that the national ambient air quality standards are achieved and maintained.

(B) Demonstrations performed under this paragraph shall be based on the offsetting emissions reductions achieved under paragraphs (1) and (2), as well as other design and emissions parameters that are relevant for assessing air quality impacts of the emissions increase from the project.

(4) The qualifying project complies with the emissions standards that are established for integrated gasification combined cycle plants under section 111 of the Clean Air Act (42 U.S.C. 7411).

(c) EXPEDITED PERMITTING.—

(1) The permitting authority shall expedite the preconstruction review requirements of parts C and D of title I of the Clean Air Act (42 U.S.C. 7470 et seq.) in the case of qualifying projects that do not obtain offsetting emissions reductions under subsection (a).

(2) Expedited preconstruction review shall include the following:

(A) Application of the emissions standards for integrated gasification combined cycle plants under section 111 of that Act (42 U.S.C. 7411), instead of case-by-case performance standards based on best available control technology or lowest achievable emissions rate under parts C and D of title I of that Act (42 U.S.C. 7470 et seq.).

(B) Other appropriate measures to accelerate preconstruction review and issuance of all necessary air permits for the construction and operation of qualifying projects under parts C and D of title I of that Act (42 U.S.C. 7470 et seq.).

(d) DEFINITIONS.—In this section:

(1) The term ''biomass'' means any animal, agricultural or plant waste, by-product of wood or paper mill operations such as lignin in spent pulping liquors, and other products of forestry maintenance, but does not include paper that is commonly recycled.

(2) The term ''electric generation unit'' means any facility at least 50 percent of the total annual net output of which is electrical power.

(3) The term ''industrial gasification technology'' means any process that converts an eligible solid or liquid into a gaseous condition for direct use or subsequent chemical or physical conversion. An eligible solid or liquid shall include the following materials: coal, petroleum residue (such as carbonization product of high-boiling hydrocarbon fractions obtained in petroleum processing), biomass, carbonized or semi-carbonized matter (including peat) or other materials that are recovered for their feedstock, fuel, or other energy value.

(4) The term ''integrated gasification combined cycle technology'' means any combination of equipment, including all related power generation equipment, that is used at a single location to convert coal or residuals into synthesis gas that is then used as a fuel to generate electricity.

(5) The term ''natural gas combined cycle'' means a system that—

(A) is comprised of 1 or more combustion turbines, heat recovery steam generators, and steam turbines; and

(B) combusts only natural gas or fuel oil, with natural gas comprising at least 90 percent, and fuel oil not more than 10 percent, of the unit's annual heat input in any year.

(6) The term ''qualifying electric generation project'' means a project that meets each of the following eligibility requirements:

(A) The project uses integrated gasification combined cycle technology in the construction of a new electric generating unit, the repowering of an existing coal-fired electric generation unit, or the conversion of an existing natural gas combined cycle unit to operate on coal instead of natural gas.

(B) The project meets the emissions standards that are established for integrated gasification combined cycle plants under section 111 of the Clean Air Act (42 U.S.C. 7411).

(C) The project commences commercial operation after December 31, 2006.

(7) The term ''qualifying industrial project'' means any project that uses an industrial gasification technology that meets the following eligibility requirements:

(A) The energy output of the project is primarily used for applications in one or more of the following industries: chemicals, fertilizer, glass, steel, petroleum coke, forest products, and agriculture-feedlots.

(B) The gasification technology meets the emissions standards that are established for integrated gasification combined cycle plants under section 111 of the Clean Air Act (42 U.S.C. 7411).

(C) The gasification technology commenced commercial operation after December 31, 2006.

(8) The term ''qualifying project'' means a qualifying electric generation project or a qualifying industrial project.

(e) CONSTRUCTION INCENTIVES.—

(1) DEFINITIONS.—In this subsection:

(A) CARBON CAPTURE READY.—The term ''carbon capture ready'', with respect to a facility or equipment, means an industrial gasification project design that is determined by the Secretary to be capable of accommodating the equipment likely to be necessary to capture, separate on a long-term basis, isolate, or remove carbon dioxide from the gaseous stream

(for later use or sequestration) that would otherwise be emitted during the generation of electricity.

(B) GASIFICATION COMBINED CYCLE TECHNOLOGY FACILITY.—The term ''gasification combined cycle technology facility'' means an integrated gasification combined cycle facility that contains any combination of equipment (including power generation equipment) that—

(i) is used at a single location to convert coal or a residual into synthesis gas to be used as a fuel to generate electricity;

(ii) is carbon capture ready;

(iii) is depreciable or that can be amortized; and

(iv) achieves—

(I) a nitrogen emissions rate of at least 0.06 lbs/mmBtu; and

(II) a sulfur dioxide emissions rate of at least 0.08 lbs/mmBtu.

(C) SECRETARY.—The term ''Secretary'' means the Secretary of Energy.

(2) INCENTIVES.—The Secretary shall establish a program under which construction incentives are

provided for eligible facilities that are certified by the Secretary in accordance with this subsection.

(3) CERTIFICATION.—

(A) IN GENERAL.—Subject to subparagraph (D), the Secretary shall certify the first 6 eligible facilities for which an application for certification is submitted to the Secretary.

(B) ELIGIBLE FACILITIES.—To be eligible to receive certification under this subsection, a facility shall be permitted—

(i) to be a gasification combined cycle technology facility;

(ii) to be built and in continuous operation beginning not later than December 31, 2013;

(iii) to have a fuel input of coal of not less than 75 percent; and

(iv) to have a design capability of not less than 500 megawatts.

(v) to own or have all land rights for construction and for operation of the facility; and

(vi) to demonstrate a financial condition that is necessary to achieve financial closing for the facility.

(C) APPLICATION.—

(i) IN GENERAL.—To receive certification under subparagraph (A), on receipt for an eligible facility of a prevention of significant deterioration of air quality (PSD) permit from the Administrator of the Environmental Protection Agency and all other required Federal, State, and local permits, the owner or operator of the facility shall submit to the Secretary an application in the manner required by the Secretary.

(ii) CONTENTS.—An application under this subparagraph shall contain—

(I) a plan for the construction of the eligible facility; and

(II) any other information the Secretary may require.

(D) SELECTION.—The Secretary shall select for certification under subparagraph (A)—

(i) 4 eligible facilities that are—

(I) investor-owned utilities; or

(II) independent power producers; and

(ii) 2 eligible facilities that are—

(I) public utilities; or

(II) rural power cooperatives.

(4) GRANTS.—

(A) IN GENERAL.—The Secretary shall establish a program under which the Secretary shall provide grants to the eligible facilities described in paragraph (3)(D)(ii) to pay the Federal share of the costs of construction of those eligible facilities.

(B) TIMING.—The Secretary shall make a grant under this paragraph commencing on the date the Secretary determines that an eligible facility has achieved financial closing and obtained financing from 1 or more commercial lending institutions.

(C) FEDERAL SHARE.—The Federal share of the certified costs of construction of an eligible facility under this paragraph shall be, as determined by the Secretary—

(i) in the case of an eligible entity that was among the first 3 eligible entities to receive certification under paragraph (3)(A), not more than 40 percent; and

(ii) in the case of an eligible entity that was among the last 3 eligible entities

to receive certification under paragraph (3)(A), not more than 30 percent.

(5) AUTHORIZATION OF APPROPRIATIONS.—There are authorized such sums as are necessary to carry out this subsection, to remain available until expended.

SEC. 113. INDUSTRIAL GASIFICATION DEMONSTRATION AND DEPLOYMENT PROGRAM.

(a) DEFINITIONS.—In this section:

(1) BIOMASS.—

(A) IN GENERAL.—The term ''biomass'' means—

(i) any agricultural or plant waste;

(ii) a byproduct of a wood or paper mill, such as lignin in spent pulping liquors; and

(iii) any other product of forestry maintenance.

(B) EXCLUSION.—The term ''biomass'' does not include paper that is commonly recycled.

(2) CARBON-CAPTURE READY.—The term ''carbon-capture ready'' means an industrial gasification plant design that is determined by the Secretary to be capable of accommodating the equipment likely to

be necessary to capture carbon dioxide from the gaseous stream, for later use or sequestration, that would otherwise be emitted in the flue gas from a project that uses a non-renewable fuel.

(3) COAL.—The term ''coal'' means any carbonized or semi-carbonized matter, including peat.

(4) ELIGIBLE ENTITY.—The term ''eligible entity'' means any entity that applies for Federal assistance that will principally be used for applications with a standard industrial classification relating particularly to chemicals, fertilizers, glass, steel, petcoke, forest products, or agriculture feedlots, as determined by the Secretary.

(5) GASIFICATION TECHNOLOGY.—The term ''gasification technology'' means any process by which a solid or liquid product from coal, petroleum residue, biomass, or other material recovered for its energy or feedstock value is converted into a gaseous condition for—

(A) direct use; or

(B) subsequent chemical or physical conversion.

(6) INDUSTRIAL GASIFICATION PROJECT.—The term ''industrial gasification project'' means a project that—

(A) is proposed by an eligible entity; and

(B) employs gasification technology.

(7) PETROLEUM RESIDUE.—The term ''petroleum residue'' means a carbonization product of high-boiling hydrocarbon fractions obtained through petroleum processing.

(8) SECRETARY.—The term ''Secretary'' means the Secretary of Energy.

(9) TOTAL PROJECT INVESTMENT.—The term ''total project investment'' means—

(A) the total project cost for engineering, design, procurement, construction, project development, and financing; and

(B) reasonable contingency reserves (as determined by the Secretary and the project sponsor).

(b) FINDING; PURPOSE.—

(1) FINDING.—Congress finds that widespread domestic use of gasification technologies can significantly contribute to the economy, the environment, and the general welfare of the people of the United States.

(2) PURPOSE.—The purpose of this section is to significantly accelerate the deployment of gasifi-

cation technologies for industrial application in order to—

(A) to produce the natural gas equivalent of 1,000,000,000 cubic feet of natural gas annually, or 5 percent of the total demand for natural gas;

(B) to reduce imports of energy from foreign energy sources;

(C) to preserve domestic jobs;

(D) to reduce the demand pressure on domestic natural gas prices and supply for all consumers by promoting the use of gas derived from—

(i) domestic coal;

(ii) biomass; and

(iii) other domestic fuel sources for industrial use;

(E) to avoid dependence on remote foreign sources for chemicals, ammonia-based fertilizers, and other strategic products for which natural gas is traditionally a significant component in the manufacturing process;

(F) to promote the use of domestic coal, biomass, and other fuel sources in an environmentally benign manner;

(G) to promote the position of the United States as a global leader in advanced gasification technology and related sales; and

(H) to promote the potential for future use or sequestration of industrial carbon emissions in an efficient manner.

(c) INDUSTRIAL GASIFICATION DEMONSTRATION AND DEPLOYMENT PROGRAM.—

(1) ESTABLISHMENT.—The Secretary shall establish and implement an industrial gasification demonstration and deployment program.

(2) SOLICITATION OF APPLICATIONS.—Not less frequently than every 18 months, the Secretary, in consultation with the Secretary of the Treasury, shall solicit from eligible entities applications for Federal assistance described in subsection (e) for the construction and operation of facilities that gasify coal, petroleum residues, or biomass.

(3) REGULATIONS.—

(A) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, the Secretary, after consultation with the Secretary of the Treasury, shall issue final regulations to carry out this section.

(B) LIMITATION.—The regulations shall be—

(i) limited to the activities described in this section; and

(ii) generally consistent with the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901 et seq.).

(4) STUDY OF REGULATORY BARRIERS.—

(A) IN GENERAL.—The Secretary shall conduct a study of the barriers to timely deployment of commercial gasification projects under this subsection.

(B) CONSULTATION.—In carrying out the study, the Secretary shall consult with—

(i) Federal and State regulatory agencies;

(ii) potential industrial and utility users and vendors of gasification technology;

(iii) suppliers and transporters of any feedstock materials or plant products;

(iv) financial institutions; and

(v) knowledgeable public citizens.

(5) REPORT.—Not later than 1 year after the date of enactment of this Act, the Secretary shall submit to the Committee on Energy and Natural Resources of the Senate a report describing—

(A) the results of the study under paragraph (4); and

(B) recommendations of the Secretary that may facilitate the introduction of gasification technology.

(d) PROJECT CRITERIA.—

(1) IN GENERAL.—On evaluating an application for Federal financial assistance described in subsection (e), the Secretary, in consultation with the Secretary of the Treasury, shall consider—

(A) the potential of the proposed project to surpass existing environmental standards in the proposed project area;

(B) the likelihood of the project to preserve domestic jobs at the proposed site and through subsequent replications of the technology;

(C) the degree to which the proposed project, and anticipated replications of the technology used in the project, may provide substitutes for natural gas on a cost-effective basis

compared to other applications proposed by eligible entities;

(D) the technical and economic feasibility of the project;

(E) the financial viability of the project;

(F) an expectation that private equity in the project will equal at least 20 percent of total plant investment;

(G) the likelihood that replications of the technology will create significant markets for domestic vendors of the technology;

(H) the diversity of the technological approaches and regional locations of the projects selected, except that, unless no such project is proposed by an eligible entity—

(i) at least 1 of the industrial gasification projects selected shall use coal; and

(ii) at least 1 of the industrial gasification projects selected shall use biomass;

(I) a determination that the plant will be carbon-capture ready, as applicable; and

(J) any other criteria the Secretary publishes in a solicitation to achieve the purpose of this section.

(2) FACTORS OF ADDITIONAL WEIGHT.—In evaluating a project that gasifies coal or petroleum residue, the Secretary shall give additional weight to a project proposal that contains separation, sequestration, or use of carbon or other gases in the process waste stream that have a radiative index greater than or equal to that of carbon dioxide.

(e) FINANCIAL ASSISTANCE.—

(1) TYPES OF ASSISTANCE.—

(A) IN GENERAL.—In carrying out this section, the Secretary may award to an eligible entity selected by the Secretary—

(i) a loan;

(ii) a loan guarantee;

(iii) price supports; or

(iv) goods the purchase prices of which are incurred by the Secretary.

(B) LOANS AND LOAN GUARANTEES.—

(i) IN GENERAL.—A loan or loan guarantee provided under clause (i) or (ii) of subparagraph (A)—

(I) shall not exceed 80 percent of the total project investment; and

(II) shall be backed by the full faith and credit of the United States.

(ii) NON-FEDERAL EQUITY INVESTMENT.—An eligible entity shall—

(I) provide a non-Federal equity investment equal to not less than 20 percent of the total project investment; and

(II) apply the non-Federal equity investment to the long-term debt obligations of the project, which—

(aa) may, at the discretion of the Secretary, be nonrecourse; and

(bb) shall have a term not greater than 30 years.

(2) ELIGIBILITY FOR MORE THAN 1 TYPE OF ASSISTANCE.—

(A) LIMITATIONS.—The Secretary may provide, or certify an eligible entity to receive, any financial incentive described in paragraph (1) for a project if the aggregate value of incentives made available to an applicant (as determined by the Congressional Budget Office) does not exceed—

(i) $175,000,000 for each incentive, as of the date of enactment of this Act; and

(ii) 20 percent of the total capital cost of the project.

(B) CONTRACTS BETWEEN THE SECRETARY AND PROJECT SPONSORS.—A contract between the Secretary and a project sponsor regarding an industrial gasification project shall not count against the limitations described in subparagraph (A).

(f) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There is authorized to be appropriated to the Secretary to carry out this section $2,000,000,000, to remain available until expended.

(2) SCHEDULE.—The amount authorized to be appropriated under paragraph (1) shall be available to the Secretary on the following schedule:

(A) For fiscal year 2006, $400,000,000.

(B) For fiscal year 2007, $300,000,000.

(C) For fiscal year 2008, $300,000,000.

(D) For fiscal year 2009, $300,000,000.

(E) For fiscal year 2010, $200,000,000.

(F) For fiscal year 2011, $125,000,000.

(G) For fiscal year 2012, $100,000,000.

(H) For fiscal year 2013, $75,000,000.

(I) For fiscal year 2014, $50,000,000.

(J) For fiscal year 2015, $50,000,000.

SEC. 114. CARBON CAPTURE AND SEQUESTRATION ENERGY EFFICIENCY RESEARCH AND DEVELOPMENT.

(a) RESEARCH AND DEVELOPMENT PROGRAM.—The Secretary shall carry out a program of research and development to improve the efficiency and reduce the capital cost of processes used to capture and sequester carbon dioxide that is produced by coal-fired power plants to reduce the cost of carbon capture and sequestration.

(b) GRANTS AND COOPERATIVE AGREEMENTS.—In carrying out the program under subsection (a), the Secretary may make any grant or enter into any cooperative agreement that the Secretary determines to be appropriate, in accordance with the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901 et seq.) or any other Federal law.

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section.

TITLE II—PRODUCTION

SEC. 201. GAS ONLY LEASES.

Section 8 of the Outer Continental Shelf Lands Act (43 U.S.C. 1337) is amended by adding at the end the following:

''(p)(1) The Secretary may issue a lease under this section beginning at the 2007–2012 plan period that authorizes development and production only of gas and associated condensate in accordance with regulations issued under paragraph (2).

''(2) Before July 1, 2006, the Secretary shall issue regulations that, for purposes of this section—

''(A) define what constitutes gas, condensate, and oil;

''(B) establish the rights and obligations of a lessee regarding condensate produced in association with gas;

''(C) prescribe procedures and requirements that the lessee shall follow if the lessee discovers oil deposits in the course of exploration or development; and

''(D) establish any other requirements for gas-only leases that the Secretary determines are appropriate.

''(3) At the request of a lessee or the producing State, the Secretary may restrict development under such a lease to gas and associated condensate.

''(4) Any Federal law (including a regulation) that applies to an oil and gas lease on the Outer Continental Shelf applies to a gas-only lease issued under this section.''.

SEC. 202. EASTERN GULF OF MEXICO.

Section 4(a)(2) of the Outer Continental Shelf Lands Act (43 U.S.C. 1333(a)(2)) is amended—

(1) by inserting ''(i)'' after ''(A)'';

(2) in the first sentence—

(A) by striking ''President'' and inserting ''Secretary''; and

(B) by inserting before the period at the end the following: ''not later than 270 days after the date of enactment of the Natural Gas Price Reduction Act of 2005''; and

(3) by adding at the end the following:

''(ii) For the purpose solely of determining boundaries for offshore oil and gas development and revenue sharing, the Secretary shall delimit the lateral boundaries between coastal States, to the extent of the exclusive economic zone of the United States, in accordance with—

''(I) any judicial decree or interstate compact delimiting lateral offshore boundaries between coastal States;

''(II) any principles of domestic and international law governing the delimitation of lateral offshore boundaries; and

''(III) to the maximum extent practicable, existing lease boundaries and block lines based on the official protraction diagrams of the Secretary.

''(iii) Not later than December 31, 2007, the Secretary shall amend any 5-year leasing program relating to the outer Continental Shelf and offer for gas, or oil and gas, leasing the unleased blocks in the Lease Sale 181 area if the lease sale—

''(I) is not in the State of Florida; and

''(II) does not conflict with training or operations of the United States military.

''(iv) If a lease sale under clause (iii) is located more than 20 miles off the coast of the State of Alabama and the State of Florida, the lease shall be considered by the Secretary of Commerce and the Secretary of the Interior to be necessary to the interest of national security for purposes of the Coastal Zone Management Act (16 U.S.C. 1451 et seq.).''.

SEC. 203. REVIEW OF STATE REQUESTS TO EXAMINE OCS ENERGY AREAS.

Section 18 of the Outer Continental Shelf Lands Act (43 U.S.C. 1344) is amended by adding at the end the following:

''(i)(1) In this subsection:

''(A) The term 'lease' includes a gas-only lease under section 8.

''(B) The term 'moratorium area' means—

''(i) any area withdrawn from disposition by leasing by the 'Memorandum on Withdrawal of Certain Areas of the United States Outer Continental Shelf from Leasing Disposition', from 34 Weekly Comp. Pres. Doc. 1111, dated June 12, 1998; and

''(ii) any area of the outer Continental Shelf as to which Congress has denied the use of appropriated funds or other means for preleasing, leasing, or related activities.

''(2)(A) A moratorium on gas, or oil and gas, leasing on the outer Continental Shelf shall be effective with respect to the area off the coast of a State only if the Governor of the State consents to the moratorium.

''(B) At any time, the Governor of an affected State, acting on behalf of the State, may request the Secretary to provide a current estimate of proven and potential gas,

or oil and gas, resources in any moratorium area (or any part of the area the Governor identifies) adjacent, or lying seaward of the coastline, to that State.

''(C) Not later than the date that is 45 days after a Governor of a State requests an estimate under subparagraph (B), the Secretary shall provide—

''(i) a delimitation of the lateral boundaries between the coastal States in accordance with section 4(a)(2);

''(ii) a current inventory of proven and potential gas, or oil and gas, resources in any moratorium areas in the State, as requested by the Governor; and

''(iii) an explanation of the planning processes that could lead to the leasing, exploration, development, and production of the gas, or oil and gas, resources within the area identified.

''(3)(A) On consideration of the information received from the Secretary, the Governor (acting on behalf of the State of the Governor) may decide—

''(i) not to consent to a moratorium on gas, or oil and gas, leasing on the outer Continental Shelf off the coast of the State of the Governor; or

''(ii) to repeal any restriction preventing spending appropriated funds for preleasing, leasing, and

related activities as to the area identified in the request of the Governor.

''(B) If the Governor makes a decision under subparagraph (A), the Governor shall submit to the President, the Secretary, and Congress a notification of the decision, including a description of—

''(i) the area on which a moratorium on gas, or oil and gas, leasing would have been imposed; and

''(ii) any restriction repealed under subparagraph (A)(ii).

''(C) On receipt of notification by a Governor under subparagraph (B), the Secretary shall—

''(i) treat the notification as a proposed revision to the leasing program maintained under this section; and

''(ii) give expedited consideration to the proposed revision.

''(D) For purposes of title III of the Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.), any activity relating to leasing and subsequent production in an area restored to consideration for gas, or oil and gas, leasing under this paragraph shall—

''(i) if the leased area is located more than 20 miles offshore of an adjacent State, be considered by the Secretary as necessary to the interest of national

security and be carried out notwithstanding the objection of a State to a consistency certification under that Act; or

''(ii) if the leased area is located not greater than 20 miles offshore of an adjacent State, be subject to section 307(c) of the Coastal Zone Management Act (16 U.S.C. 1456(c)).

''(E) An activity under subparagraph (C)(i) shall be carried out in accordance with any applicable approved State management program, to the maximum extent practicable.

''(4)(A)(i) If the Governor of a State requests the President to allow gas, or oil or natural gas, leasing in the moratorium area and the President allows that leasing, the State shall, without further appropriation or action, receive 100 percent of any bonus bid paid for leasing rights in the area.

''(ii) The payments under clause (i) shall end not later than the earlier of—

''(I) the date that is 5 years after the first lease sale in the area; or

''(II) the date on which production begins in the area.

''(B)(i) On the commencement of production in an area under this subsection, the State shall share in any

qualified revenues of the production without further action or appropriation in accordance with section 32(b).

''(ii) The share of the State under clause (i) shall be not less than 12.5 percent of the total qualified revenues of the production.

''(iii) For the purposes of section 32—

''(I) the State shall be considered to be a coastal producing State; and

''(II) the share of the State under clause (i) shall be considered to be qualified revenues.

''(C) After making distributions in accordance with subparagraphs (A) and (B), and in accordance with section 31, the Secretary shall, without further appropriation or action, distribute a conservation royalty of at least 12.5 percent of any remaining qualified revenues from an area leased under this section in equal amounts, not to exceed $1,250,000,000 for any year, to—

''(I) the Land and Water Conservation Fund to provide financial assistance to the Federal Government under section 5 of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 460*l*–7);

''(II) the Land and Water Conservation Fund to provide financial assistance to States under section 6 of that Act (16 U.S.C. 460*l*–8); and

''(III) the wildlife restoration fund established under section 3 of the Pittman-Robertson Wildlife Restoration Act (16 U.S.C. 669b).

''(4) The State shall be entitled to any revenues that a coastal State would be entitled to receive under section 8(g).

''(5) This subsection shall not apply to any area designated as a national marine sanctuary or a national wildlife refuge.''.

SEC. 204. ROYALTY RELIEF FOR DEEP WATER PRODUCTION.

(a) IN GENERAL.—For all tracts located in water depths of greater than 400 meters in the Western and Central Planning Area of the Gulf of Mexico (including the portion of the Eastern Planning Area of the Gulf of Mexico encompassing whole lease blocks lying west of 87 degrees, 30 minutes West longitude) any oil or gas lease sale under the Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.) occurring within 5 years after the date of enactment of this Act shall use the bidding system authorized in section 8(a)(1)(H) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(a)(1)(H)), except that the suspension of royalties shall be set at a volume of not less than—

(1) 5,000,000 barrels of oil equivalent for each lease in water depths of 400 to 800 meters;

(2) 9,000,000 barrels of oil equivalent for each lease in water depths of 800 to 1,600 meters; and

(3) 12,000,000 barrels of oil equivalent for each lease in water depths greater than 1,600 meters.

(b) LIMITATION.—The Secretary of the Interior may place limitations on the suspension of royalty relief granted based on market price.

SEC. 205. COASTAL IMPACT ASSISTANCE PROGRAM.

The Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.) is amended by adding at the end the following:

"SEC. 32. COASTAL IMPACT ASSISTANCE PROGRAM.

''(a) DEFINITIONS.—In this section:

''(1) COASTAL POLITICAL SUBDIVISION.—The term 'coastal political subdivision' means a political subdivision of a coastal State, any part of which—

''(A) is within the coastal zone (as defined in section 304 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1453)) of the State; and

''(B) is not more than 200 miles from the geographic center of a leased tract.

''(2) COASTAL POPULATION.—The term 'coastal population' means the population, as determined by the most recent official data of the Census Bureau, of each political subdivision, any part of which lies within the designated coastal boundary of a State (as defined in a coastal zone management program of the State under the Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.)).

''(3) COASTAL STATE.—The term 'coastal State' has the meaning given the term in section 304 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1453).

''(4) COASTLINE.—The term 'coastline' has the meaning given the term in section 2 of the Submerged Lands Act (43 U.S.C. 1301).

''(5) DISTANCE.—The term 'distance' means the minimum great circle distance, measured in statute miles.

''(6) LEASED TRACT.—The term 'leased tract' means a tract that is subject to a lease under section 6 or 8 for the purpose of drilling for, developing, and producing oil or natural gas resources.

''(7) POLITICAL SUBDIVISION.—The term 'political subdivision' means the local political jurisdiction

immediately below the level of State government, including counties, parishes, and boroughs.

''(8) PRODUCING STATE.—

''(A) IN GENERAL.—The term 'producing State' means a coastal State with a coastal seaward boundary within 200 miles of the geographic center of a leased tract.

''(B) EXCLUSION.—The term 'producing State' does not include a leased tract or portion of a leased tract that is located in a geographic area subject to a leasing moratorium on January 1, 2005, unless the lease was in production on that date.

''(9) QUALIFIED OUTER CONTINENTAL SHELF REVENUES.—

''(A) IN GENERAL.—The term 'qualified Outer Continental Shelf revenues' means all amounts received by the United States from each leased tract or portion of a leased tract—

''(i) lying—

''(I) seaward of the zone covered by section 8(g); or

''(II) within the zone covered by section 8(g), but to which section 8(g) does not apply; and

''(ii) the geographic center of which lies within 200 miles of any part of the coastline of any coastal State.

''(B) INCLUSIONS.—The term 'qualified Outer Continental Shelf revenues' includes bonus bids, rents, royalties (including payments for royalty taken in kind and sold), net profit share payments, and related late-payment interest from natural gas and oil leases issued under this Act.

''(C) EXCLUSION.—The term 'qualified Outer Continental Shelf revenues' does not include any revenues (other than revenues received under section 18(i)) from a leased tract or portion of a leased tract that is located in a geographic area subject to a leasing moratorium on January 1, 2005, unless the lease was in production on that date.

''(b) PAYMENTS TO PRODUCING STATES AND COASTAL POLITICAL SUBDIVISIONS.—

''(1) IN GENERAL.—For each of fiscal years 2006 through 2011, the Secretary shall, without further appropriation, disburse an amount equal to not more than 12.5 percent of qualified outer Continental Shelf revenues among producing States and

coastal political subdivisions, in accordance with this section.

''(2) DISBURSEMENT.—In each fiscal year, the Secretary shall, without further appropriation, disburse to each producing State for which the Secretary has approved a plan under subsection (c), and to coastal political subdivisions under paragraph (4), the funds allocated to the producing State or coastal political subdivision under this section for the fiscal year.

''(3) ALLOCATION AMONG PRODUCING STATES.—

''(A) IN GENERAL.—The transferred amount shall be allocated to each producing State based on the ratio that—

''(i) the amount of qualified outer Continental Shelf revenues generated off the coastline of the producing State; bears to

''(ii) the amount of qualified outer Continental Shelf revenues generated off the coastline of all producing States.

''(B) QUALIFIED OUTER CONTINENTAL SHELF REVENUES.—

"(i) FISCAL YEARS 2006 THROUGH 2008.—For each of fiscal years 2006 through 2008, a calculation of a payment under this subsection shall be based on qualified outer Continental Shelf revenues received during fiscal year 2005.

"(ii) FISCAL YEARS 2009 THROUGH 2011.—For each of fiscal years 2009 through 2011, a calculation of a payment under this subsection shall be based on qualified outer Continental Shelf revenues received during fiscal year 2008.

"(C) MULTIPLE PRODUCING STATES.—If more than 1 producing State is located within 200 miles of any portion of a leased tract, the amount allocated to each producing State for the leased tract shall be inversely proportional to the distance between—

"(i) the nearest point on the coastline of the producing State; and

"(ii) the geographic center of the leased tract.

"(D) MINIMUM ALLOCATION.—An amount allocated to a producing State under this para-

graph shall be not less than 1 percent of the transferred amount.

''(4) PAYMENTS TO COASTAL POLITICAL SUBDIVISIONS.—

''(A) IN GENERAL.—The Secretary shall pay 35 percent of the amount allocated under paragraph (3) to the coastal political subdivisions in the producing State.

''(B) FORMULA.—Of the amount paid by the Secretary to coastal political subdivisions under subparagraph (A)—

''(i) 25 percent shall be allocated to each coastal political subdivision in the proportion that—

''(I) the coastal population of the coastal political subdivision; bears to

''(II) the coastal population of all coastal political subdivisions in the producing State;

''(ii) 25 percent shall be allocated to each coastal political subdivision in the proportion that—

''(I) the number of miles of coastline of the coastal political subdivision; bears to

"(II) the number of miles of coastline of all coastal political subdivisions in the producing State; and

"(iii) 50 percent shall be allocated in amounts that are inversely proportional to the respective distances between the points in each coastal political subdivision that are closest to the geographic center of each leased tract, as determined by the Secretary.

"(C) EXCEPTION FOR LOUISIANA.—For the purposes of subparagraph (B)(ii), the coastline for coastal political subdivisions in the State of Louisiana without a coastline shall be the average length of the coastline of all other coastal political subdivisions in the State of Louisiana.

"(D) EXCEPTION FOR ALASKA.—For the purposes of carrying out subparagraph (B)(iii) in the State of Alaska, the amount allocated shall be divided equally among the 2 coastal political subdivisions that are closest to the geographic center of a leased tract.

"(E) EXCLUSION OF CERTAIN LEASED TRACTS.—For purposes of subparagraph

(B)(iii), a leased tract or portion of a leased tract shall be excluded if the tract or portion of a leased tract is located in a geographic area subject to a leasing moratorium on January 1, 2005, unless the lease was in production on that date.

''(5) NO APPROVED PLAN.—

''(A) IN GENERAL.—Subject to subparagraph (B) and except as provided in subparagraph (C), if any amount allocated to a producing State or coastal political subdivision under paragraph (3) or (4) is not disbursed because the producing State does not have in effect a plan that has been approved by the Secretary under subsection (c), the Secretary shall allocate the undisbursed amount equally among all other producing States.

''(B) RETENTION OF ALLOCATION.—The Secretary shall hold in escrow an undisbursed amount described in subparagraph (A) until the date that the final appeal regarding the disapproval of a plan submitted under subsection (c) is decided.

''(C) WAIVER.—The Secretary may waive the requirements of subparagraph (A) with re-

spect to an allocated share of a producing State and hold the allocable share in escrow if the Secretary determines that the producing State is making a good faith effort to develop and submit, or update, a plan in accordance with subsection (c).

''(c) COASTAL IMPACT ASSISTANCE PLAN.—

''(1) SUBMISSION OF STATE PLAN.—

''(A) IN GENERAL.—Not later than July 1, 2008, the Governor of a producing State shall submit to the Secretary a coastal impact assistance plan.

''(B) PUBLIC PARTICIPATION.—In carrying out subparagraph (A), the Governor shall solicit local input and provide for public participation in the development of the plan.

''(2) APPROVAL.—

''(A) IN GENERAL.—The Secretary shall approve a plan of a producing State submitted under paragraph (1) before disbursing any amount to the producing State, or to a coastal political subdivision located in the producing State, under this section.

"(B) COMPONENTS.—The Secretary shall approve a plan submitted under paragraph (1) if—

"(i) the Secretary determines that the plan is consistent with the uses described in subsection (d); and

"(ii) the plan contains—

"(I) the name of the State agency that will have the authority to represent and act on behalf of the producing State in dealing with the Secretary for purposes of this section;

"(II) a program for the implementation of the plan that describes how the amounts provided under this section to the producing State will be used;

"(III) for each coastal political subdivision that receives an amount under this section—

"(aa) the name of a contact person; and

"(bb) a description of how the coastal political subdivision

will use amounts provided under this section;

''(IV) a certification by the Governor that ample opportunity has been provided for public participation in the development and revision of the plan; and

''(V) a description of measures that will be taken to determine the availability of assistance from other relevant Federal resources and programs.

''(3) AMENDMENT TO A PLAN.—Any amendment to a plan submitted under paragraph (1) shall be—

''(A) developed in accordance with this subsection; and

''(B) submitted to the Secretary for approval or disapproval under paragraph (4).

''(4) PROCEDURE.—Except as provided in subparagraph (B), not later than 90 days after the date on which a plan or amendment to a plan is submitted under paragraph (1) or (3), the Secretary shall approve or disapprove the plan or amendment.

''(d) AUTHORIZED USES.—

''(1) IN GENERAL.—A producing State or coastal political subdivision shall use any amount received under this section, including any amount deposited in a trust fund that is administered by the State or coastal political subdivision and dedicated to a use consistent with this section, in accordance with all applicable Federal and State law, only for 1 or more of the following purposes:

''(A) Projects and activities for the conservation, protection, or restoration of coastal areas, including wetland.

''(B) Mitigation of damage to fish, wildlife, or natural resources.

''(C) Planning assistance and the administrative costs of complying with this section.

''(D) Implementation of a federally-approved marine, coastal, or comprehensive conservation management plan.

''(E) Mitigation of the impact of outer Continental Shelf activities through funding of onshore infrastructure, education, health care, and public service needs.

''(2) COMPLIANCE WITH AUTHORIZED USES.—If the Secretary determines that any expenditure made by a producing State or coastal political sub-

division is not consistent with this subsection, the Secretary shall not disburse any additional amount under this section to the producing State or the coastal political subdivision until all amounts obligated for unauthorized uses have been repaid or reobligated for authorized uses.''.

SEC. 206. ROCKY MOUNTAIN GAS PRODUCTION.

Section 1421(d) of the Safe Drinking Water Act (42 U.S.C. 300h(d) is amended by striking paragraph (1) and inserting the following:

''(1) UNDERGROUND INJECTION.—

''(A) IN GENERAL.—The term 'underground injection' means the subsurface emplacement of fluids by well injection.

''(B) EXCLUSIONS.—The term 'underground injection' excludes—

''(i) the underground injection of natural gas for purposes of storage; and

''(ii) the underground injection of fluids or propping agents pursuant to hydraulic fracturing operations related to an oil or gas production activity.''.

SEC. 207. GAS METHANE RESEARCH.

(a) RESEARCH CENTER.—Section 3(b)(1) of the Methane Hydrate Research and Development Act of 2000 (30 U.S.C. 1902 note) is amended—

(1) in subparagraph (F), by striking ''and'' at the end;

(2) in subparagraph (G), by striking the period at the end and inserting ''; and''; and

(3) by adding at the end the following:

''(H) establish a Virginia Beach Methane Hydrates Research Center in Virginia Beach, Virginia.''.

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 5 of the Methane Hydrate Research and Development Act of 2000 (30 U.S.C. 1902 note) is amended to read as follows:

''SEC. 5. AUTHORIZATION OF APPROPRIATIONS.

''There is authorized to be appropriated to the Secretary of Energy to carry out this Act $50,000,000 for each of fiscal years 2006 through 2009, to remain available until expended.''.

(c) SUNSET.—Section 6 of the Methane Hydrate Research and Development Act of 2000 (30 U.S.C. 1902 note) is amended by striking ''2005'' and inserting ''2009''.

SEC. 208. ALASKA NATURAL GAS PIPELINE ACT.

The Alaska Natural Gas Pipeline Act (15 U.S.C. 720 et seq.) is amended—

(1) in section 103 (15 U.S.C. 720a), by adding at the end the following:

''(j) REPORT.—Not later than the date that is 180 days after the date of enactment of the Natural Gas Price Reduction Act of 2005 and every 180 days thereafter until the Alaska natural gas pipeline begins operation, the Commission shall submit to Congress a report describing the progress made in licensing and constructing such pipeline and any issues impeding that progress.''; and

(2) in section 107(a) (15 (U.S.C. 720e(a)), by striking paragraph (3) and inserting the following:

''(3) the validity of any determination, permit, approval, authorization, review, or other such action taken under any provision of law (including subchapter II of chapter 5, and chapter 7, of title 5, United States Code (commonly known as the Administrative Procedure Act), the Endangered Species Act of 1973 (16 U.S.C. 1531 et seq.), the National Environmental Policy Act of 1969 (42 U.S.C. 4231 et seq.), and the National Historic Preservation Act (16 U.S.C. 470 et seq.)) that relates to a gas transportation project under section 103.''.

SEC. 209. GAS HYDRATE PRODUCTION INCENTIVES.

(a) PURPOSE.—The purpose of this section is to promote natural gas production from the abundant natural gas hydrate resources on the outer Continental Shelf and Federal land in Alaska by providing royalty incentives for the production.

(b) SUSPENSION OF ROYALTIES.—

(1) DEFINITIONS.—In this subsection:

(A) ELIGIBLE LEASE.—The term ''eligible lease'' means a lease—

(i) that is issued under the Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.);

(ii) that is issued before January 1, 2016; and

(iii) in the case of a lease of natural gas, production from the gas hydrate resource under that begins not later than December 31, 2017.

(B) GAS HYDRATE RESOURCE.—The term ''gas hydrate resource'' includes—

(i) the natural gas content of a gas hydrate within the hydrate stability zone; and

(ii) free natural gas trapped by and beneath the hydrate stability zone.

(2) SUSPENSION OF ROYALTIES.—

(A) IN GENERAL.—The Secretary of the Interior shall suspend royalties under this section for gas hydrate resources with a suspension volume of not less than 50,000,000,000 cubic feet of natural gas produced from the resource per square mile of the leased tract.

(B) SIZE OF LEASED TRACTS.—The minimum suspension volume under this section for a leased tract that is smaller or larger than 9 square miles shall be adjusted proportionally.

(3) EFFECT OF SUSPENSION.—The suspension of royalties under this section shall be in addition to royalty relief under any law that does not grant a gas hydrate production incentive.

(c) RULEMAKING.—Not later than 1 year after the date of enactment of this Act, the Secretary shall complete any rulemaking necessary to carry out this section.

SEC. 210. OIL AND GAS EXPLORATION AND PRODUCTION DEFINED.

Section 502 of the Federal Water Pollution Control Act (33 U.S.C. 1362) is amended by adding at the end the following:

''(24) OIL AND GAS EXPLORATION AND PRODUCTION, PROCESSING, OR TREATMENT OPERATIONS

OR TRANSMISSION FACILITIES.—The term 'oil and gas exploration and production, processing, or treatment operations or transmission facilities' means all field activities or operations associated with oil or gas exploration, production, processing, or treatment operations, or with oil or gas transmission facilities, including activities necessary to prepare a site for drilling and for the movement and placement of drilling equipment, whether or not such field activities or operations may be considered to be construction activities.''.

SEC. 211. MARGINAL PROPERTY PRODUCTION INCENTIVES.

(a) DEFINITION OF MARGINAL PROPERTY.—

(1) IN GENERAL.—Until the Secretary of the Interior promulgates regulations under subsection (e) that prescribe a different definition, in this section the term ''marginal property'' means an onshore unit, communitization agreement, or lease not within a unit or communitization agreement, that produces on average the combined equivalent of less than 15 barrels of oil per well per day or 90 million British thermal units of gas per well per day calculated based on the average over the 3 most recent production months, including only wells that produce

on more than half of the days during those 3 production months.

(b) CONDITIONS FOR REDUCTION OF ROYALTY RATE.—Until the Secretary of the Interior promulgates regulations under subsection (e) that prescribe different thresholds or standards, the Secretary of the Interior shall reduce the royalty rate on—

(1) oil production from marginal properties as described in subsection (c) if the spot price of West Texas Intermediate crude oil at Cushing, Oklahoma, is, on average, less than $15 per barrel for 90 consecutive trading days; and

(2) gas production from marginal properties as described in subsection (c) if the spot price of natural gas delivered at Henry Hub, Louisiana, is, on average, less than $2 per million British thermal units for 90 consecutive trading days.

(c) REDUCED ROYALTY RATE.—

(1) IN GENERAL.—When a marginal property meets the conditions described in subsection (b), the royalty rate shall be the lesser of—

(A) 5 percent; or

(B) the rate under any other statutory or regulatory royalty relief provision that applies to the affected production.

(2) PERIOD OF EFFECTIVENESS.—The reduced royalty rate under this subsection shall be effective beginning on the first day of the production month following the date on which the applicable condition specified in subsection (b) is met.

(d) TERMINATION OF REDUCED ROYALTY RATE.—A royalty rate described in subsection (c)(1)(A) shall terminate—

(1) with respect to oil production from a marginal property, on the first day of the production month following the date on which—

(A) the spot price of West Texas Intermediate crude oil at Cushing, Oklahoma, on average, exceeds $15 per barrel for 90 consecutive trading days; or

(B) the property no longer qualifies as a marginal property; and

(2) with respect to gas production from a marginal property, on the first day of the production month following the date on which—

(A) the spot price of natural gas delivered at Henry Hub, Louisiana, on average, exceeds $2 per million British thermal units for 90 consecutive trading days; or

(B) the property no longer qualifies as a marginal property.

(e) REGULATIONS PRESCRIBING DIFFERENT RELIEF.—

(1) DISCRETIONARY REGULATIONS.—The Secretary of the Interior may by regulation prescribe different parameters, standards, and requirements for, and a different degree or extent of royalty relief for, marginal properties in lieu of those prescribed in subsections (a) through (d).

(2) MANDATORY REGULATIONS.—Not later than 18 months after the date of enactment of this Act, the Secretary of the Interior shall by regulation—

(A) prescribe standards and requirements for, and the extent of royalty relief for, marginal properties for oil and gas leases on the Outer Continental Shelf; and

(B) define what constitutes a marginal property on the Outer Continental Shelf for the purposes of this section.

(3) CONSIDERATIONS.—In promulgating regulations under this subsection, the Secretary of the Interior may consider—

(A) oil and gas prices and market trends;

(B) production costs;

(C) abandonment costs;

(D) Federal and State tax provisions and the effects of those provisions on production economics;

(E) other royalty relief programs;

(F) regional differences in average wellhead prices;

(G) national energy security issues; and

(H) other relevant matters.

(f) SAVINGS PROVISION.—Nothing in this section prevents a lessee from receiving royalty relief or a royalty reduction pursuant to any other law (including a regulation) that provides more relief than the amounts provided by this section.

SEC. 212. EFFICIENT GOVERNMENT PROCESSING OF PERMIT APPLICATIONS.

(a) EXECUTIVE ORDERS CODIFIED.—Executive Orders numbered 13211 and 13212, issued on May 18, 2001 (66 Fed. Reg. 28,355; 66 Fed. Reg. 28,357), are enacted into law.

(b) PROCESSING PERFORMANCE REPORT.—

(1) IN GENERAL.—Not later than December 31, 2006, and annually thereafter, the Secretary of Energy shall submit to Congress a report evaluating

the performance of the task force established under Executive Order number 13212 (66 Fed. Reg. 28,357) in carrying out the duties of the task force.

(2) INCLUSION.—The report described in paragraph (1) shall include—

(A) the number of permits processed by the task force in the preceding year;

(B) the average time required by the task force to take a final action;

(C) a description of any environmental variance issued by the task force;

(D) an identification of any impediment to efficient processing of permits by the task force; and

(E) any incentive created to reduce processing time of the task force.

SEC. 213. DEADLINE FOR DECISION ON APPEALS OF CONSISTENCY DETERMINATION.

(a) IN GENERAL.—Section 319 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1465) is amended to read as follows:

''APPEALS TO THE SECRETARY

''SEC. 319. (a) NOTICE.—The Secretary shall publish an initial notice in the Federal Register not later than 30 days after the date of the filing of any appeal to the Secretary of a consistency determination under section 307.

''(b) CLOSURE OF RECORD.—(1) Not later than the end of the 120-day period beginning on the date of publication of an initial notice under subsection (a)—

''(A) the Secretary shall receive no more filings on the appeal; and

''(B) the administrative record regarding the appeal shall be closed.

''(2) On the closure of the administrative record, the Secretary shall publish a notice that the administrative record has been closed.

''(c) DEADLINE FOR DECISION.—Not later than 120 days after the closure of the administrative record, the Secretary shall issue a decision in any appeal filed under section 307.

''(d) APPLICATION.—This section applies to—

''(1) any appeal initiated by the Secretary; and

''(2) any appeal filed by an applicant.''.

(b) APPLICATION.—Section 319(a) of the Coastal Zone Management Act of 1972 (as amended by this subsection (a)) shall not apply to an appeal initiated or filed before the date of enactment of this Act.

(c) CLOSURE OF RECORD FOR APPEAL FILED BEFORE DATE OF ENACTMENT.—Notwithstanding section 319(b)(1) of the Coastal Zone Management Act of 1972 (as amended by subsection (a)), in the case of an appeal

of a consistency determination under section 307 of that Act initiated or filed before the date of enactment of this Act—

(1) the Secretary of Commerce shall receive no more filings on the appeal; and

(2) not later than 120 days after the date of enactment of this Act, the administrative record regarding the appeal shall be closed.

SEC. 214. OUTER CONTINENTAL SHELF PROVISIONS.

(a) STORAGE ON THE OUTER CONTINENTAL SHELF.—Section 5(a)(5) of the Outer Continental Shelf Lands Act (43 U.S.C. 1334(a)(5)) is amended by inserting ''from any source'' after ''oil and gas''.

(b) DEEPWATER PROJECTS.—Section 6 of the Deepwater Port Act of 1974 (33 U.S.C. 1505) is amended by adding at the end the following:

''(d) In carrying out section 5(f)—

''(1) to the extent that other Federal agencies have prepared environmental impact statements, are conducting studies, or are monitoring the affected human, marine, or coastal environment, the Secretary may use the information derived from those activities in lieu of directly conducting the activities; and

''(2) the Secretary may use information obtained from any State or local government or from any person.''.

(c) NATURAL GAS DEFINED.—Section 3 of the Deepwater Port Act of 1974 (33 U.S.C. 1502) is amended by striking paragraph (13) and inserting the following:

''(13) 'natural gas' means—

''(A) natural gas unmixed; or

''(B) any mixture of natural or artificial gas, including compressed or liquefied natural gas, natural gas liquids, liquefied petroleum gas, and condensate recovered from natural gas;''.

SEC. 215. OFFICE OF FEDERAL ENERGY PROJECT COORDINATION.

(a) ESTABLISHMENT.—The President shall establish the Office of Federal Energy Project Coordination (referred to in this section as the ''Office'') within the Executive Office of the President in the same manner and with the same mission as the White House Energy Projects Task Force established by Executive Order No. 13212 (42 U.S.C. 13201 note).

(b) STAFF.—The Office shall be staffed by functional experts from relevant Federal agencies on a nonreimbursable basis to carry out the mission of the Office.

(c) REPORT.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, and annually thereafter, the Office shall submit to Congress a report that describes any activity carried out under this section to coordinate and expedite Federal decisions on energy projects.

(2) INCLUSIONS.—The report shall include a description of—

(A) any progress made toward improving the Federal decisionmaking process; and

(B) any additional recommendation of the Office relating to a change required to establish a more effective and efficient Federal permitting process.

SEC. 216. FEDERAL ONSHORE OIL AND GAS LEASING AND PERMITTING PRACTICES.

(a) REVIEW OF ONSHORE OIL AND GAS LEASING PRACTICES.—

(1) IN GENERAL.—The Secretary of the Interior, in consultation with the Secretary of Agriculture with respect to National Forest System land under the jurisdiction of the Department of Agriculture, shall perform an internal review of current

Federal onshore oil and gas leasing and permitting practices.

(2) INCLUSIONS.—The review shall include the process for—

(A) accepting or rejecting an offer to lease;

(B) an administrative appeal of a decision or order of an officer or employee of the Bureau of Land Management with respect to a Federal oil or gas lease;

(C) considering a surface use plan of operation, including the timeframe during which a plan shall be considered and any recommendation of the Secretary of the Interior for improving and expediting the process; and

(D) identifying a stipulation to address a site-specific concern or condition, including a stipulation relating to an environment or resource use conflict.

(b) REPORT.—Not later than 180 days after the date of enactment of this Act, the Secretary of the Interior and the Secretary of Agriculture shall submit to Congress a report that describes—

(1) any action taken under section 3 of Executive Order No. 13212 (42 U.S.C. 13201 note); and

(2) any action taken relating to, or any plan to improve, the Federal onshore oil and gas leasing program.

SEC. 217. MANAGEMENT OF FEDERAL OIL AND GAS LEASING PROGRAMS.

(a) TIMELY ACTION ON LEASES AND PERMITS.—To ensure timely action relating to oil and gas leases and applications for permits to drill on land otherwise available for leasing, the Secretary of the Interior shall—

(1) ensure expeditious compliance with section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C));

(2) improve consultation and coordination with the States and the public; and

(3) improve the collection, storage, and retrieval of information relating to a leasing activity.

(b) BEST MANAGEMENT PRACTICES.—

(1) IN GENERAL.—Not later than 18 months after the date of enactment of this Act, the Secretary shall develop and implement best management practices to—

(A) improve the administration of the onshore oil and gas leasing program under the Mineral Leasing Act (30 U.S.C. 181 et seq.); and

(B) ensure timely action on any oil or gas lease or application for a permit to drill on land otherwise available for leasing.

(2) CONSIDERATIONS.—In developing the best management practices under paragraph (1), the Secretary shall consider any recommendations from the review under section 216.

(3) REGULATIONS.—Not later than 180 days after the development of best management practices under paragraph (1), the Secretary shall publish, for public comment, proposed regulations that set forth specific timeframes for processing leases and applications in accordance with the practices, including deadlines for—

(A) approving or disapproving resource management plans and related documents, lease applications, and surface use plans; and

(B) related administrative appeals.

(c) IMPROVED ENFORCEMENT.—The Secretary shall improve inspection and enforcement of oil and gas activities, including enforcement of terms and conditions in permits to drill.

(d) AUTHORIZATION OF APPROPRIATIONS.—In addition to amounts authorized to be appropriated to carry out section 17 of the Mineral Leasing Act (30 U.S.C.

226), there are authorized to be appropriated to the Secretary for each of fiscal years 2006 through 2009—

(1) $40,000,000 to carry out subsections (a) and (b); and

(2) $20,000,000 to carry out subsection (c).

SEC. 218. CONSULTATION REGARDING OIL AND GAS LEASING ON PUBLIC LAND.

(a) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, the Secretary of the Interior and the Secretary of Agriculture shall enter into a memorandum of understanding regarding oil and gas leasing on—

(1) public land under the jurisdiction of the Secretary of the Interior; and

(2) National Forest System land under the jurisdiction of the Secretary of Agriculture.

(b) CONTENTS.—The memorandum of understanding shall include provisions that—

(1) establish administrative procedures and lines of authority that ensure timely processing of oil and gas lease applications, surface use plans of operation, and applications for permits to drill, including steps for processing surface use plans and applications for permits to drill consistent with the

timelines established by the amendment made by section 220;

(2) eliminate duplication of effort by providing for coordination of planning and environmental compliance efforts; and

(3) ensure that any stipulation in a lease is—

(A) applied consistently;

(B) coordinated between agencies; and

(C) only as restrictive as necessary to protect the resource for which the stipulation is applied.

(c) DATA RETRIEVAL SYSTEM.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Interior and the Secretary of Agriculture shall establish a joint data retrieval system to—

(A) track applications and formal requests made in accordance with the Federal onshore oil and gas leasing program; and

(B) provide information regarding the status of an application or request in the Department of the Interior and the Department of Agriculture.

(2) RESOURCE MAPPING.—Not later than 2 years after the date of enactment of this Act, the

Secretary of the Interior and the Secretary of Agriculture shall establish a joint Geographic Information System mapping system to—

(A) track surface resource values to aid in resource management; and

(B) process surface use plans of operation and applications for permits to drill.

SEC. 219. PILOT PROJECT TO IMPROVE FEDERAL PERMIT COORDINATION.

(a) DEFINITIONS.—In this section:

(1) MEMORANDUM OF UNDERSTANDING.—The term ''memorandum of understanding'' means the memorandum of understanding entered into under subsection (c).

(2) PILOT PROJECT.—The term ''pilot project'' means the Federal permit streamline pilot project established under subsection (b).

(3) PILOT PROJECT OFFICE.—The term ''pilot project office'' means each of the following field offices of the Bureau of Land Management:

(A) Rawlins, Wyoming.

(B) Buffalo, Wyoming.

(C) Miles City, Montana

(D) Farmington, New Mexico.

(E) Carlsbad, New Mexico.

(F) Glenwood Springs, Colorado.

(G) Vernal, Utah.

(4) SECRETARY.—The term ''Secretary'' means the Secretary of the Interior.

(b) ESTABLISHMENT.—The Secretary shall establish a Federal permit streamlining pilot project.

(c) MEMORANDUM OF UNDERSTANDING.—

(1) IN GENERAL.—Not later than 90 days after the date of enactment of this Act, the Secretary shall enter into a memorandum of understanding with the Secretary of Agriculture, the Administrator of the Environmental Protection Agency, and the Chief of Engineers of the Corps of Engineers to carry out the pilot project.

(2) STATE PARTICIPATION.—The Secretary may request that the Governors of Wyoming, Montana, Colorado, Utah, and New Mexico enter into the memorandum of understanding.

(d) PILOT PROJECT PERSONNEL.—

(1) DESIGNATION OF INITIAL PERSONNEL.—

(A) IN GENERAL.—Not later than 30 days after the date on which the memorandum of understanding is entered into under subsection (c), each of the Federal signatories to the memorandum of understanding referred to in

subsection (c)(1) shall assign to each of the pilot project offices, on a nonreimbursable basis, an employee who has expertise in the regulatory issues relating to the office in which the employee is employed, including, as applicable, the areas of expertise described in subparagraph (B).

(B) AREAS OF EXPERTISE.—The areas of expertise referred to in subparagraph (A) include expertise in—

(i) the consultations and the preparation of biological opinions under section 7 of the Endangered Species Act of 1973 (16 U.S.C. 1536);

(ii) permits under section 404 of Federal Water Pollution Control Act (33 U.S.C. 1344);

(iii) regulatory matters under the Clean Air Act (42 U.S.C. 7401 et seq.);

(iv) planning under the National Forest Management Act of 1976 (16 U.S.C. 472a et seq.); and

(v) the preparation of analyses under the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

(C) DUTIES.—Each employee assigned under subparagraph (A) shall—

(i) not later than 90 days after the date of assignment, report to the field manager of the pilot project office to which the employee is assigned;

(ii) be responsible for all issues relating to the jurisdiction of the assigning agency or office; and

(iii) participate as part of the team of personnel working on proposed energy projects, planning, and environmental analyses.

(2) ADDITIONAL PERSONNEL.—The Secretary shall assign to each pilot project office any additional personnel the Secretary determines are necessary to ensure the effective implementation of—

(A) the pilot project; and

(B) other programs administered by the pilot project offices, including inspection and enforcement activities relating to energy development on Federal land, in accordance with the multiple use mandate of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1701 et seq).

(e) REPORTS.—Not later than 3 years after the date of enactment of this Act, the Secretary shall submit to the appropriate committees of Congress a report that—

(1) outlines the results of the pilot project; and

(2) makes a recommendation to the President on whether the pilot project should be carried out throughout the United States.

(f) EFFECT.—Nothing in this section affects—

(1) the operation of any Federal or State law; or

(2) any delegation of authority made by the head of a Federal agency, the employees of which are participating in the pilot project.

SEC. 220. DEADLINE FOR CONSIDERATION OF APPLICATIONS FOR PERMITS.

Section 17 of the Mineral Leasing Act (30 U.S.C. 226) is amended by adding at the end the following:

''(p)(1) Not later than 10 days after the date on which the Secretary receives an application for a permit to drill, the Secretary shall—

''(A) notify the applicant that the application is complete; or

''(B)(i) notify the applicant that information is missing from the application; and

''(ii) specify any information that is required to be submitted for the application to be complete.

''(2) Not later than 30 days after an applicant has submitted a complete application for a permit to drill, the Secretary shall—

''(A) issue the permit; or

''(B)(i) defer making a decision on the permit; and

''(ii) provide notice to the applicant that specifies any steps that the applicant needs to take for the permit to drill to be issued.

''(3)(A) If the Secretary provides notice under paragraph (2)(B)(ii), the applicant shall have a period of 2 years from the date of receipt of the notice in which to complete all requirements specified by the Secretary, including providing information needed for compliance with the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

''(B) If the applicant completes the requirements within the period specified in subparagraph (A), the Secretary shall issue a decision on the permit not later than 10 days after the date of completion of the requirements.

''(C) If the applicant does not complete the requirements within the period specified in subparagraph (A), the Secretary shall deny the permit.

''(q) On a quarterly basis, each field office of the Bureau of Land Management and the Forest Service shall submit to the Secretary of the Interior or the Secretary of Agriculture, respectively, a report that—

''(1) specifies the number of applications for permits to drill received by the field office during the period covered by the report; and

''(2) describes how each of the applications was disposed of by the field office.''.

TITLE III—ENERGY INFRASTRUCTURE

SEC. 301. EXPORTATION AND IMPORTATION OF NATURAL GAS.

Section 3 of the Natural Gas Act (15 U.S.C. 717b) is amended by adding at the end the following:

''(d) Nothing in subsections (e) through (h) affects the rights of a State under—

''(1) the Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.);

''(2) the Clean Air Act (42 U.S.C. 7401); or

''(3) section 401 of the Federal Water Pollution Control Act (33 U.S.C. 1341).

''(e)(1) The Commission shall have the exclusive authority to approve or disapprove the siting, construction, expansion, or operation of particular facilities (onshore or

in State waters) for the import or export of natural gas from a foreign country.

''(2) No person shall site, construct, expand, or operate a natural gas import or export facility (onshore or in State waters) unless the Commission has authorized the activity.

''(3) Approval of an application under paragraph (1) shall not be conditioned on—

''(A) a requirement that a liquefied natural gas import terminal shall offer service to any person other than the person to whom approval under paragraph (1) is granted (including an affiliate of such a person);

''(B) any regulation relating to the rates, charges, terms, or conditions of service of a liquefied natural gas import terminal; or

''(C) a requirement that any schedule or contract relating to the rates, charges, terms, or conditions of service of a liquefied natural gas import terminal be filed with the Commission.

''(4) Notwithstanding paragraph (3), a determination of the Commission under paragraph (1) relating to the expansion of an existing liquefied natural gas import terminal that offers service to customers on an open-access basis shall not result in a subsidy by existing customers

of expansion capacity, degradation of service to existing customers, or undue discrimination against existing customers as to the terms or conditions of service of those customers at the terminal, as determined by the Commission.

''(f)(1) Not later than 1 year after the application to site, construct, expand, or operate a natural gas import or export facility under subsection (d) is complete (as determined by the Commission) the Commission shall approve or deny an application .

''(2) On the date on which approval is received from the Commission under paragraph (1), a natural gas development zone shall be deemed to exist in the immediate vicinity of the facility.

''(3)(A) With respect to each application approved under paragraph (1), the Commission shall establish, consistent with paragraph (1), a schedule for all Federal and State administrative proceedings commenced under Federal law that are required to be completed before a person may site, construct, expand, or operate a natural gas import or export facility to ensure timely progress toward any such siting, construction, expansion, or operation.

''(B) The schedule shall include all Federal and State administrative proceedings authorized by Federal law for the siting, construction, expansion, or operation of natural

gas pipelines and facilities relating to the transportation of natural gas from the import or export facility.

''(C) In establishing the schedule, the Commission shall, to the maximum extent practicable, accommodate the applicable schedules established by Federal law for the proceedings.

''(D) If a Federal or State administrative agency or officer fails to complete a proceeding in accordance with the schedule established by the Commission—

''(i) the action of the Federal or State administrative agency or officer that is required before a person may site, construct, expand, or operate the natural gas import or export facility shall be conclusively presumed; and

''(ii) the siting, construction, expansion, or operation shall proceed without further condition.

''(4) With respect to the siting, construction, expansion, or operation of a natural gas import or export facility, the Commission shall compile a single, exclusive administrative record that consolidates the records of the proceedings described in paragraph (3).

''(5) Any Federal administrative proceeding that is an appeal or review of a decision made or action taken by a Federal administrative agency or officer (or State administrative agency or officer acting under delegated Fed-

eral authority) with respect to the siting, construction, expansion, or operation of a natural gas import or export facility shall use as the exclusive record for all purposes the administrative record compiled by the Commission under paragraph (4).

''(g) With respect to the siting, construction, expansion, or operation of natural gas import or export facilities, the Commission shall be the lead Federal agency for purposes of complying with the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

''(h) The Commission shall grant the request of any State or local agency that requests cooperating agency status in accordance with regulations promulgated pursuant to the National Environmental Policy Act (42 U.S.C. 4321 et seq.) with respect to a facility that imports or exports natural gas.

''(i) Nothing in this section grants the Commission any right of eminent domain with respect to the siting, construction, expansion, or operation of a natural gas import or export facility.''.

SEC. 302. EXPORTATION AND IMPORTATION OF NATURAL GAS FOR OFFSHORE FACILITIES.

(a) PROCEDURE.—Section 5(e) of the Deepwater Port Act of 1974 (33 U.S.C. 1504(e)) is amended by adding at the end the following:

''(3) COORDINATION OF APPROVAL PROCESSES.—

''(A) IN GENERAL.—The Secretary, in cooperation with the Federal Energy Regulatory Commission, shall develop a procedure to coordinate the processing of all approvals required by the Secretary or the Federal Energy Regulatory Commission for an offshore transmission facility, or a related facility, that is—

''(i) used to transport natural gas from a deepwater port; and

''(ii) within the jurisdiction of the Federal Energy Regulatory Commission under the Natural Gas Act (15 U.S.C. 717 et seq.).

''(B) INCLUSION.—The procedure developed under subparagraph (A) shall include a requirement that, on receiving an application relating to the siting, construction, expansion, or operation or an offshore transmission facility, or a related facility, in accordance with the Natural Gas Act (15 U.S.C. 717 et seq.), the Federal Energy Regulatory Commission shall approve or deny the application under that Act in accordance with the timeline of the Secretary relating to a similar application under subsections (g) and (i)(1).''.

(b) ADJACENT COASTAL STATES.—Section 9(b)(1) of the Deepwater Port Act of 1974 (33 U.S.C. 1508(b)(1)) is amended—

(1) in the second sentence, by striking ''The Secretary'' and inserting ''Except in the case of a license for a deepwater port for natural gas, the Secretary''; and

(2) by adding at the end the following: ''In the case of a license for a deepwater port for natural gas located more than 20 miles from the coast of a State, a condition on the license shall not negatively affect the construction or operation of the project.''

SEC. 303. NATURAL GAS PIPELINE INFRASTRUCTURE.

(a) EXTENSION OF FACILITIES; ABANDONMENT OF SERVICE.—Section 7 of the Natural Gas Act (15 U.S.C. 717f) is amended by adding at the end the following:

''(i)(1)(A) With respect to each application under subsection (d) for authorization to undertake the construction or expansion of a facility under the jurisdiction of the Commission, the Commission shall establish a schedule for all Federal and State administrative proceedings commenced under Federal law that are required to be completed before a person may site, construct, expand, or operate a natural gas facility to ensure timely progress to-

ward any such siting, construction, expansion, or operation.

''(B) In establishing the schedule, the Commission shall, to the maximum extent practicable, accommodate the applicable schedules established by Federal law for the proceedings.

''(C) If a Federal or State administrative agency or officer fails to complete a proceeding in accordance with the schedule established by the Commission—

''(i) the action of the Federal or State administrative agency or officer that is required before a person may site, construct, expand, or operate the natural gas facility shall be conclusively presumed; and

''(ii) the siting, construction, expansion, or operation shall proceed without further condition.

''(2) With respect to the siting, construction, expansion, or operation of a natural gas facility subject to the jurisdiction of the Commission, the Commission shall compile a single administrative record that consolidates the records of the proceedings described in paragraph (1).

''(3) Any Federal administrative proceeding that is an appeal or review of a decision made or action taken by a Federal administrative agency or officer (or State administrative agency or officer acting under delegated Fed-

eral authority) with respect to the siting, construction, expansion, or operation of a natural gas facility subject to the jurisdiction of the Commission shall use as the exclusive record for all purposes the administrative record compiled by the Commission under paragraph (2).

''(j) With respect to the siting, construction, expansion, or operation of natural gas facilities subject to the jurisdiction of the Commission, the Commission shall be the lead Federal agency for purposes of complying with the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).''.

(b) REHEARING; COURT REVIEW OF ORDERS.—Section 19 of the Natural Gas Act (15 U.S.C. 717r) is amended by adding at the end the following:

''(d)(1) The United States Court of Appeals for the District of Columbia Circuit shall have original and exclusive jurisdiction over any civil action—

''(A) for review of an order or action issued by the Commission under section 3;

''(B) for review of an order or action of a Federal or State administrative agency or officer to issue, condition, or deny any permit, license, concurrence, or approval issued under a Federal law required for the siting, construction, expansion, or operation of a natural gas facility for which a certifi-

cate of public convenience and necessity is issued by the Commission under this Act;

''(C) alleging unreasonable delay or conditioning by a Federal or State administrative agency or officer in entering an order or taking other action described in subparagraph (B); or

''(D) challenging a decision made or action taken under this subsection.

''(2)(A) If the Court finds that an order, action, or failure to act is not consistent with the public convenience or necessity (as determined by the Commission under this Act), or would prevent the siting, construction, expansion, or operation of natural gas facilities authorized by a certificate of public convenience or necessity, the permit, license, concurrence, or approval that is the subject of the order, action, or failure to act shall be deemed to have been issued subject to any conditions set forth in the reviewed order or action that the Court finds to be consistent with the public convenience or necessity.

''(B) For purposes of paragraph (1)(B), the failure of an agency or officer to issue a permit, license, concurrence, or approval by the later of the date that is 1 year after the date of filing of an application for the permit, license, concurrence, or approval or the date that is 60 days after the date of issuance of the certificate of public

convenience or necessity under this section, shall be considered unreasonable delay unless the Court, for good cause shown, determines otherwise.

''(C) The Court shall expedite the consideration of any action brought under paragraph (1).''.

SEC. 304. NATURAL GAS STORAGE FACILITIES.

Section 4 of the Natural Gas Act (15 U.S.C. 717c) is amended by adding at the end the following:

''(f)(1) On receiving an application from a natural gas company that is the owner or operator of a natural gas storage facility, the Commission may allow the company to charge a market-based rate for natural gas storage and storage-related services at the facility even if the Commission finds that the facility may have the ability to exercise market power, if, in the sole discretion of the Commission, allowing market-based rates is in the public interest.

''(2) The Commission may place reasonable conditions on the allowance of the Commission of market-based rates under this subsection, such as requiring the storage capacity to be sold through an open and transparent auction.

''(3) If the Commission allows market-based rates under this subsection, the Commission shall review peri-

odically whether the storage facility continues to qualify under this subsection to charge market-based rates.''.

SEC. 305. BACKUP FUEL CAPABILITY STUDY.

(a) STUDY.—The Secretary of Energy shall conduct a study on the effect of having liquid and other fuel backup capability for gas-fired power generation facilities and for other gas-fired industrial facilities.

(b) CONTENTS.—The study shall address—

(1) the costs and benefits of adding a different fuel capability to power gas-fired power generating and industrial facilities, taking into consideration regional differences;

(2) Federal and State government methods of encouraging gas-fired power generators and industries to develop a capability to power the facilities of the generators and industries by another fuel;

(3) the effect on the supply and cost of natural gas of a balanced portfolio of fuel choices in power generation and industrial applications;

(4) the effect on the supply and cost of natural gas of a State that permits agencies to carry out policies that encourage other fuel backup for gas-fired power generation; and

(5) changes required in the Clean Air Act (42 U.S.C. 7401 et seq.) to allow natural gas generators to add clean backup fuel capabilities.

(c) REPORT TO CONGRESS.—Not later than 1 year after the date of enactment of this Act, the Secretary of Energy shall submit to Congress a report on the results of the study, including recommendations regarding further Federal Government activity regarding backup fuel capability.

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