

**NATIONAL ENERGY SECURITY ACT OF 2001
SECTION BY SECTION SUMMARY**

SEC. 1. SHORT TITLE.

SEC. 2. FINDINGS AND PURPOSES.

TITLE I – GENERAL PROVISIONS TO PROTECT ENERGY SUPPLY AND SECURITY

SEC. 101. CONSULTATION AND REPORT ON FEDERAL AGENCY ACTIONS AFFECTING DOMESTIC ENERGY SUPPLY.

Requires federal agencies to inform the Secretary of Energy prior to taking any action that could have a significant adverse effect on availability or supply of energy resources or on capability to distribute or transport such resources. DOE must prepare an annual report on all such actions, what mitigation was undertaken, and the short, mid, and long term effects.

SEC. 102. ANNUAL REPORT ON UNITED STATES ENERGY INDEPENDENCE.

Requires the Secretary of Energy provide an annual report on progress towards less than 50% dependence by 2011, with recommendations on use of renewable energy, conservation and increased production to meet goals. Reports in 2001, 2005, and 2008 must also assess refinery conditions. Sets requirement for immediate notification to Congress if petroleum stocks decline to the point of jeopardy to national security or supply shortages or price increases on a national or regional basis.

SEC. 103. STRATEGIC PETROLEUM RESERVE STUDY AND REPORT.

Requires the President to form an interagency panel on the Strategic Petroleum Study to report to Congress in 6 months on options to strengthen ability of the Strategic Petroleum Reserve (SPR) to respond to energy requirements.

SEC. 104. STUDY OF EXISTING RIGHTS-OF-WAY TO DETERMINE CAPABILITY TO SUPPORT NEW PIPELINES OR OTHER TRANSMISSION.

Requires each federal agency issuing rights-of-way for transmission lines or pipelines to report to FERC and DOE within one year on the ability of existing corridors to support new or additional capacity.

SEC. 105. USE OF FEDERAL FACILITIES.

Requires DOI and Army to study all dams and impoundments for additional hydroelectric production and report to Congress within 6 months. Study shall also look at efficiencies, cost reductions, and other improvements, including lease of power privilege.

SEC. 106. NUCLEAR GENERATION STUDY.

Requires the Chairman of NRC to report to Congress within 6 months on state of nuclear industry, the potential for increased generation and production and any improvements in licensing process.

SEC. 107. DEVELOPMENT OF A NATIONAL SPENT NUCLEAR FUEL STRATEGY AND ESTABLISHMENT OF AN OFFICE OF SPENT NUCLEAR FUEL RESEARCH.

Establishes an Office in DOE to investigate technologies for treatment, recycling, and disposal of spent nuclear fuel and high level radioactive waste and report to Congress.

SEC. 108. STUDY AND REPORT ON STATUS OF DOMESTIC REFINING INDUSTRY AND PRODUCT DISTRIBUTION SYSTEM.

Requires an annual DOE report on condition of domestic petroleum refining and distribution system, including looking at incentives, streamlining permitting and siting decisions, and effect of overlapping regulations.

SEC. 109. REVIEW OF FEDERAL ENERGY REGULATORY COMMISSION NATURAL GAS PIPELINE CERTIFICATION PROCEDURES.

Requires FERC to report to Congress within 6 months on process for certification of gas pipelines with recommendations for legislation.

SEC. 110. ANNUAL REPORT ON AVAILABILITY OF DOMESTIC ENERGY RESOURCES TO MAINTAIN THE UNITED STATES' ELECTRICITY GRID.

Requires DOE to report annually to Congress on availability and capacity of domestic generation to maintain the electricity grid with evaluation of each region of the country on grid stability during peak periods. Study shall set forth legislative or administrative actions to improve baseload generation and options to increase use of non-emitting sources and conservation.

SEC. 111. STUDY OF FINANCING FOR NEW TECHNOLOGIES.

Requires DOE to report to Congress within 9 months on innovative financing techniques to encourage new electricity generation technologies.

SEC. 112. REVIEW OF REGULATIONS TO ELIMINATE BARRIERS TO EMERGING ENERGY TECHNOLOGY.

Requires each federal agency to report to Congress within 18 months and at least every five years thereafter on regulatory barriers to market entry for energy-efficient technologies and actions that the agency intends to take to remove the barriers.

SEC. 113. INTERAGENCY AGREEMENT ON ENVIRONMENTAL REVIEW OF INTERSTATE NATURAL GAS PIPELINE PROJECTS.

Requires DOE in consultation with FERC to establish an interagency task force to expedite and facilitate environmental review and permitting of interstate gas pipelines and establish agreement on procedures within 6 months.

SEC. 114. PIPELINE INTEGRITY, SAFETY AND RELIABILITY RESEARCH AND DEVELOPMENT.

Requires the Department of Transportation to develop an R&D program to ensure integrity of natural gas and hazardous liquid pipelines, including materials inspection techniques, risk assessment, and information systems surety and within 240 days of enactment submit to Congress a 5 year plan for activities under the section with annual reports.

SEC. 115. RESEARCH AND DEVELOPMENT FOR NEW NATURAL GAS TECHNOLOGIES.

Requires DOE to conduct a comprehensive 5 year program of R&D to improve reliability, efficiency, safety and integrity of natural gas transportation and distribution infrastructure and for distributed energy resources.

***TITLE II - TECHNOLOGY RESEARCH AND DEVELOPMENT PROGRAM FOR
ADVANCED CLEAN COAL TECHNOLOGY FOR COAL-BASED ELECTRICITY
GENERATING FACILITIES.***

SEC. 201. PURPOSES.

SEC. 202. COST AND PERFORMANCE GOALS.

Authorizes the Secretary, in consultation with the private sector, to establish R&D cost and performance goals that can be achieved by 2007, 2015 and 2020 by existing and new coal-based generating facilities. Requires the Secretary to submit to Congress the results of their investigations within 180 days.

SEC. 203. STUDY.

Authorizes the Secretary to study the technologies capable of achieving the performance goals and make recommendations for the programs required to develop those technologies.

SEC. 204. TECHNOLOGY RESEARCH AND DEVELOPMENT PROGRAM.

Directs the Secretary to carry out a program of research and development, demonstration, and commercial applications of coal based technologies. Requires the Secretary to report to Congress within 18 months on the programs identified under this Act that are in effect or are to be carried out.

SEC. 205. AUTHORIZATION AND APPROPRIATIONS.

Authorizes the appropriations necessary to carry out the RD&D program to advance the technologies identified in the study as being capable of achieving the cost and performance goals.

SEC. 206. POWER PLANT IMPROVEMENT INITIATIVE.

Authorizes the Secretary to carry out a power plant improvement initiative that will demonstrate commercial applications to new and existing plants of coal-based technologies that will advance the efficiency, environmental performance and cost competitiveness beyond that of facilities in service or demonstrated to date.

SEC. 207. FINANCIAL ASSISTANCE.

Directs the Secretary to solicit proposals for projects at new and existing facilities which are designed to reduce emissions or demonstrate the production of economically valuable combustion byproducts. Authorizes 50% private sector cost sharing along with the use of uncommitted Clean Coal Technology program funds to provide the federal share of the demonstration projects.

SEC. 208. FUNDING.

Authorizes such sums as may be necessary to carry out Sections 206 and 207.

SEC. 209. RESEARCH AND DEVELOPMENT FOR ADVANCED SAFE AND EFFICIENT COAL MINING TECHNOLOGIES.

Directs the Secretary to establish a public-private research partnership to further develop mining research priorities identified by the Mining Industry of the Future Program and in the National Academy of Sciences Report on Mining Technology. Further directs the Secretary report to Congress within 180 days on a plan which prioritizes research goals and establishes a process for joint industry-government research.

SEC. 210. RAILROAD EFFICIENCY.

Directs the Secretary of Energy to establish a public-private partnership to develop and demonstrate locomotive technologies that increase fuel economy, reduce emissions, improve safety, and lower costs.

TITLE III - OIL AND GAS

**SUBTITLE A
DEEPWATER AND FRONTIER ROYALTY RELIEF**

Amends Outer Continental Shelf Lands Act to reestablish the Deep Water Royalty Relief Program that expired in 2000. Provides royalty relief in order to encourage oil and gas exploration in the remote OCS areas. Allows for faster capital cost recovery for very expensive deep water drilling activities.

**SUBTITLE B
OIL AND GAS ROYALTIES IN KIND**

Provides for the payment of royalty under any Federal oil or gas lease permit to be made in the form of oil or gas for royalty payments made through September 30, 2006. Requires report to Congress by Secretary of Interior to ensure that expected revenue effects from taking royalty in kind are similar to those expected if royalty had been taken in cash value. Allows delegation of management authority of royalty in kind programs to States, and allows the Secretary of Interior to grant preference to small refineries for sale of oil accepted as royalty in kind.

SUBTITLE C
**USE OF ROYALTY IN KIND OIL TO FILL THE STRATEGIC PETROLEUM
RESERVE**

Directs the Secretary of Energy and the Secretary of Interior to conclude an agreement for using crude oil taken as royalty in kind for adding to the Strategic Petroleum Reserve when crude oil prices are stable and low.

SUBTITLE D
IMPROVEMENTS TO FEDERAL OIL AND GAS LEASE MANAGEMENT

Authorizes States to take over regulation of oil and gas leases on Federal lands and requires efforts to streamline Federal oil and gas leasing and reduce costs.

SUBTITLE E
ROYALTY REINVESTMENT IN AMERICA

Allows lessees to forego federal royalty payments during periods of low energy prices and instead make capital investment in energy production.

TITLE IV - NUCLEAR

SUBTITLE A– PRICE-ANDERSON AMENDMENTS

Extends the provisions of the Price- Anderson Act for an additional ten years to ensure that immediate and substantial compensation is available to the public in the event of a nuclear incident at a commercial nuclear power plant or a Department of Energy facility. Coverage under the Price-Anderson Act for commercial nuclear facilities incurs no cost to the federal government or taxpayers. The language is the same bipartisan bill that was introduced in the 106th Congress and adopts the recommendations of the NRC and DOE in their reports to Congress on the Act. .

SUBTITLE B – FUNDING FROM THE DEPARTMENT OF ENERGY

SEC. 410. NUCLEAR ENERGY RESEARCH INITIATIVE.

Funds NERI program at \$60 million to continue funding for existing projects as well as new awards to address the barriers to expanded use of nuclear energy – economics, proliferation, safety, and spent fuel. Implements follow-on R&D on advanced reactor concepts and fuel technology for earlier NERI projects that have completed initial phase of research and have been judged to have high potential for success. Expands international NERI funding.

SEC. 411. NUCLEAR ENERGY PLANT OPTIMIZATION PROGRAM.

Funds NEPO program at \$10 million to continue public/private cost-shared R&D to manage long-term effects of plant aging and improving reliability and productivity of Nation's 103 operating nuclear power plants. At \$10 million annually, most critical R&D can be completed in seven years, enabling the program to sunset.

SEC. 412. NUCLEAR ENERGY TECHNOLOGY DEVELOPMENT PROGRAM.

Funds NET program at \$25 million to complete Generation IV activities to develop R&D roadmap necessary for development of advanced reactor designs to compete in markets. Implements near-term advanced reactor deployment activities on cost-share basis with industry and continues work on Gas Turbine-Modular Reactor technology.

SUBTITLE C – GRANTS FOR INCENTIVE PAYMENTS FOR CAPITAL IMPROVEMENTS TO INCREASE EFFICIENCY

SEC. 420. NUCLEAR ENERGY PRODUCTION INCENTIVES.

Authorizes \$50 million annually for FY 2001 through 2015 to increase emissions-free generation at existing nuclear reactors by making incentive payments of one mill for each kilowatt hour produced in excess of previous year – payments capped at \$2 million per plant, per year, for up to 15 years.

SEC. 421. NUCLEAR ENERGY EFFICIENCY IMPROVEMENT.

Authorizes \$20 million annually to encourage existing nuclear reactors to make capital improvements directly related to improving the electrical output efficiency of such facilities by at least 1 percent. Payments are capped at 10 percent of cost of improvement and no single facility shall receive more than \$1 million with respect to improvements.

TITLE V–ARCTIC COASTAL PLAIN DOMESTIC ENERGY SECURITY ACT OF 2001

Directs the Secretary of the Interior to establish and implement a competitive, and environmentally sound, oil and gas leasing program for the exploration, development, and production of the oil and gas resources of the 1002 area of the Arctic Coastal Plain. Provides environmental protections to prevent adverse effects on fish and wildlife, habitat, subsistence resources, or the environment, and requires the application of the best commercially available technology for oil and gas exploration, development, and production. Earmarks a portion of bid bonuses from oil and gas leases on federal lands toward funding research into renewable energy research and development.

***TITLE VI - ENERGY EFFICIENCY, CONSERVATION, AND ASSISTANCE
TO LOW-INCOME FAMILIES***

SEC. 601. EXTENSION OF LOW INCOME HOME ENERGY ASSISTANCE PROGRAM.

Extends authorization for the Low Income Home Energy Assistance Program (LIHEAP), increasing authorized amount from \$2 billion to \$3 billion. Increases authorized emergency funds from \$600 million to \$1 billion annually and extends programs making payments to States.

SEC. 602. ENERGY EFFICIENT SCHOOLS PROGRAM.

Establishes a new program within the Department of Energy making grants to local school districts in improve energy efficiency of school buildings and expand use of renewable energy. Authorizes \$200 million in fiscal years 2002 through 2005, such sums as are necessary in following fiscal years.

SEC. 603. AMENDMENTS TO WEATHERIZATION ASSISTANCE PROGRAM.

Expands eligibility and funding authorization for Weatherization Assistance which provides grants to low-income households to improve residential energy efficiency.

SEC. 604. AMENDMENTS TO STATE ENERGY PROGRAM.

Sets procedures for regular review of existing State energy conservation programs and encourages regional energy conservation and planning programs. Sets State energy efficiency goals of reducing energy use by 25% by 2010 compared to 1990 usage. Expands and extends authorization for State Energy Programs: \$50 million in fiscal year 2002, increasing in subsequent fiscal years.

SEC. 605. ENHANCEMENT AND EXTENSION OF AUTHORITY RELATING TO FEDERAL ENERGY SAVINGS PERFORMANCE CONTRACTS.

Extends existing authority provided to Federal agencies to allow energy service companies to assume the capital costs of installing energy and water conservation equipment and renewable energy systems in Federal facilities or buildings, and recover costs and profit from associated energy cost savings over the life of the building. Expands use of these Energy Savings Performance Contracts (ESPCs) to cover replacement of existing Federal buildings or facilities with new, more energy-efficient buildings or facilities.

SEC. 606. FEDERAL ENERGY EFFICIENCY REQUIREMENT.

Requires reduction of federal energy usage per gross square foot in federal facilities by 30% by 2005 and 50% by 2020 and require annual report to Congress.

SEC. 607. ENERGY EFFICIENCY SCIENCE INITIATIVE.

Authorizes up to \$50 million annually for a competitive grant program to foster research relating to energy efficiency. Requires an annual report to Congress on program activities.

TITLE VII - ALTERNATIVE FUELS AND RENEWABLE ENERGY

SUBTITLE A - ALTERNATIVE FUELS

SEC. 701. EXCEPTION TO HOV PASSENGER REQUIREMENTS FOR ALTERNATIVE FUEL VEHICLES.

Allows State highway agencies to establish procedures for allowing alternative fuel vehicles to utilize High Occupancy Vehicle (HOV) lanes on highways regardless of number of passengers carried.

SEC. 702. ALTERNATIVE FUEL VEHICLE CREDITS FOR INSTALLATION OF QUALIFYING INFRASTRUCTURE.

Amends the Energy Policy Act of 1992 to authorize the Secretary of Energy to award equivalent alternative fuel vehicle (AFV) credits to fleets or covered persons that invest in alternative fuel refueling infrastructure. Allows for up to one-half of a fleet or covered person's AFV credit requirement to be met using these infrastructure credits.

SEC. 703. STATE AND LOCAL GOVERNMENT USE OF FEDERAL ALTERNATIVE FUEL REFUELING FACILITIES.

Allows Federal agencies that make commercial arrangements to refuel alternative fuel vehicles to include State and municipal alternative fuel vehicles in such arrangements. Allows the Secretary of Energy to award alternative fuel vehicle (AFV) credits for doing so, which may be credited toward meeting AFV requirements for Federal fleets.

SEC. 704. FEDERAL FLEET FUEL ECONOMY AND USE OF ALTERNATIVE FUELS.

Requires Federal agencies to increase fuel economy of newly-acquired Federal fleet passenger cars and light trucks by at least 3 miles per gallon by 2005 compared to year 2000 acquisitions. Requires Federal agencies to use alternative fuels for at least 50% of total fuel volume by 2005. Requires each agency to submit an implementation plan no later than one year after date of enactment and update annually.

SEC. 705. LOCAL GOVERNMENT GRANT PROGRAM.

Establishes a grant program for local governments for covering the incremental cost of qualified alternative fuel vehicles. Authorizes \$100 million for each of fiscal years 2002 through 2006, and limits individual grant awards to no more than \$1 million.

SEC. 706. EXTENSION OF SPECIAL TREATMENT OF DUAL-FUELED VEHICLES UNDER DEPARTMENT OF TRANSPORTATION FUEL ECONOMY STANDARDS.

Extends provisions in current law that allow for calculation of fuel-economy of flexible fuel vehicles using more favorable accounting rules for purposes of meeting CAFE standards.

SUBTITLE B – RENEWABLE ENERGY

SEC. 710. RESIDENTIAL RENEWABLE ENERGY GRANT PROGRAM.

Establishes a grant program to offset a portion of the cost of eligible residential renewable energy systems not to exceed \$3,000 per eligible system and further subject to a formula that declines out to 2011. Renewable systems include solar, photovoltaic, wind, biomass, waste, hydroelectric or geothermal. Program is authorized at \$30 million for FY 2002 and not to exceed \$150 million per year thereafter.

SEC. 711. ASSESSMENT OF RENEWABLE ENERGY RESOURCES.

Authorizes DOE to conduct a comprehensive assessment of all renewable energy resources within the U.S., including availability and characteristics, costs to bring on-line and other relevant information. Provides \$10 million in new authorization for 2002-2006.

SUBTITLE C - HYDROELECTRIC LICENSING REFORM

SEC. 721. SHORT TITLE.

SEC. 722. FINDINGS.

SEC. 723. PURPOSE.

Amends the Federal Power Act to change the process used by the Federal Energy Regulatory Commission (FERC) to issue licenses and license renewals for hydroelectric facilities.

SEC. 724. PROCESS FOR CONSIDERATION BY FEDERAL AGENCIES OF CONDITIONS TO LICENSES.

Creates a new Section 32 of the Federal Power Act which would require Federal agency participants to consider and document additional factors (e.g. economic impacts) when setting forth conditions for licensing or license renewal. Ensures that any such conditions set forth are limited to those that directly address environmental considerations at the lowest possible cost. Requires scientific review of proposed conditions and the opportunity for expedited administrative review of conditions if desired by the applicant. Sets a one-year deadline by which a consulting agency must file proposed licensing conditions with the FERC.

SEC. 725. COORDINATED ENVIRONMENTAL REVIEW PROCESS.

Creates a new Section 33 of the Federal Power Act which confirms the FERC's lead agency role in environmental reviews of hydroelectric projects, and sets limits on environmental reviews conducted by consulting agencies. Requires FERC to set deadlines on opportunities for input on environmental reviews by federal, state and local agencies.

SEC. 726. STUDY OF SMALL HYDROELECTRIC PROJECTS.

Requires FERC to investigate the feasibility of a separate licensing procedure for small hydroelectric projects, and report to Congress within 18 months of date of enactment. Requires definition of the term "small hydroelectric project" to be defined by FERC, and to include all projects with generating capacity of 5 megawatts or less.

TITLE VIII -- ELECTRIC SUPPLY RELIABILITY; PURPA REPEAL; PUHCA REPEAL

**SUBTITLE A
ELECTRIC ENERGY TRANSMISSION RELIABILITY**

Creates an industry-run, FERC-overseen, organization that sets enforceable rules for the interstate transmission grid. Very similar to the bill passed unanimously by the Senate last year. Changes were made to the Senate-passed bill to incorporate subsequent consensus agreements.

**SUBTITLE B
PURPA MANDATORY PURCHASE AND SALE REQUIREMENTS**

Prospectively repeals PURPA requirement that utilities purchase power at full avoided cost rates. Does not affect existing power purchase arrangements.

**SUBTITLE C
REPEAL OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935 AND
ENACTMENT OF THE PUBLIC UTILITY HOLDING COMPANY ACT OF 2001**

Allows electric utilities to diversify without running afoul of the restrictions in PUHCA. Language is the same as that reported by the Senate Banking Committee in the 106th Congress.

**SUBTITLE D
EMISSION FREE CONTROL MEASURES UNDER STATE IMPLEMENTATION
PLANS**

Clarifies that action to continue or expand operation of emission-free electricity sources should be recognized under the SIP as control measures, providing access to existing and future economic incentive programs that prevent and control air emissions.

***TITLE IX—TAX INCENTIVES FOR ENERGY PRODUCTION AND
CONSERVATION***

SEC. 900. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.

SUBTITLE A—ENHANCEMENT OF DOMESTIC OIL AND GAS PRODUCTION

PART I—TAX CREDITS

SEC. 901. TAX CREDIT FOR MARGINAL DOMESTIC OIL AND NATURAL GAS WELL PRODUCTION.

Provides a tax credit of \$3 per barrel for oil and a 50 cents per 1,000 cubic feet for natural gas produced from marginal wells (average daily production less than 25 barrels per day oil equivalent). Credit applies only when prices are below \$18 per barrel oil or \$2.00 per 1,000 cubic feet for natural gas, and only to the first 1,095 barrels of oil equivalent produced. The credit can be carried back ten years.

SEC. 902. ENHANCED OIL RECOVERY CREDIT EXTENDED TO CERTAIN NONTERTIARY RECOVERY METHODS.

Extends the current 15% enhanced oil recovery tax credit to include horizontal drilling and other tertiary recovery methods designed to extend the life of a reservoir.

SEC. 903. EXTENSION OF CREDIT FOR PRODUCING FUEL FROM A NONCONVENTIONAL SOURCE.

Extends the existing Section 29 tax credit for production of non-conventional fuels (coal bed methane, heavy oil) to projects placed in service between 2001 and 2008. The \$3 per barrel credit is extended until 2011 and phased out thereafter.

PART II—PERCENTAGE DEPLETION

SEC. 911. 10-YEAR CARRYBACK FOR PERCENTAGE DEPLETION FOR OIL AND GAS PROPERTY.

Repeals the 65% percent net income limit for percentage depletion of oil and gas wells operated by independent producers. Allows carryback or carryforward for up to 10 years any deduction of any depletion not deductible because of net income limits.

SEC. 912. NET INCOME LIMITATION ON PERCENTAGE DEPLETION REPEALED FOR OIL AND GAS PROPERTIES.

Repeals the current 50% net income limit on percentage depletion of oil and gas wells.

SEC. 913. DETERMINATION OF SMALL REFINER EXCEPTION TO OIL DEPLETION DEDUCTION.

Clarifies existing small refiner exception so that the 50,000 barrel per day limit would be determined on an annual basis.

PART III—EXPENSING

SEC. 916. ELECTION TO EXPENSE GEOLOGICAL AND GEOPHYSICAL EXPENDITURES AND DELAY RENTAL PAYMENTS.

Allows an election to expense geological and geophysical expenditures and delay rental as ordinary and necessary business expenses.

PART IV—DEPRECIATION

SEC. 926. OIL AND GAS PIPELINES TREATED AS 7-YEAR PROPERTY.

Reclassifies oil, natural gas, and crude oil product pipelines as eligible for 7-year depreciation to foster investment in infrastructure.

SEC. 927. CLASS LIFE FOR PETROLEUM STORAGE FACILITIES.

Reclassifies petroleum storage facilities as eligible for 7-year depreciation to foster investment in infrastructure, and allows full expensing of heating oil, natural gas, and propane storage facilities.

SEC. 928. CLASS LIFE FOR PETROLEUM REFINERIES.

Reclassifies petroleum refineries as eligible for 7-year depreciation to foster investment in infrastructure needed to increase refining capacity.

PART V—OFFSHORE OIL AND GAS VESSELS AND STRUCTURES

SEC. 931. ACCELERATED DEPRECIATION.

Reclassifies U.S. built offshore oil and gas drilling vessels and structures as eligible for 7-year depreciation to foster investment in infrastructure needed for new oil/gas exploration.

SEC. 932. TAX CREDIT.

Provides a 10% investment tax credit for U.S. built offshore oil and gas drilling vessels and structures in excess of 10,000 gross tons.

SEC. 933. CAPITAL CONSTRUCTION FUNDS FOR UNITED STATES-BUILT DRILLING VESSELS.

Enables use of the Maritime Capital Construction Fund for financing of the construction of drilling vessels and structures.

SUBTITLE B—PROVISIONS RELATING TO COAL

PART I—CREDIT FOR EMISSION REDUCTIONS AND EFFICIENCY IMPROVEMENTS IN EXISTING COAL-BASED ELECTRICITY GENERATION FACILITIES

SEC. 941. CREDIT FOR INVESTMENT IN QUALIFYING CLEAN COAL TECHNOLOGY.

Allows a 10% tax credit for expenses towards the installation on coal-fired power plants of emission control systems for one or more air pollutants. Creditable expenses are limited to the first \$100 million expenditure at each existing power plant. Exempts such installations from New Source Review under the Clean Air Act.

SEC. 942. CREDIT FOR PRODUCTION FROM A QUALIFYING CLEAN COAL TECHNOLOGY UNIT.

Provides a tax credit of \$0.0034 cents per kilowatt hour for production of electricity from a coal-fired power plant converted from conventional to clean coal technology.

PART II—INCENTIVES FOR EARLY COMMERCIAL APPLICATIONS OF ADVANCED CLEAN COAL TECHNOLOGIES

SEC. 946. CREDIT FOR INVESTMENT IN QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY.

Allows a 10% tax credit for qualified expenses towards the construction of a new power plant using advanced clean coal technology, or the retrofitting and repowering of an existing conventional power plant with new advanced clean coal technology. Exempts such facilities from New Source Review under the Clean Air Act, and exempts such facilities from emissions control requirements for 10 years after date first placed in service.

SEC. 947. CREDIT FOR PRODUCTION FROM QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY.

Provides a variable tax credit between \$0.0005 and \$0.0120 cents per kilowatt hour for production of electricity from a coal-fired power plant using advanced clean coal technology.

SUBTITLE C—PROVISIONS RELATING TO NATURAL GAS

SEC. 951. ARBITRAGE RULES NOT TO APPLY TO PREPAYMENTS FOR NATURAL GAS AND OTHER COMMODITIES.

Excludes long-term pre-paid utility contracts for natural gas and other commodities from application of arbitrage rules applied to higher yielding investments.

SEC. 952. PRIVATE LOAN FINANCING TEST NOT TO APPLY TO PREPAYMENTS FOR NATURAL GAS AND OTHER COMMODITIES.

Allows municipal utilities to continue to use proceeds from tax-exempt bonds to prepay contracts for natural gas and electricity.

SUBTITLE D—PROVISIONS RELATING TO ELECTRIC POWER

SEC. 956. DEPRECIATION OF PROPERTY USED IN THE GENERATION OR TRANSMISSION OF ELECTRICITY.

Reclassifies electric power generation facilities and transmission infrastructure as eligible for 7-year depreciation to foster investment in new electric power supply.

SEC. 957. TAX-EXEMPT BOND FINANCING OF CERTAIN ELECTRIC FACILITIES.

SEC. 958. INDEPENDENT TRANSMISSION COMPANIES.

Language agreed to by investor-owned utilities and publicly-owned utilities regarding “private use” restrictions on financing with tax-exempt bonds, and other utility tax issues.

SEC. 959. CERTAIN AMOUNTS RECEIVED BY UTILITIES EXCLUDED FROM GROSS INCOME AS CONTRIBUTIONS TO CAPITAL.

Repeal Contributions in Aid of Construction (CIAC) tax as it applies to electric and gas utilities, removing disincentives to utility connections.

SUBTITLE E—PROVISIONS RELATING TO NUCLEAR ENERGY

SEC. 961. EXPENSING OF COSTS INCURRED FOR TEMPORARY STORAGE OF SPENT NUCLEAR FUEL.

Amends the tax code to permit amounts paid for temporary storage of spent nuclear fuel to be treated as a deductible expense.

SEC. 962. NUCLEAR DECOMMISSIONING RESERVE FUND.

Amends the tax code to permit deductions of amounts paid into a decommissioning fund, whether it recovers those costs through traditional cost-of-service rates, “market-based” rates, or in transition charges during the changeover to a competitive market. The amendment also permits the tax-free transfer of decommissioning trust funds from the regulated monopolies that currently own nuclear plants to companies that will own these plants in a competitive market. Provides two limited exceptions to existing funding requirements.

SUBTITLE F—TAX INCENTIVES FOR ENERGY EFFICIENCY

SEC. 971. CREDIT FOR CERTAIN DISTRIBUTED POWER AND COMBINED HEAT AND POWER SYSTEM PROPERTY USED IN BUSINESS.

Establishes a 10% investment tax credit for purchase of distributed power (fuel cells, micro-turbines, wind, solar) or combined heat and power property used in business.

SEC. 972. CREDIT FOR ENERGY EFFICIENCY IMPROVEMENTS TO EXISTING HOMES.

Provides a 20% tax credit, up to \$2,000 per dwelling, for improvements to existing homes to improve energy efficiency. Sets forth procedures for determining whether homes qualify for tax credits by comparing them to model housing codes.

SEC. 973. BUSINESS CREDIT FOR CONSTRUCTION OF NEW ENERGY EFFICIENT HOME.

Provides a 20% tax credit, up to \$2,000 per dwelling, for construction of new energy-efficient residential homes. Sets forth procedures for determining whether homes qualify for tax credits by comparing them to model housing codes.

SEC. 974. TAX CREDIT FOR ENERGY EFFICIENT APPLIANCES.

Provides consumer tax credits of \$50 or \$100 for purchase of clothes washers and refrigerators that exceed Department of Energy efficiency standards by various increments.

SEC. 975. CREDIT FOR CERTAIN ENERGY EFFICIENT MOTOR VEHICLES.

Provides consumer tax credits of \$500, \$1,000, or \$2,000 for purchase of hybrid motor vehicles, depending on system efficiency.

SUBTITLE G—ALTERNATIVE FUELS

SEC. 981. CREDIT FOR ALTERNATIVE FUEL VEHICLES.

Establishes a tax credit equal to 50% of the incremental cost of purchase of an alternative fuel vehicle. Credits are capped at \$5,000 to \$50,000 depending on vehicle weight, and increase if the vehicle also meets emissions criteria.

SEC. 982. MODIFICATION OF CREDIT FOR QUALIFIED ELECTRIC VEHICLES.

Modifies existing tax credit for electric vehicles to vary between \$4,250 and \$42,500 depending on gross vehicle weight and performance characteristics.

SEC. 983. CREDIT FOR RETAIL SALE OF ALTERNATIVE FUELS AS MOTOR VEHICLE FUEL.

Provides for a business tax credit of 25 cents for each gasoline gallon equivalent of alternative fuel sold at retail.

SEC. 984. EXTENSION OF DEDUCTION FOR CERTAIN REFUELING PROPERTY.

Extends for three years the deduction for alternative fuel refueling property.

SEC. 985. ADDITIONAL DEDUCTION FOR COST OF INSTALLATION OF ALTERNATIVE FUELING STATIONS.

Establishes an additional tax deduction on any expenses in excess of \$100,000 spent on alternative fueling station infrastructure, and establishes a tax deduction for the cost of installation of such infrastructure, capped at \$30,000.

SUBTITLE H—RENEWABLE ENERGY

SEC. 991. MODIFICATIONS TO CREDIT FOR ELECTRICITY PRODUCED FROM RENEWABLE RESOURCES AND EXTENSION TO WASTE ENERGY.

Extends the existing Section 45 tax credit for production of electricity from renewable resources to include almost all biomass and agricultural waste, wood waste, municipal solid waste, landfill gas, geothermal, incremental hydropower, and steel co-generation. Extends credit for all qualified resources (including wind) to 2011.

SEC. 992. CREDIT FOR RESIDENTIAL SOLAR AND WIND ENERGY PROPERTY.

Provides a 15% tax credit, to a maximum of \$2,000, for installation of residential solar and wind energy equipment. Tax credit would be reduced by amounts funded by Federal, state or local grant programs.

SEC. 993. TREATMENT OF FACILITIES USING BAGASSE TO PRODUCE ENERGY AS SOLID WASTE DISPOSAL FACILITIES ELIGIBLE FOR TAX-EXEMPT FINANCING.

Extends tax-exempt bond financing authority for solid waste disposal facilities to facilities using bagasse (sugar cane waste) to manufacture ethanol.