

Calendar No. 552106TH CONGRESS
2^D SESSION**S. 2557**

To protect the energy security of the United States and decrease America's dependency on foreign oil sources to 50 percent by the year 2010 by enhancing the use of renewable energy resources, conserving energy resources, improving energy efficiencies, and increasing domestic energy supplies, mitigating the effect of increases in energy prices on the American consumer, including the poor and elderly, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 16, 2000

Mr. LOTT (for himself, Mr. MURKOWSKI, and Mr. VOINOVICH) introduced the following bill; which was read the first time

MAY 17, 2000

Read the second time and placed on the calendar

A BILL

To protect the energy security of the United States and decrease America's dependency on foreign oil sources to 50 percent by the year 2010 by enhancing the use of renewable energy resources, conserving energy resources, improving energy efficiencies, and increasing domestic energy supplies, mitigating the effect of increases in energy prices on the American consumer, including the poor and elderly, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “National Energy Secu-
5 rity Act of 2000”.

6 **SEC. 2. FINDINGS AND PURPOSES.**

7 (a) FINDINGS.—The Congress finds that—

8 (1) increasing dependence on foreign sources of
9 oil causes systemic harm to all sectors of the domes-
10 tic United States economy, threatens national secu-
11 rity, undermines the ability of federal, state, and
12 local units of government to provide essential serv-
13 ices, and jeopardizes the peace, security, and welfare
14 of the American people;

15 (2) dependence on imports of foreign oil was 46
16 percent in 1992, but has risen to more than 55 per-
17 cent by the beginning of 2000, and is estimated by
18 the Department of Energy to rise to 65 percent by
19 2020 unless current policies are altered;

20 (3) at the same time, despite increased energy
21 efficiencies, energy use in the United States is ex-
22 pected to increase 27 percent by 2020.

23 (4) the United States lacks a comprehensive na-
24 tional energy policy and has taken actions that limit

1 the availability and capability of the domestic energy
2 sources of oil and gas, coal, nuclear and hydro;

3 (5) a comprehensive energy strategy needs to be
4 developed to combat this trend, decrease the United
5 States dependence on imported oil supplies and
6 strengthen our national energy security;

7 (6) the goal of this comprehensive strategy
8 must be to decrease the United States dependence
9 on foreign oil supplies to not more than 50 percent
10 by the year 2010;

11 (7) in order to meet this goal, this comprehen-
12 sive energy strategy needs to be multi-faceted and
13 include enhancing the use of renewable energy re-
14 sources (including hydro, nuclear, solar, wind, and
15 biomass), conserving energy resources (including im-
16 proving energy efficiencies), and increasing domestic
17 supplies of nonrenewable resources (including oil,
18 natural gas, and coal);

19 (8) however, conservation efforts and alter-
20 native fuels alone will not enable America to meet
21 this goal as conventional energy sources supply 96
22 percent of America's power at this time; and

23 (9) immediate actions also need to be taken in
24 order to mitigate the effect of recent increases in oil

1 prices on the American consumer, including the poor
2 and the elderly.

3 (b) PURPOSES.—This purposes of this Act are to pro-
4 tect the energy security of the United States by decreasing
5 America’s dependency of foreign oil sources to not more
6 than 50 percent by the year 2010 by enhancing the use
7 of renewable energy resources, conserving energy re-
8 sources (including improving energy efficiencies), and in-
9 creasing domestic energy supplies and to mitigate the im-
10 mediate effect of increases in energy prices on the Amer-
11 ican consumer, including the poor and the elderly.

12 **TITLE I—ENERGY SECURITY AC-**
13 **TIONS REQUIRED OF THE**
14 **SECRETARY OF ENERGY**

15 **SEC. 101. ANNUAL REPORT ON UNITED STATES ENERGY**
16 **INDEPENDENCE.**

17 (a) REPORT.—Beginning on October 1, 2000, and
18 annually thereafter, the Secretary of Energy, in consulta-
19 tion with the Secretary of Defense and the heads of other
20 Federal agencies, shall submit a report to the President
21 and the Congress which evaluates the progress the United
22 States has made toward obtaining the goal of not more
23 than 50 percent dependence on foreign oil sources by
24 2010. The Secretary shall adopt as interim goals, a reduc-

1 tion in dependence on oil imports to not more than 54
2 percent by 2005 and 52 percent by 2008.

3 (b) ALTERNATIVES.—The report shall specify what
4 specific legislation or administrative actions must be im-
5 plemented to meet this goal and set forth a range of op-
6 tions and alternatives with a benefit/cost analysis for each
7 option or alternative together with an estimate for the con-
8 tribution that each option or alternative could make to re-
9 duce foreign oil imports. The report shall indicate, in de-
10 tail, options and alternatives (1) to increase the use of re-
11 newable domestic energy sources, including conventional
12 and non-conventional sources such as, but not limited to,
13 increased hydroelectric generation at existing Federal fa-
14 cilities, (2) to conserve energy resources, including improv-
15 ing efficiencies and decreasing consumption, and (3) to in-
16 crease domestic production and use of oil, natural gas, and
17 coal, including any actions that would need to be imple-
18 mented to provide access to, and transportation of, these
19 energy resources.

20 (c) REFINERY CAPACITY.—As part of the reports
21 submitted in 2000, 2005, and 2008, the Secretary shall
22 examine and report on the condition of the domestic refin-
23 ery industry and the extent of domestic storage capacity
24 for various categories of petroleum products and make
25 such recommendations as he believes will enhance domes-

1 tie capabilities to respond to short-term shortages of var-
2 ious fuels due to climate or supply interruptions.

3 **SEC. 102. REPORT OF THE NATIONAL PETROLEUM COUN-**
4 **CIL.**

5 The Secretary of Energy shall immediately review the
6 report of the National Petroleum Council submitted to
7 him on December 15, 1999, and shall submit such report,
8 together with any recommendations for administrative or
9 legislative actions, to the President no later than June 15,
10 2000.

11 **SEC. 103. INTERAGENCY WORK GROUP ON NATURAL GAS.**

12 (a) INTERAGENCY WORK GROUP.—The Secretary of
13 Energy shall establish an Interagency Work Group on
14 Natural Gas (referred to as “Group” in this subsection)
15 within the National Economic Council. The Group shall
16 include representatives from each Federal agency that has
17 a significant role in the development and implementation
18 of natural gas policy, resource assessment, or technologies
19 for natural gas exploration, production, transportation,
20 and use.

21 (b) STRATEGY AND COMPREHENSIVE POLICY.—The
22 Group shall develop a strategy and comprehensive policy
23 for the use of natural gas as an essential component of
24 overall national objectives of energy security, economic
25 growth, and environmental protection. In developing the

1 strategy and policy, the Group shall solicit and consider
2 suggestions from States and local units of government, in-
3 dustry, and other non-Federal groups, organizations, or
4 individuals possessing information or expertise in one or
5 more areas under review by the Group. The policy shall
6 recognize the significant lead times required for the devel-
7 opment of additional natural gas supplies and the delivery
8 infrastructure required to transport those supplies. The
9 Group shall consider, but is not limited to, issues of access
10 to and development of resources, transportation, tech-
11 nology development, environmental regulation and the as-
12 sociated economic and environmental costs of alternatives,
13 education of future workforce, financial incentives related
14 to exploration, production, transportation, development,
15 and use of natural gas.

16 (c) REPORT.—The Group shall prepare a report set-
17 ting forth its recommendations on a comprehensive policy
18 for the use of natural gas and the specific elements of a
19 national strategy to achieve the objectives of the policy.
20 The report shall be transmitted to the Secretary of Energy
21 within six months from the date of the enactment of this
22 Act.

23 (d) SECRETARY REVIEW.—The Secretary of Energy
24 shall review the report and, within 3 months, submit the
25 report, together with any recommendations for adminis-

1 trative or legislative actions, to the President and the Con-
2 gress.

3 (e) TRENDS.—The Group shall monitor trends for
4 the assumptions used in developing its report, including
5 the specific elements of a national strategy to achieve the
6 objectives of the comprehensive policy and shall advise the
7 Secretary whenever it anticipates changes that might re-
8 quire alterations in the strategy.

9 (f) PROGRESS REPORT.—On June 1, 2002, and every
10 two years thereafter, the Group shall submit a report to
11 the President and the Congress evaluating the progress
12 that has been made in the prior two years in implementing
13 the strategy and accomplishing the objectives of the com-
14 prehensive policy.

15 **TITLE II—AMENDMENTS TO EN-**
16 **ERGY POLICY AND CON-**
17 **SERVATION ACT AND AC-**
18 **TIONS AFFECTING THE STRA-**
19 **TEGIC PETROLEUM RESERVE**

20 **SEC. 201. AMENDMENTS TO TITLE I OF EPCA.**

21 Title I of the Energy Policy and Conservation Act
22 (42 U.S.C. 6211–6251) is amended—

- 23 (1) in section 161(h) (42 U.S.C. 6241), by—
24 (A) striking “and” at the end of (1)(A),

1 (B) striking “,” and inserting “; and” at
2 the end of (1)(B), and

3 (C) inserting after paragraph (B) the fol-
4 lowing new paragraph:

5 “(C) concurs in the determination of the
6 Secretary of Defense that action taken under
7 this subsection will not impair national secu-
8 rity.”, and

9 (D) striking “Reserve” and inserting “Re-
10 serve, if the Secretary finds that action taken
11 under this subsection will not have an adverse
12 effect on the domestic petroleum industry.” at
13 the end of (1).;

14 (2) in section 166 (42 U.S.C. 6246), by striking
15 “March 31, 2000” and inserting “December 31,
16 2003”; and

17 (3) in section 181 (42 U.S.C. 6251), by striking
18 “March 31, 2000” each place it appears and insert-
19 ing “December 31, 2003”.

20 **SEC. 202. AMENDMENTS TO TITLE II OF EPCA.**

21 Title II of the Energy Policy and Conservation Act
22 (42 U.S.C. 6261–6285) is amended—

23 (1) in section 256(h) (42 U.S.C. 6276(h)), by
24 inserting “through 2003” after “1997”; and

1 (2) in section 281 (42 U.S.C. 6285), by striking
2 ‘March 31, 2000’ each place it appears and inserting
3 “December 31, 2003”.

4 **SEC. 203. STRATEGIC PETROLEUM RESERVE STUDY AND**
5 **REPORT.**

6 The President shall immediately establish an Inter-
7 agency Panel on the Strategic Petroleum Study (referred
8 to as the “Panel” in this section) to study oil markets
9 and estimate the extent and frequency of fluctuations in
10 the supply and price of, and demand for crude oil in the
11 future and determine appropriate capacity of and uses for
12 the Strategic Petroleum Reserve. The Panel may rec-
13 ommend changes in existing authorities to provide addi-
14 tional flexibility for and strengthen the ability of the Stra-
15 tegic Petroleum Reserve to respond to energy require-
16 ments. The Panel shall complete its study and submit a
17 report containing its findings and any recommendations
18 to the President and the Congress within six months from
19 the date of enactment of this Act.

1 **TITLE III—PROVISIONS TO PRO-**
2 **TECT CONSUMERS AND LOW**
3 **INCOME FAMILIES AND EN-**
4 **COURAGE ENERGY EFFI-**
5 **CIENCIES**

6 **SEC. 301. CHANGES IN WEATHERIZATION PROGRAM TO**
7 **PROTECT LOW-INCOME PERSONS.**

8 (a) The matter under the heading “ENERGY CON-
9 SERVATION (INCLUDING TRANSFER OF FUNDS)” in title II
10 of the Department of the Interior and Related Agencies
11 Appropriations Act, 2000 (113 Stat. 1535, 1501A–180),
12 is amended by striking “grants:” and all that follows and
13 inserting “grants.”.

14 (b) Section 415 of the Energy Conservation and Pro-
15 duction Act (42 U.S.C. 6865) is amended—

16 (1) in subsection (a)(1) by striking the first
17 sentence;

18 (2) in subsection (a)(2) by—

19 (A) striking “(A)”,

20 (B) striking “approve a State’s application
21 to waive the 40 percent requirement established
22 in paragraph (1) if the State includes in its
23 plan” and inserting “establish”, and

24 (C) striking subparagraph (B);

25 (3) in subsection (c)(1) by—

1 (A) striking “paragraphs (3) and (4)” and
2 inserting “paragraph (3)”,

3 (B) striking “\$1600” and inserting
4 “\$2500”,

5 (C) striking “and” at the end of subpara-
6 graph (C),

7 (D) striking the period and inserting
8 “, and” in subparagraph (D), and

9 (E) inserting after subparagraph (D) the
10 following new subparagraph:

11 “(E) the cost of making heating and cool-
12 ing modifications, including replacement”;

13 (4) in subsection (c)(3) by—

14 (A) striking “1991, the \$1600 per dwelling
15 unit limitation” and inserting “2000, the \$2500
16 per dwelling unit average”,

17 (B) striking “limitation” and inserting “aver-
18 age” each time it appears, and

19 (C) inserting “the” after “beginning of” in
20 subparagraph (B); and

21 (5) by striking subsection (c)(4).

22 **SEC. 302. SUMMER FILL AND FUEL BUDGETING PROGRAMS.**

23 (a) Part C of title II of the Energy Policy and Con-
24 servation Act (42 U.S.C. 6211 et seq.) is amended by add-
25 ing at the end the following:

1 **“SEC. 273. SUMMER FILL AND FUEL BUDGETING PRO-**
2 **GRAMS.**

3 “(a) DEFINITIONS.—In this section:

4 “(1) BUDGET CONTRACT.—The term ‘budget
5 contract’ means a contract between a retailer and a
6 consumer under which the heating expenses of the
7 consumer are spread evenly over a period of months.

8 “(2) FIXED-PRICE CONTRACT.—The term
9 ‘fixed-price contract’ means a contract between a re-
10 tailer and a consumer under which the retailer
11 charges the consumer a set price for propane, ker-
12 osene, or heating oil without regard to market price
13 fluctuations.

14 “(3) PRICE CAP CONTRACT.—The term ‘price
15 cap contract’ means a contract between a retailer
16 and a consumer under which the retailer charges the
17 consumer the market price for propane, kerosene, or
18 heating oil, but the cost of the propane, kerosene, or
19 heating oil may not exceed a maximum amount stat-
20 ed in the contract.

21 “(b) ASSISTANCE.—At the request of the chief execu-
22 tive officer of a State, the Secretary shall provide informa-
23 tion, technical assistance, and funding—

24 “(1) to develop education and outreach pro-
25 grams to encourage consumers to fill their storage

1 facilities for propane, kerosene, and heating oil dur-
2 ing the summer months; and

3 “(2) to promote the use of budget contracts,
4 price cap contracts, fixed-price contracts, and other
5 advantageous financial arrangements;

6 to avoid severe seasonal price increases for and supply
7 shortages of those products.

8 “(c) PREFERENCE.—In implementing this section,
9 the Secretary shall give preference to States that con-
10 tribute public funds or leverage private funds to develop
11 State summer fill and fuel budgeting programs.

12 “(d) AUTHORIZATION OF APPROPRIATIONS.—There
13 are authorized to be appropriated to carry out this
14 section—

15 “(1) \$25,000,000 for fiscal year 2001; and

16 “(2) such sums as are necessary for each fiscal
17 year thereafter.

18 “(e) INAPPLICABILITY OF EXPIRATION PROVISION.—
19 Section 281 does not apply to this section.”.

20 (b) The table of contents in the first section of the
21 Energy Policy and Conservation Act (42 U.S.C. prec.
22 6201) is amended by inserting after the item relating to
23 section 272 the following:

“Sec. 273. Summer fill and fuel budgeting programs.”.

1 **SEC. 303. ENERGY EFFICIENCY SCIENCE INITIATIVE.**

2 There are authorized to be appropriated \$25,000,000
3 for fiscal year 2001 and such sums as are necessary for
4 each fiscal year thereafter be for an Energy Efficiency
5 Science Initiative to be managed by the Assistant Sec-
6 retary for Energy Efficiency and Renewable Energy in
7 consultation with the Director of the Office of Science, for
8 grants to be competitively awarded and subject to peer re-
9 view for research relating to energy efficiency. The Sec-
10 retary of Energy shall submit to the Committee on Science
11 and the Committee on Appropriations of the House of
12 Representatives, and to the Committee on Energy and
13 Natural Resources and the Committee on Appropriations
14 of the Senate, an annual report on the activities of the
15 Energy Efficiency Science Initiative, including a descrip-
16 tion of the process used to award the funds and an expla-
17 nation of how the research relates to energy efficiency.

18 **SEC. 304. NORTHEAST HOME HEATING OIL RESERVE.**

19 (a) AMENDMENT.—Title I of the Energy Policy and
20 Conservation Act is amended by—

21 (1) redesignating part D as part E;

22 (2) redesignating section 181 as section 191;

23 and

24 (3) inserting after part C the following new
25 part D—

1 **“PART D—NORTHEAST HOME HEATING OIL**

2 **RESERVE**

3 “ESTABLISHMENT

4 “SEC. 181. (a) Notwithstanding any other provision
5 of this Act, the Secretary may establish, maintain, and
6 operate in the Northeast, a Northeast Home Heating Oil
7 Reserve. A Reserve established under this part is not a
8 component of the Strategic Petroleum Reserve established
9 under part B of this title. A Reserve established under
10 this part shall contain no more than 2 million barrels of
11 petroleum distillate.

12 “(b) For the purposes of this part—

13 “(1) the term ‘Northeast’ means the States of
14 Maine, New Hampshire, Vermont, Massachusetts,
15 Connecticut, Rhode Island, New York, Pennsylvania,
16 and New Jersey; and

17 “(2) the term ‘petroleum distillate’ includes
18 heating oil and diesel fuel.

19 “AUTHORITY

20 “SEC. 182. To the extent necessary or appropriate
21 to carry out this part, the Secretary may—

22 “(1) purchase, contract for, lease, or otherwise
23 acquire, in whole or in part, storage and related fa-
24 cilities, and storage services;

1 “(2) use, lease, maintain, sell, or otherwise dis-
2 pose of storage and related facilities acquired under
3 this part;

4 “(3) acquire by purchase, exchange (including
5 exchange of petroleum product from the Strategic
6 Petroleum Reserve or received as royalty from Fed-
7 eral lands), lease, or otherwise, petroleum distillate
8 for storage in the Northeast Home Heating Oil Re-
9 serve;

10 “(4) store petroleum distillate in facilities not
11 owned by the United States;

12 “(5) sell, exchange, or otherwise dispose of pe-
13 troleum distillate from the Reserve established under
14 this part; and

15 “(6) notwithstanding paragraph (5), on terms
16 the Secretary considers reasonable, sell, exchange, or
17 otherwise dispose of petroleum distillate from the
18 Reserve established under this part in order to
19 maintain the quality or quantity of the petroleum
20 distillate in the Reserve or to maintain the oper-
21 ational capability of the Reserve.

22 “CONDITIONS FOR RELEASE; PLAN

23 “SEC. 183. (a) The Secretary may release petroleum
24 distillate from the Reserve under section 182(5) only in
25 the event of—

26 “(1) a severe energy supply disruption;

1 “(2) a severe price increase; or

2 “(3) another emergency affecting the North-
3 east, which the President determines to merit a re-
4 lease from the Reserve.

5 “(b) Within 45 days of the date of the enactment of
6 this section, the Secretary shall transmit to the President
7 and, if the President approves, to the Congress a plan
8 describing—

9 “(1) the acquisition of storage and related fa-
10 cilities or storage services for the Reserve;

11 “(2) the acquisition of petroleum distillate for
12 storage in the Reserve;

13 “(3) the anticipated methods of disposition of
14 petroleum distillate from the Reserve; and

15 “(4) the estimated costs of establishment, main-
16 tenance, and operation of the Reserve.

17 The storage of petroleum distillate in a storage facility
18 that meets existing environmental requirements is not a
19 ‘major Federal action significantly affecting the quality of
20 the human environment’ as that term is used in section
21 102(2)(C) of the National Environmental Policy Act of
22 1969.

23 “NORTHEAST HOME HEATING OIL RESERVE ACCOUNT

24 “SEC. 184. (a) Upon a decision of the Secretary of
25 Energy to establish a Reserve under this part, the Sec-
26 retary of the Treasury shall establish in the Treasury of

1 the United States an account known as the ‘Northeast
2 Home Heating Oil Reserve Account’ (referred to in this
3 section as the ‘Account’).

4 “(b) The Secretary of the Treasury shall deposit in
5 the Account any amounts appropriated to the Account and
6 any receipts from the sale, exchange, or other disposition
7 of petroleum distillate from the Reserve.

8 “(c) The Secretary of Energy may obligate amounts
9 in the Account to carry out activities under this part with-
10 out the need for further appropriation, and amounts avail-
11 able to the Secretary of Energy for obligation under this
12 section shall remain available without fiscal year limita-
13 tion.

14 “EXEMPTIONS

15 “SEC. 185. An action taken under this part—

16 “(1) is not subject to the rulemaking require-
17 ments of section 523 of this Act, section 501 of the
18 Department of Energy Organization Act, or section
19 553 of title 5, United States Code; and

20 “(2) is not subject to laws governing the Fed-
21 eral procurement of goods and services, including
22 the Federal Property and Administrative Services
23 Act of 1949 (including the Competition in Con-
24 tracting Act) and the Small Business Act.”.

25 (b) AUTHORIZATION OF APPROPRIATIONS.—There
26 are authorized to be appropriated such sums as may be

1 necessary to carry out part D of title I of the Energy Pol-
2 icy and Conservation Act.

3 **TITLE IV—PROVISIONS TO EN-**
4 **HANCE THE USE OF DOMES-**
5 **TIC ENERGY RESOURCES**

6 **Subtitle A—Hydroelectric**
7 **Resources**

8 **SEC. 401. USE OF FEDERAL FACILITIES.**

9 (a) The Secretary of the Interior and the Secretary
10 of the Army shall each inventory all dams, impoundments,
11 and other facilities under their jurisdiction.

12 (b) Based on this inventory and other information,
13 the Secretary of the Interior and Secretary of the Army
14 shall each submit a report to the Congress within six
15 months from the date of enactment of this Act. Each re-
16 port shall—

17 (1) Describe, in detail, each facility that is ca-
18 pable, with or without modification, of producing ad-
19 ditional hydroelectric power. For each such facility,
20 the report shall state the full potential for the facil-
21 ity to generate hydroelectric power, whether the fa-
22 cility is currently generating hydroelectric power,
23 and the costs to install, upgrade, modify, or take
24 other actions to increase the hydroelectric generating
25 capability of the facility. For each facility that cur-

1 rently has hydroelectric generating equipment, the
2 report shall indicate the condition of such equip-
3 ment, the maintenance requirements, and the sched-
4 ule for any improvements as well as the purposes for
5 which power is generated.

6 (2) Describe what actions are planned and un-
7 derway to increase the hydroelectric production from
8 facilities under his jurisdiction and shall include any
9 recommendations the Secretary deems advisable to
10 increase such production, reduce costs, and improve
11 efficiency at Federal facilities, including, but not
12 limited to, use of lease of power privilege and con-
13 tracting with non-Federal entities for operation and
14 maintenance.

15 **SEC. 402. EXPEDITED FERC HYDROELECTRIC LICENSING**
16 **PROCEDURES.**

17 The Federal Energy Regulatory Commission shall
18 immediately undertake a comprehensive review of policies,
19 procedures and regulations for the licensing of hydro-
20 electric projects to determine how to reduce the cost and
21 time of obtaining a license. The Commission shall report
22 its findings within six months of the date of enactment
23 to the Congress, including any recommendations for legis-
24 lative changes.

1 **Subtitle B—Nuclear Resources**

2 **SEC. 410. NUCLEAR GENERATION.**

3 The Chairman of the Nuclear Regulatory Commis-
4 sion shall submit a report to the Congress within six
5 months from the date of enactment of this Act on the state
6 of nuclear power generation and production in the United
7 States and the potential for increasing nuclear generating
8 capacity and production as part of this nation’s energy
9 mix. The report shall also review the status of the reli-
10 censing process for civilian nuclear power plants, including
11 current and anticipated applications, and recommenda-
12 tions for improvements in the process, including, but not
13 limited to recommendations for expediting the process and
14 ensuring that relicensing is accomplished in a timely man-
15 ner.

16 **SEC. 411. NRC HEARING PROCEDURE.**

17 Section 189(a)(1) of the Atomic Energy Act of 1954
18 (42 U.S.C. 2239(a)(1)) is amended by adding at the end
19 the following—

20 “(C) HEARINGS.—A hearing under this
21 section shall be conducted using informal adju-
22 dicatory procedures established under sections
23 553 and 555 of title 5, United States Code, un-
24 less the Commission determines that formal ad-
25 judicatory procedures are necessary—

1 “(i) to develop a sufficient record; or
2 “(ii) to achieve fairness.”.

3 **Subtitle C—Development of a Na-**
4 **tional Spent Nuclear Fuel Strat-**
5 **egy**

6 **SEC. 415. FINDINGS.**

7 (a) Prior to permanent closure of the geologic reposi-
8 tory in Yucca Mountain, Congress must determine wheth-
9 er the spent fuel in the repository should be treated as
10 waste subject to permanent burial or should be considered
11 an energy resource that is needed to meet future energy
12 requirements;

13 (b) Future use of nuclear energy may require con-
14 struction of a second geologic repository unless Yucca
15 Mountain can safely accommodate additional spent fuel.
16 Improved spent fuel strategies may increase the capacity
17 of Yucca Mountain.

18 (c) Prior to construction of any second permanent
19 geologic repository, the nation’s current plans for perma-
20 nent burial of spent fuel should be reevaluated.

21 **SEC. 416. OFFICE OF SPENT NUCLEAR FUEL RESEARCH.**

22 (a) ESTABLISHMENT.—There is hereby established
23 an Office of Spent Nuclear Fuel Research (referred to as
24 the “Office” in this section) within the Office of Nuclear
25 Energy Science and Technology of the Department of En-

1 ergy. The Office shall be headed by the Associate Director,
2 who shall be a member of the Senior Executive Service
3 appointed by the Director of the Office of Nuclear Energy
4 Science and Technology, and compensated at a rate deter-
5 mined by applicable law.

6 (b) ASSOCIATE DIRECTOR.—The Associate Director
7 of the Office of Spent Nuclear Fuel Research shall be re-
8 sponsible for carrying out an integrated research, develop-
9 ment, and demonstration program on technologies for
10 treatment, recycling, and disposal of high-level nuclear ra-
11 dioactive waste and spent nuclear fuel, subject to the gen-
12 eral supervision of the Secretary. The Associate Director
13 of the Office shall report to the Director of the Office of
14 Nuclear Energy Science and Technology. The first such
15 Associate Director shall be appointed within 90 days of
16 the enactment of this Act.

17 (c) GRANT AND CONTRACT AUTHORITY.—In car-
18 rying out his responsibilities under this section, the Sec-
19 retary may make grants, or enter into contracts, for the
20 purposes of the research projects and activities described
21 in (d)(2).

22 (d)(1) DUTIES.—The Associate Director of the Office
23 shall involve national laboratories, universities, the com-
24 mercial nuclear industry, and other organizations to inves-
25 tigate technologies for the treatment, recycling, and dis-

1 disposal of spent nuclear fuel and high-level radioactive
2 waste.

3 (2) The Associate Director of the Office shall:

4 (A) develop a research plan to provide rec-
5 ommendations by 2015;

6 (B) identify technologies for the treatment, re-
7 cycling, and disposal of spent nuclear fuel and high-
8 level radioactive waste;

9 (C) conduct research and development activities
10 on such technologies;

11 (D) ensure that all activities include as key ob-
12 jectives minimization of proliferation concerns and
13 risk to health of the general public or site workers,
14 as well as development of cost-effective technologies;

15 (E) require research on both reactor- and accel-
16 erator-based transmutation systems;

17 (F) require research on advanced processing
18 and separations;

19 (G) encourage that research efforts include par-
20 ticipation of international collaborators;

21 (H) be authorized to fund international collabo-
22 rators when they bring unique capabilities not avail-
23 able in the United States and their host country is
24 unable to provide for their support;

1 (I) ensure that research efforts with the Office
2 are coordinated with research on advance fuel cycles
3 and reactors conducted within the Office of Nuclear
4 Energy Science and Technology.

5 (e) REPORT.—The Associate Director of the Office
6 of Spent Nuclear Fuel Research shall annually prepare
7 and submit a report to the Congress on the activities and
8 expenditures of the Office, including the process that has
9 been made to achieve the objectives of paragraph (b).

10 **Subtitle D—Coal Resources**

11 **SEC. 420. COAL GENERATING CAPACITY.**

12 The Secretary of Energy shall examine existing coal-
13 fired power plants and submit a report to the Congress
14 within six months from the enactment of this Act on the
15 potential of such plants for increased generation and any
16 impediments to achieving such increase. The report shall
17 describe, in detail, options for improving the efficiency of
18 these plants. The report shall include recommendations for
19 a program of research, development, demonstration, and
20 commercial application to develop economically and envi-
21 ronmentally acceptable advanced technologies for current
22 electricity generation facilities using coal as the primary
23 feedstock, including commercial-scale applications of ad-
24 vanced clean coal technologies. The report shall also in-
25 clude an assessment of the costs to develop and dem-

1 onstrate such technologies and the time required to under-
2 take such development and demonstration.

3 **SEC. 425. COAL LIQUEFACTION.**

4 The Secretary of Energy shall provide grants for the
5 refinement and demonstration of new technologies for the
6 conversion of coal to liquids. Such grants shall be for the
7 design and construction of an indirect liquefaction plant
8 capable of production in commercial quantities. There are
9 authorized to be appropriated for the purpose of this sec-
10 tion such sums as may be necessary through fiscal year
11 2004.

12 **TITLE V—ARCTIC COASTAL**
13 **PLAIN DOMESTIC ENERGY SE-**
14 **CURITY ACT OF 2000**

15 **SEC. 501. SHORT TITLE**

16 This title may be cited as the “Arctic Coastal Plain
17 Domestic Energy Security Act of 2000”.

18 **SEC. 502. DEFINITIONS.**

19 When used in this title the term—

20 (1) “Coastal Plain” means that area identified
21 as such in the map entitled “Arctic National Wildlife
22 Refuge”, dated August 1980, as referenced in sec-
23 tion 1002(b) of the Alaska National Interest Lands
24 Conservation Act of 1980 (16 U.S.C. 3142(b)(1))
25 comprising approximately 1,549,000 acres; and

1 (2) “Secretary”, except as otherwise provided,
2 means the Secretary of the Interior or the Sec-
3 retary’s designee.

4 **SEC. 503. LEASING PROGRAM FOR LANDS WITHIN THE**
5 **COASTAL PLAIN.**

6 (a) AUTHORIZATION.—The Congress hereby author-
7 izes and directs the Secretary, acting through the Bureau
8 of Land Management in consultation with the Fish and
9 Wildlife Service and other appropriate Federal offices and
10 agencies, to take such actions as are necessary to establish
11 and implement a competitive oil and gas leasing program
12 that will result in an environmentally sound program for
13 the exploration, development, and production of the oil
14 and gas resources of the Coastal Plain and to administer
15 the provisions of this title through regulations, lease
16 terms, conditions, restrictions, prohibitions, stipulations,
17 and other provisions that ensure the oil and gas explo-
18 ration, development, and production activities on the
19 Coastal Plain will result in no significant adverse effect
20 on fish and wildlife, their habitat, subsistence resources,
21 and the environment, and shall require the application of
22 the best commercially available technology for oil and gas
23 exploration, development, and production, on all new ex-
24 ploration, development, and production operations, and
25 whenever practicable, on existing operations, and in a

1 manner to ensure the receipt of fair market value by the
2 public for the mineral resources to be leased.

3 (b) REPEAL.—The prohibitions and limitations con-
4 tained in section 1003 of the Alaska National Interest
5 Lands Conservation Act of 1980 (16 U.S.C. 3143) are
6 hereby repealed.

7 (c) COMPATIBILITY.—Congress hereby determines
8 that the oil and gas leasing program and activities author-
9 ized by this section in the Coastal Plain are compatible
10 with the purposes for which the Arctic National Wildlife
11 Refuge was established, and that no further findings or
12 decisions are required to implement this determination.

13 (d) SOLE AUTHORITY.—This title shall be the sole
14 authority for leasing on the Coastal Plain: *Provided*, That
15 nothing in this title shall be deemed to expand or limit
16 State and local regulatory authority.

17 (e) FEDERAL LAND.—The Coastal Plain shall be
18 considered “Federal land” for the purposes of the Federal
19 Oil and Gas Royalty Management Act of 1982.

20 (f) SPECIAL AREAS.—The Secretary, after consulta-
21 tion with the State of Alaska, City of Kaktovik, and the
22 North Slope Borough, is authorized to designate up to a
23 total of 45,000 acres of the Coastal Plain as Special Areas
24 and close such areas to leasing if the Secretary determines
25 that these Special Areas are of such unique character and

1 interest so as to require special management and regu-
2 latory protection. The Secretary may, however, permit
3 leasing of all or portions of any Special Areas within the
4 Coastal Plain by setting lease terms that limit or condition
5 surface use and occupancy by lessees of such lands but
6 permit the use of horizontal drilling technology from sites
7 on leases located outside the designated Special Areas.

8 (g) LIMITATION ON CLOSED AREAS.—The Sec-
9 retary's sole authority to close lands within the Coastal
10 Plain to oil and gas leasing and to exploration, develop-
11 ment, and production is that set forth in this title.

12 (h) CONVEYANCE.—In order to maximize Federal
13 revenues by removing clouds on title of lands and clari-
14 fying land ownership patterns within the Coastal Plain,
15 the Secretary, notwithstanding the provisions of section
16 1302(h)(2) of the Alaska National Interest Lands Con-
17 servation Act (16 U.S.C. 3192(h)(2)), is authorized and
18 directed to convey (1) to the Kaktovik Inupiat Corporation
19 the surface estate of the lands described in paragraph 2
20 of the Public Land Order 6959, to the extent necessary
21 to fulfill the Corporation's entitlement under section 12
22 of the Alaska Native Claims Settlement Act (43 U.S.C.
23 1611), and (2) to the Arctic Slope Regional Corporation
24 the subsurface estate beneath such surface estate pursu-
25 ant to the August 9, 1983, agreement between the Arctic

1 Slope Regional Corporation and the United States of
2 America.

3 **SEC. 504. RULES AND REGULATIONS.**

4 (a) PROMULGATION.—The Secretary shall prescribe
5 such rules and regulations as may be necessary to carry
6 out the purposes and provisions of this title, including
7 rules and regulations relating to protection of the fish and
8 wildlife, their habitat, subsistence resources, and the envi-
9 ronment of the Coastal Plain. Such rules and regulations
10 shall be promulgated no later than fourteen months after
11 the date of enactment of this title and shall, as of their
12 effective date, apply to all operations conducted under a
13 lease issued or maintained under the provisions of this
14 title and all operations on the Coastal Plain related to the
15 leasing, exploration, development, and production of oil
16 and gas.

17 (b) REVISION OF REGULATIONS.—The Secretary
18 shall periodically review and, if appropriate, revise the
19 rules and regulations issued under subsection (a) of this
20 section to reflect any significant biological, environmental,
21 or engineering data which come to the Secretary's atten-
22 tion.

1 **SEC. 505. ADEQUACY OF THE DEPARTMENT OF THE INTE-**
2 **RIOR'S LEGISLATIVE ENVIRONMENTAL IM-**
3 **PACT STATEMENT.**

4 The "Final Legislative Environmental Impact State-
5 ment" (April 1987) on the Coastal Plain prepared pursu-
6 ant to section 1002 of the Alaska National Interest Lands
7 Conservation Act of 1980 (16 U.S.C. 3142) and section
8 102(2)(C) of the National Environmental Policy Act of
9 1969 (42 U.S.C. 4332(2)(C)) is hereby found by the Con-
10 gress to be adequate to satisfy the legal and procedural
11 requirements of the National Environmental Policy Act of
12 1969 with respect to actions authorized to be taken by
13 the Secretary to develop and promulgate the regulations
14 for the establishment of the leasing program authorized
15 by this title, to conduct the first lease sale and any subse-
16 quent lease sale authorized by this title, and to grant
17 rights-of-way and easements to carry out the purposes of
18 this title.

19 **SEC. 506. LEASE SALES.**

20 (a) LEASE SALES.—Lands may be leased pursuant
21 to the provisions of this title to any person qualified to
22 obtain a lease for deposits of oil and gas under the Mineral
23 Leasing Act, as amended (30 U.S.C. 181).

24 (b) PROCEDURES.—The Secretary shall, by regula-
25 tion, establish procedures for—

1 (1) receipt and consideration of sealed nomina-
2 tions for any area in the Coastal Plain for inclusion
3 in, or exclusion (as provided in subsection (c)) from,
4 a lease sale; and

5 (2) public notice of and comment on designa-
6 tion of areas to be included in, or excluded from, a
7 lease sale.

8 (c) LEASE SALES ON COASTAL PLAIN.—The Sec-
9 retary shall, by regulation, provide for lease sales of lands
10 on the Coastal Plain. When lease sales are to be held, they
11 shall occur after the nomination process provided for in
12 subsection (b) of this section. For the first lease sale, the
13 Secretary shall offer for lease those acres receiving the
14 greatest number of nominations, but no less than two hun-
15 dred thousand acres and no more than three hundred
16 thousand acres shall be offered. If the total acreage nomi-
17 nated is less than two hundred thousand acres, the Sec-
18 retary shall include in such sale any other acreage which
19 he believes has the highest resource potential, but in no
20 event shall more than three hundred thousand acres of
21 the Coastal Plain be offered in such sale. With respect
22 to subsequent lease sales, the Secretary shall offer for
23 lease no less than two hundred thousand acres of the
24 Coastal Plain. The initial lease sale shall be held within
25 twenty months of the date of enactment of this title. The

1 second lease sale shall be held no later than twenty-four
2 months after the initial sale, with additional sales con-
3 ducted no later than twelve months thereafter so long as
4 sufficient interest in development exists to warrant, in the
5 Secretary's judgment, the conduct of such sales.

6 **SEC. 507. GRANT OF LEASES BY THE SECRETARY.**

7 (a) IN GENERAL.—The Secretary is authorized to
8 grant to the highest responsible qualified bidder by sealed
9 competitive cash bonus bid any lands to be leased on the
10 Coastal Plain upon payment by the lessee of such bonus
11 as may be accepted by the Secretary and of such royalty
12 as may be fixed in the lease, which shall be not less than
13 12½ per centum in amount or value of the production
14 removed or sold from the lease.

15 (b) ANTITRUST REVIEW.—Following each notice of
16 a proposed lease sale and before the acceptance of bids
17 and the issuance of leases based on such bids, the Sec-
18 retary shall allow the Attorney General, in consultation
19 with the Federal Trade Commission, thirty days to per-
20 form an antitrust review of the results of such lease sale
21 on the likely effects the issuance of such leases would have
22 on competition and the Attorney General shall advise the
23 Secretary with respect to such review, including any rec-
24 ommendation for the nonacceptance of any bid or the im-
25 position of terms or conditions on any lease, as may be

1 appropriate to prevent any situation inconsistent with the
2 antitrust laws.

3 (c) SUBSEQUENT TRANSFERS.—No lease issued
4 under this title may be sold, exchanged, assigned, sublet,
5 or otherwise transferred except with the approval of the
6 Secretary. Prior to any such approval the Secretary shall
7 consult with, and give due consideration to the views of,
8 the Attorney General.

9 (d) IMMUNITY.—Nothing in this title shall be deemed
10 to convey to any person, association, corporation, or other
11 business organization immunity from civil or criminal li-
12 ability, or to create defenses to actions, under any anti-
13 trust law.

14 (e) DEFINITIONS.—As used in this section, the
15 term—

16 (1) “antitrust review” shall be deemed an
17 “antitrust investigation” for the purposes of the
18 Antitrust Civil Process Act (15 U.S.C. 1311); and

19 (2) “antitrust laws” means those Acts set forth
20 in section 1 of the Clayton Act (15 U.S.C. 12) as
21 amended.

22 **SEC. 508. LEASE TERMS AND CONDITIONS.**

23 An oil or gas lease issued pursuant to this title
24 shall—

1 (1) be for a tract consisting of a compact area
2 not to exceed five thousand seven hundred sixty
3 acres, or nine surveyed or protracted sections which
4 shall be as compact in form as possible;

5 (2) be for an initial period of ten years and
6 shall be extended for so long thereafter as oil or gas
7 is produced in paying quantities from the lease or
8 unit area to which the lease is committed or for so
9 long as drilling or reworking operations, as approved
10 by the Secretary, are conducted on the lease or unit
11 area;

12 (3) require the payment of royalty as provided
13 for in section 507 of this title;

14 (4) require that exploration activities pursuant
15 to any lease issued or maintained under this title
16 shall be conducted in accordance with an exploration
17 plan or a revision of such plan approved by the Sec-
18 retary;

19 (5) require that all development and production
20 pursuant to a lease issued or maintained pursuant
21 to this title shall be conducted in accordance with
22 development and production plans approved by the
23 Secretary;

24 (6) require posting of bond as required by sec-
25 tion 509 of this title;

1 (7) provide that the Secretary may close, on a
2 seasonal basis, portions of the Coastal Plain to ex-
3 ploratory drilling activities as necessary to protect
4 caribou calving areas and other species of fish and
5 wildlife;

6 (8) contain such provisions relating to rental
7 and other fees as the Secretary may prescribe at the
8 time of offering the area for lease;

9 (9) provide that the Secretary may direct or as-
10 sent to the suspension of operations and production
11 under any lease granted under the terms of this title
12 in the interest of conservation of the resource or
13 where there is no available system to transport the
14 resource. If such a suspension is directed or as-
15 sented to by the Secretary, any payment of rental
16 prescribed by such lease shall be suspended during
17 such period of suspension of operations and produc-
18 tion, and the term of the lease shall be extended by
19 adding any such suspension period thereto;

20 (10) provide that whenever the owner of a non-
21 producing lease fails to comply with any of the pro-
22 visions of this Act, or of any applicable provision of
23 Federal or State environmental law, or of the lease,
24 or of any regulation issued under this title, such
25 lease may be canceled by the Secretary if such de-

1 fault continues for more than thirty days after mail-
2 ing of notice by registered letter to the lease owner
3 at the lease owner's post office address of record;

4 (11) provide that whenever the owner of any
5 producing lease fails to comply with any of the pro-
6 visions of this title, or of any applicable provision of
7 Federal or State environmental law, or of the lease,
8 or of any regulation issued under this title, such
9 lease may be forfeited and canceled by any appro-
10 priate proceeding brought by the Secretary in any
11 United States district court having jurisdiction
12 under the provisions of this title;

13 (12) provide that cancellation of a lease under
14 this title shall in no way release the owner of the
15 lease from the obligation to provide for reclamation
16 of the lease site;

17 (13) allow the lessee, at the discretion of the
18 Secretary, to make written relinquishment of all
19 rights under any lease issued pursuant to this title.
20 The Secretary shall accept such relinquishment by
21 the lessee of any lease issued under this title where
22 there has not been surface disturbance on the lands
23 covered by the lease;

24 (14) provide that for the purpose of conserving
25 the natural resources of any oil or gas pool, field, or

1 like area, or any part thereof, and in order to avoid
2 the unnecessary duplication of facilities, to protect
3 the environment of the Coastal Plain, and to protect
4 correlative rights, the Secretary shall require that, to
5 the greatest extent practicable, lessees unite with
6 each other in collectively adopting and operating
7 under a cooperative or unit plan of development for
8 operation of such pool, field, or like area, or any
9 part thereof, and the Secretary is also authorized
10 and directed to enter into such agreements as are
11 necessary or appropriate for the protection of the
12 United States against drainage;

13 (15) require that the holder of a lease or leases
14 on lands within the Coastal Plain shall be fully re-
15 sponsible and liable for the reclamation of lands
16 within the Coastal Plain and any other Federal
17 lands adversely affected in connection with explo-
18 ration, development, production or transportation
19 activities on a lease within the Coastal Plain by the
20 holder of a lease or as a result of activities con-
21 ducted on the lease by any of the leaseholder's sub-
22 contractors or agents;

23 (16) provide that the holder of a lease may not
24 delegate or convey, by contract or otherwise, the rec-
25 lamation responsibility and liability to another party

1 without the express written approval of the Sec-
2 retary;

3 (17) provide that the standard of reclamation
4 for lands required to be reclaimed under this title
5 be, as nearly as practicable, a condition capable of
6 supporting the uses which the lands were capable of
7 supporting prior to any exploration, development, or
8 production activities, or upon application by the les-
9 see, to a higher or better use as approved by the
10 Secretary;

11 (18) contain the terms and conditions relating
12 to protection of fish and wildlife, their habitat, and
13 the environment, as required by section 503(a) of
14 this title;

15 (19) provide that the holder of a lease, its
16 agents, and contractors use best efforts to provide a
17 fair share, as determined by the level of obligation
18 previously agreed to in the 1974 agreement imple-
19 menting section 29 of the Federal Agreement and
20 Grant of Right of Way for the Operation of the
21 Trans-Alaska Pipeline, of employment and con-
22 tracting for Alaska Natives and Alaska Native Cor-
23 porations from throughout the State;

24 (20) require project agreements to the extent
25 feasible that will ensure productivity and consistency

1 recognizing a national interest in both labor stability
2 and the ability of construction labor and manage-
3 ment to meet the particular needs and conditions of
4 projects to be developed under leases issued pursu-
5 ant to this Act; and

6 (21) contain such other provisions as the Sec-
7 retary determines necessary to ensure compliance
8 with the provisions of this title and the regulations
9 issued under this title.

10 **SEC. 509. BONDING REQUIREMENTS TO ENSURE FINANCIAL**
11 **RESPONSIBILITY OF LESSEE AND AVOID FED-**
12 **ERAL LIABILITY.**

13 (a) REQUIREMENT.—The Secretary shall, by rule or
14 regulation, establish such standards as may be necessary
15 to ensure that an adequate bond, surety, or other financial
16 arrangement will be established prior to the commence-
17 ment of surface disturbing activities on any lease, to en-
18 sure the complete and timely reclamation of the lease
19 tract, and the restoration of any lands or surface waters
20 adversely affected by lease operations after the abandon-
21 ment or cessation of oil and gas operations on the lease.
22 Such bond, surety, or financial arrangement is in addition
23 to, and not in lieu, of any bond, surety, or financial ar-
24 rangement required by any other regulatory authority or
25 required by any other provision of law.

1 (b) AMOUNT.—The bond, surety, or financial ar-
2 rangement shall be in an amount—

3 (1) to be determined by the Secretary to pro-
4 vide for reclamation of the lease site in accordance
5 with an approved or revised exploration or develop-
6 ment and production plan; plus

7 (2) set by the Secretary consistent with the
8 type of operations proposed, to provide the means
9 for rapid and effective cleanup, and to minimize
10 damages resulting from an oil spill, the escape of
11 gas, refuse, domestic wastewater, hazardous or toxic
12 substances, or fire caused by oil and gas activities.

13 (c) ADJUSTMENT.—In the event that an approved ex-
14 ploration or development and production plan is revised,
15 the Secretary may adjust the amount of the bond, surety,
16 or other financial arrangement to conform to such modi-
17 fied plan.

18 (d) DURATION.—The responsibility and liability of
19 the lessee and its surety under the bond, surety, or other
20 financial arrangement shall continue until such time as
21 the Secretary determines that there has been compliance
22 with the terms and conditions of the lease and all applica-
23 ble law.

24 (e) TERMINATION.—Within sixty days after deter-
25 mining that there has been compliance with the terms and

1 conditions of the lease and all applicable laws, the Sec-
2 retary, after consultation with affected Federal and State
3 agencies, shall notify the lessee that the period of liability
4 under the bond, surety, or other financial arrangement has
5 been terminated.

6 **SEC. 510. OIL AND GAS INFORMATION.**

7 (a) IN GENERAL.—(1) Any lessee or permittee con-
8 ducting any exploration for, or development or production
9 of, oil or gas pursuant to this title shall provide the Sec-
10 retary access to all data and information from any lease
11 granted pursuant to this title (including processed and
12 analyzed) obtained from such activity and shall provide
13 copies of such data and information as the Secretary may
14 request. Such data and information shall be provided in
15 accordance with regulations which the Secretary shall pre-
16 scribe.

17 (2) If processed and analyzed information provided
18 pursuant to paragraph (1) is provided in good faith by
19 the lessee or permittee, such lessee or permittee shall not
20 be responsible for any consequence of the use or of reliance
21 upon such processed and analyzed information.

22 (3) Whenever any data or information is provided to
23 the Secretary, pursuant to paragraph (1)—

24 (A) by a lessee or permittee, in the form and
25 manner of processing which is utilized by such lessee

1 or permittee in the normal conduct of business, the
2 Secretary shall pay the reasonable cost of reproduc-
3 ing such data and information; or

4 (B) by a lessee or permittee, in such other form
5 and manner of processing as the Secretary may re-
6 quest, the Secretary shall pay the reasonable cost of
7 processing and reproducing such data and informa-
8 tion.

9 (b) REGULATIONS.—The Secretary shall prescribe
10 regulations to: (1) assure that the confidentiality of privi-
11 leged or proprietary information received by the Secretary
12 under this section will be maintained; and (2) set forth
13 the time periods and conditions which shall be applicable
14 to the release of such information.

15 **SEC. 511. EXPEDITED JUDICIAL REVIEW.**

16 (a) Any complaint seeking judicial review of any pro-
17 vision in this title, or any other action of the Secretary
18 under this title may be filed in any appropriate district
19 court of the United States, and such complaint must be
20 filed within ninety days from the date of the action being
21 challenged, or after such date if such complaint is based
22 solely on grounds arising after such ninetieth day, in
23 which case the complaint must be filed within ninety days
24 after the complainant knew or reasonably should have
25 known of the grounds for the complaint: *Provided*, That

1 any complaint seeking judicial review of an action of the
2 Secretary in promulgating any regulation under this title
3 may be filed only in the United States Court of Appeals
4 for the District of Columbia.

5 (b) Actions of the Secretary with respect to which re-
6 view could have been obtained under this section shall not
7 be subject to judicial review in any civil or criminal pro-
8 ceeding for enforcement.

9 **SEC. 512. RIGHTS-OF-WAY ACROSS THE COASTAL PLAIN.**

10 Notwithstanding title XI of the Alaska National In-
11 terest Lands Conservation Act of 1980 (16 U.S.C. 3161
12 et seq.), the Secretary is authorized and directed to grant,
13 in accordance with the provisions of section 28 (c) through
14 (t) and (v) through (y) of the Mineral Leasing Act of 1920
15 (30 U.S.C. 185), rights-of-way and easements across the
16 Coastal Plain for the transportation of oil and gas under
17 such terms and conditions as may be necessary so as not
18 to result in a significant adverse effect on the fish and
19 wildlife, subsistence resources, their habitat, and the envi-
20 ronment of the Coastal Plain. Such terms and conditions
21 shall include requirements that facilities be sited or modi-
22 fied so as to avoid unnecessary duplication of roads and
23 pipelines. The regulations issued as required by section
24 504 of this title shall include provisions granting rights-
25 of-way and easements across the Coastal Plain.

1 **SEC. 513. ENFORCEMENT OF SAFETY AND ENVIRON-**
2 **MENTAL REGULATIONS TO ENSURE COMPLI-**
3 **ANCE WITH TERMS AND CONDITIONS OF**
4 **LEASE.**

5 (a) **RESPONSIBILITY OF THE SECRETARY.**—The Sec-
6 retary shall diligently enforce all regulations, lease terms,
7 conditions, restrictions, prohibitions, and stipulations pro-
8 mulgated pursuant to this title.

9 (b) **RESPONSIBILITY OF HOLDERS OF LEASE.**—It
10 shall be the responsibility of any holder of a lease under
11 this title to—

12 (1) maintain all operations within such lease
13 area in compliance with regulations intended to pro-
14 tect persons and property on, and fish and wildlife,
15 their habitat, subsistence resources, and the environ-
16 ment of, the Coastal Plain; and

17 (2) allow prompt access at the site of any oper-
18 ations subject to regulation under this title to any
19 appropriate Federal or State inspector, and to pro-
20 vide such documents and records which are pertinent
21 to occupational or public health, safety, or environ-
22 mental protection, as may be requested.

23 (c) **ON-SITE INSPECTION.**—The Secretary shall pro-
24 mulgate regulations to provide for—

25 (1) scheduled onsite inspection by the Sec-
26 retary, at least twice a year, of facility on the Coast-

1 al Plain which is subject to any environmental or
2 safety regulation promulgated pursuant to this title
3 or conditions contained in any lease issue pursuant
4 to this title to assure compliance with such environ-
5 mental or safety regulations or conditions; and

6 (2) periodic onsite inspection by the Secretary
7 at least once a year without advance notice to the
8 operator of such facility to assure compliance with
9 all environmental or safety regulations.

10 **SEC. 514. NEW REVENUES.**

11 Notwithstanding any other provision of law, all reve-
12 nues received by the Federal Government from competitive
13 bids, sales, bonuses, royalties, rents, fees, or interest de-
14 rived from the leasing of oil and gas within the Coastal
15 Plain shall be deposited into the Treasury of the United
16 States, solely as provided in this section. The Secretary
17 of the Treasury shall pay to the State of Alaska the same
18 percentage of such revenues as is set forth under the head-
19 ing “EXPLORATION OF NATIONAL PETROLEUM
20 RESERVE IN ALASKA” in Public Law 96-514 (94
21 Stat. 2957, 2964) semiannually to the State of Alaska,
22 on March 30 and September 30 of each year and shall
23 deposit the balance of all such revenues as miscellaneous
24 receipts in the Treasury.

1 **TITLE VI—IMPROVEMENTS TO**
2 **FEDERAL OIL AND GAS LEASE**
3 **MANAGEMENT**

4 **SEC. 601. TITLE.**

5 This title may be cited as the “Federal Oil and Gas
6 Lease Management Improvement Act of 2000”.

7 **SEC. 602. DEFINITIONS.**

8 In this title—

9 (a) **APPLICATION FOR A PERMIT TO DRILL.**—The
10 term “application for a permit to drill” means a drilling
11 plan including design, mechanical, and engineering aspects
12 for drilling a well.

13 (b) **FEDERAL LAND.**—

14 (1) **IN GENERAL.**—The term “Federal land”
15 means all land and interests in land owned by the
16 United States that are subject to the mineral leasing
17 laws, including mineral resources or mineral estates
18 reserved to the United States in the conveyance of
19 a surface or nonmineral estate.

20 (2) **EXCLUSION.**—The term “Federal land”
21 does not include—

22 (i) Indian land (as defined in section 3 of
23 the Federal Oil and Gas Royalty Management
24 Act of 1982 (30 U.S.C. 1702)); or

1 (ii) submerged land on the Outer Conti-
2 ental Shelf (as defined in section 2 of the
3 Outer Continental Shelf Lands Act (43 U.S.C.
4 1331)).

5 (c) OIL AND GAS CONSERVATION AUTHORITY.—The
6 term “oil and gas conservation authority” means the agen-
7 cy or agencies in each State responsible for regulating for
8 conservation purposes operations to explore for and
9 produce oil and natural gas.

10 (d) PROJECT.—The term “project” means an activity
11 by a lessee, an operator, or an operating rights owner to
12 explore for, develop, produce, or transport oil or gas re-
13 sources.

14 (e) SECRETARY.—The term “Secretary” means—
15 (1) the Secretary of the Interior, with respect
16 to land under the administrative jurisdiction of the
17 Department of the Interior; and
18 (2) the Secretary of Agriculture, with respect to
19 land under the administrative jurisdiction of the De-
20 partment of Agriculture.

21 (f) SURFACE USE PLAN OF OPERATIONS.—The term
22 “surface use plan of operations” means a plan for surface
23 use, disturbance, and reclamation.

1 **SEC. 603. NO PROPERTY RIGHT.**

2 Nothing in this title gives a State a property right
3 or interest in any Federal lease or land.

4 **Subtitle A—State Option To Regu-**
5 **late Oil and Gas Lease Oper-**
6 **ations on Federal Land**

7 **SEC. 610. TRANSFER OF AUTHORITY.**

8 (a) NOTIFICATION.—Not before the date that is 180
9 days after the date of enactment of this Act, a State may
10 notify the Secretary of its intent to accept authority for
11 regulation of operations, as described in subparagraphs
12 (A) through (K) of subsection (b)(2), under oil and gas
13 leases on Federal land within the State.

14 (b) TRANSFER OF AUTHORITY.—

15 (1) IN GENERAL.—Effective 180 days after the
16 Secretary receives the State’s notice, authority for
17 the regulation of oil and gas leasing operations is
18 transferred from the Secretary to the State.

19 (2) AUTHORITY INCLUDED.—The authority
20 transferred under paragraph (1) includes—

21 (A) processing and approving applications
22 for permits to drill, subject to surface use
23 agreements and other terms and conditions de-
24 termined by the Secretary;

25 (B) production operations;

26 (C) well testing;

- 1 (D) well completion;
- 2 (E) well spacing;
- 3 (F) communization;
- 4 (G) conversion of a producing well to a
- 5 water well;
- 6 (H) well abandonment procedures;
- 7 (I) inspections;
- 8 (J) enforcement activities; and
- 9 (K) site security.

10 (c) **RETAINED AUTHORITY.**—The Secretary shall—

11 (1) retain authority over the issuance of leases
12 and the approval of surface use plans of operations
13 and project-level environmental analyses; and

14 (2) spend appropriated funds to ensure that
15 timely decisions are made respecting oil and gas
16 leasing, taking into consideration multiple uses of
17 Federal land, socioeconomic and environmental im-
18 pacts, and the results of consultations with State
19 and local government officials.

20 **SEC. 611. ACTIVITY FOLLOWING TRANSFER OF AUTHORITY.**

21 (a) **FEDERAL AGENCIES.**—Following the transfer of
22 authority, no Federal agency shall exercise the authority
23 formerly held by the Secretary as to oil and gas lease oper-
24 ations and related operations on Federal land.

25 (b) **STATE AUTHORITY.**—

1 (1) IN GENERAL.—Following the transfer of au-
2 thority, each State shall enforce its own oil and gas
3 conservation laws and requirements pertaining to
4 transferred oil and gas lease operations and related
5 operations with due regard to the national interest
6 in the expedited, environmentally sound development
7 of oil and gas resources in a manner consistent with
8 oil and gas conservation principles.

9 (2) APPEALS.—Following a transfer of author-
10 ity under section 610, an appeal of any decision
11 made by a State oil and gas conservation authority
12 shall be made in accordance with State administra-
13 tive procedures.

14 (c) PENDING ENFORCEMENT ACTIONS.—The Sec-
15 retary may continue to enforce any pending actions re-
16 specting acts committed before the date on which author-
17 ity is transferred to a State under section 610 until those
18 proceedings are concluded.

19 (d) PENDING APPLICATIONS.—

20 (1) TRANSFER TO STATE.—All applications re-
21 specting oil and gas lease operations and related op-
22 erations on Federal land pending before the Sec-
23 retary on the date on which authority is transferred
24 under section 610 shall be immediately transferred

1 to the oil and gas conservation authority of the
2 State in which the lease is located.

3 (2) ACTION BY THE STATE.—The oil and gas
4 conservation authority shall act on the application in
5 accordance with State laws (including regulations)
6 and requirements.

7 **Subtitle B—Use of Cost Savings**
8 **From State Regulation**

9 **SEC. 621. COMPENSATION FOR COSTS.**

10 (a) IN GENERAL.—Subject to the availability of ap-
11 propriations, the Secretary shall compensate any State for
12 costs incurred to carry out the authorities transferred
13 under section 610.

14 (b) PAYMENT SCHEDULE.—Payments shall be made
15 not less frequently than every quarter.

16 (c) COST BREAKDOWN REPORT.—Each State seek-
17 ing compensation shall report to the Secretary a cost
18 breakdown for the authorities transferred.

19 (d) LIMITATION ON AMOUNT.—

20 (1) IN GENERAL.—Compensation to a State
21 may not exceed 50 percent of the Secretary’s allo-
22 cated cost for oil and gas leasing activities under
23 section 35(b) of the Act of February 25, 1920 (com-
24 monly known as the “Mineral Leasing Act”) (30
25 U.S.C. 191(b)) for the State for fiscal year 1997.

1 (2) ADJUSTMENT.—The Secretary shall adjust
2 the maximum level of cost compensation at least
3 once every 2 years to reflect any increases in the
4 Consumer Price Index (all items, United States city
5 average) as prepared by the Department of Labor,
6 using 1997 as the baseline year.

7 **SEC. 622. EXCLUSION OF COSTS OF PREPARING PLANNING**
8 **DOCUMENTS AND ANALYSES.**

9 Section 35 of the Act of February 25, 1920 (30
10 U.S.C. 191(b)) is amended by adding at the end the fol-
11 lowing:

12 “(6) The Secretary shall not include, for the
13 purpose of calculating the deduction under para-
14 graph (1), costs of preparing resource management
15 planning documents and analyses for areas in which
16 mineral leasing is excluded or areas in which the pri-
17 mary activity under review is not mineral leasing
18 and development.”.

19 **SEC. 623. RECEIPT SHARING.**

20 Section 35(b) of the Act of February 25, 1920 (30
21 U.S.C. 191(b)) is amended by striking “paid to States”
22 and inserting “paid to States (other than States that ac-
23 cept a transfer of authority under section 610 of the Fed-
24 eral Oil and Gas Lease Management Act of 2000)”.

1 **Subtitle C—Streamlining and Cost**
2 **Reduction**

3 **SEC. 631. APPLICATIONS.**

4 (a) **LIMITATION ON COST RECOVERY.**—Notwith-
5 standing sections 304 and 504 of the Federal Land Policy
6 and Management Act of 1976 (43 U.S.C. 1734, 1764) and
7 section 9701 of title 31, United State Code, the Secretary
8 shall not recover the Secretary’s costs with respect to ap-
9 plications and other documents relating to oil and gas
10 leases.

11 (b) **COMPLETION OF PLANNING DOCUMENTS AND**
12 **ANALYSES.**—

13 (1) **IN GENERAL.**—The Secretary shall complete
14 any resource management planning documents and
15 analyses not later than 90 days after receiving any
16 offer, application, or request for which a planning
17 document or analysis is required to be prepared.

18 (2) **PREPARATION BY APPLICANT OR LESSEE.**—
19 If the Secretary is unable to complete the document
20 or analysis within the time prescribed by paragraph
21 (1), the Secretary shall notify the applicant or lessee
22 of the opportunity to prepare the required document
23 or analysis for the agency’s review and use in deci-
24 sionmaking.

1 (c) REIMBURSEMENT FOR COSTS OF NEPA OF
2 ANALYSES, DOCUMENTATION, AND STUDIES.—If—

3 (1) adequate funding to enable the Secretary to
4 timely prepare a project-level analysis required
5 under the National Environmental Policy Act of
6 1969 (42 U.S.C. 4321 et seq.) with respect to an oil
7 or gas lease is not appropriated; and

8 (2) the lessee, operator, or operating rights
9 owner voluntarily pays for the cost of the required
10 analysis, documentation, or related study;

11 the Secretary shall reimburse the lessee, operator, or oper-
12 ating rights owner for its costs through royalty credits at-
13 tributable to the lease, unit agreement, or project area.

14 **SEC. 632. TIMELY ISSUANCE OF DECISIONS.**

15 (a) IN GENERAL.—The Secretary shall ensure the
16 timely issuance of Federal agency decisions respecting oil
17 and gas leasing and operations on Federal land.

18 (b) OFFER TO LEASE.—

19 (1) DEADLINE.—The Secretary shall accept or
20 reject an offer to lease not later than 90 days after
21 the filing of the offer.

22 (2) FAILURE TO MEET DEADLINE.—If an offer
23 is not acted upon within that time, the offer shall be
24 deemed to have been accepted.

25 (c) APPLICATION FOR PERMIT TO DRILL.—

1 (1) DEADLINE.—The Secretary and a State
2 that has accepted a transfer of authority under sec-
3 tion 610 shall approve or disapprove an application
4 for permit to drill not later than 30 days after re-
5 ceiving a complete application.

6 (2) FAILURE TO MEET DEADLINE.—If the ap-
7 plication is not acted on within the time prescribed
8 by paragraph (1), the application shall be deemed to
9 have been approved.

10 (d) SURFACE USE PLAN OF OPERATIONS.—The Sec-
11 retary shall approve or disapprove a surface use plan of
12 operations not later than 30 days after receipt of a com-
13 plete plan.

14 (e) ADMINISTRATIVE APPEALS.—

15 (1) DEADLINE.—From the time that a Federal
16 oil and gas lessee or operator files a notice of admin-
17 istrative appeal of a decision or order of an officer
18 or employee of the Department of the Interior or the
19 Forest Service respecting a Federal oil and gas Fed-
20 eral lease, the Secretary shall have 2 years in which
21 to issue a final decision in the appeal.

22 (2) FAILURE TO MEET DEADLINE.—If no final
23 decision has been issued within the time prescribed
24 by paragraph (1), the appeal shall be deemed to
25 have been granted.

1 **SEC. 633. ELIMINATION OF UNWARRANTED DENIALS AND**
2 **STAYS.**

3 (a) IN GENERAL.—The Secretary shall ensure that
4 unwarranted denials and stays of lease issuance and un-
5 warranted restrictions on lease operations are eliminated
6 from the administration of oil and gas leasing on Federal
7 land.

8 (b) LAND DESIGNATED FOR MULTIPLE USE.—

9 (1) IN GENERAL.—Land designated as available
10 for multiple use under Bureau of Land Management
11 resource management plans and Forest Service leas-
12 ing analyses shall be available for oil and gas leasing
13 without lease stipulations more stringent than re-
14 strictions on surface use and operations imposed
15 under the laws (including regulations) of the State
16 oil and gas conservation authority unless the Sec-
17 retary includes in the decision approving the man-
18 agement plan or leasing analysis a written expla-
19 nation why more stringent stipulations are war-
20 ranted.

21 (2) APPEAL.—Any decision to require a more
22 stringent stipulation shall be administratively ap-
23 pealable and, following a final agency decision, shall
24 be subject to judicial review.

25 (c) REJECTION OF OFFER TO LEASE.—

1 (1) IN GENERAL.—If the Secretary rejects an
2 offer to lease on the ground that the land is unavail-
3 able for leasing, the Secretary shall provide a writ-
4 ten, detailed explanation of the reasons the land is
5 unavailable for leasing.

6 (2) PREVIOUS RESOURCE MANAGEMENT DECI-
7 SION.—If the determination of unavailability is
8 based on a previous resource management decision,
9 the explanation shall include a careful assessment of
10 whether the reasons underlying the previous decision
11 are still persuasive.

12 (3) SEGREGATION OF AVAILABLE LAND FROM
13 UNAVAILABLE LAND.—The Secretary may not reject
14 an offer to lease land available for leasing on the
15 ground that the offer includes land unavailable for
16 leasing, and the Secretary shall segregate available
17 land from unavailable land, on the offeror's request
18 following notice by the Secretary, before acting on
19 the offer to lease.

20 (d) DISAPPROVAL OR REQUIRED MODIFICATION OF
21 SURFACE USE PLANS OF OPERATIONS AND APPLICATION
22 FOR PERMIT TO DRILL.—The Secretary shall provide a
23 written, detailed explanation of the reasons for dis-
24 approving or requiring modifications of any surface use
25 plan of operations or application for permit to drill.

1 (e) EFFECTIVENESS OF DECISION.—A decision of the
2 Secretary respecting an oil and gas lease shall be effective
3 pending administrative appeal to the appropriate office
4 within the Department of the Interior or the Department
5 of Agriculture unless that office grants a stay in response
6 to a petition satisfying the criteria for a stay established
7 by section 4.21(b) of title 43, Code of Federal Regulations
8 (or any successor regulation).

9 **SEC. 634. REPORTS.**

10 (a) IN GENERAL.—Not later than March 31, 2001,
11 the Secretaries shall jointly submit to the Congress a re-
12 port explaining the most efficient means of eliminating
13 overlapping jurisdiction, duplication of effort, and incon-
14 sistent policymaking and policy implementation as be-
15 tween the Bureau of Land Management and the Forest
16 Service.

17 (b) RECOMMENDATIONS.—The report shall include
18 recommendations on statutory changes needed to imple-
19 ment the report's conclusions.

20 **SEC. 635. SCIENTIFIC INVENTORY OF OIL AND GAS RE-**
21 **SERVES.**

22 (a) IN GENERAL.—Not later than March 31, 2001,
23 the Secretary of the Interior, in consultation with the Di-
24 rector of the United States Geological Survey, shall pub-
25 lish, through notice in the Federal Register, a science-

1 based national inventory of the oil and gas reserves and
2 potential resources underlying Federal land and the Outer
3 Continental Shelf.

4 (b) CONTENTS.—The inventory shall—

5 (1) indicate what percentage of the oil and gas
6 reserves and resources is currently available for leas-
7 ing and development; and

8 (2) specify the percentages of the reserves and
9 resources that are on—

10 (A) land that is open for leasing as of the
11 date of enactment of this Act that has never
12 been leased;

13 (B) land that is open for leasing or devel-
14 opment subject to no surface occupancy stipula-
15 tions; and

16 (C) land that is open for leasing or devel-
17 opment subject to other lease stipulations that
18 have significantly impeded or prevented, or are
19 likely to significantly impede or prevent, devel-
20 opment; and

21 (3) indicate the percentage of oil and gas re-
22 sources that are not available for leasing or are
23 withdrawn from leasing.

24 (c) PUBLIC COMMENT.—

1 (1) IN GENERAL.—The Secretary of the Inte-
2 rior shall invite public comment on the inventory to
3 be filed not later than September 30, 2001.

4 (2) RESOURCE MANAGEMENT DECISIONS.—Spe-
5 cifically, the Secretary of the Interior shall invite
6 public comment on the effect of Federal resource
7 management decisions on past and future oil and
8 gas development.

9 (d) REPORT.—

10 (1) IN GENERAL.—Not later than March 31,
11 2002, the Secretary of the Interior shall submit to
12 the President of the Senate and the Speaker of the
13 House of Representatives a report comprised of the
14 revised inventory and responses to the public com-
15 ments.

16 (2) CONTENTS.—The report shall specifically
17 indicate what steps the Secretaries believe are nec-
18 essary to increase the percentage of land open for
19 development of oil and gas resources.

20 **Subtitle D—Federal Royalty** 21 **Certainty**

22 **SEC. 641. DEFINITIONS.**

23 In this subtitle.—

24 (a) MARKETABLE CONDITION.—The term “market-
25 able condition” means lease production that is sufficiently

1 free from impurities and otherwise in a condition that the
2 production will be accepted by a purchaser under a sales
3 contract typical for the field or area.

4 (b) REASONABLE COMMERCIAL RATE.—

5 (1) IN GENERAL.—The term “reasonable com-
6 mercial rate” means—

7 (A) in the case of an arm’s-length con-
8 tract, the actual cost incurred by the lessee; or

9 (B) in the case of a non-arm’s-length
10 contract—

11 (i) the rate charged in a contract for
12 similar services in the same area between
13 parties with opposing economic interests;
14 or

15 (ii) if there are no arm’s-length con-
16 tracts for similar services in the same area,
17 the just and reasonable rate for the trans-
18 portation service rendered by the lessee or
19 lessee’s affiliate.

20 (2) DISPUTES.—Disputes between the Sec-
21 retary and a lessee over what constitutes a just and
22 reasonable rate for such service shall be resolved by
23 the Federal Energy Regulatory Commission.

1 **SEC. 642. AMENDMENT OF OUTER CONTINENTAL SHELF**
2 **LANDS ACT.**

3 Section 8(b)(3) of the Outer Continental Shelf Lands
4 Act (43 U.S.C. 1337(b)(3)) is amended by striking the
5 semicolon at the end and adding the following:

6 “: *Provided*, That if the payment is in value or
7 amount, the royalty due in value shall be based on
8 the value of oil or gas production at the lease in
9 marketable condition, and the royalty due in amount
10 shall be based on the royalty share of production at
11 the lease; if the payment in value or amount is cal-
12 culated from a point away from the lease, the pay-
13 ment shall be adjusted for quality and location dif-
14 ferentials, and the lessee shall be allowed reimburse-
15 ments at a reasonable commercial rate for transpor-
16 tation (including transportation to the point where
17 the production is put in marketable condition), mar-
18 keting, processing, and other services beyond the
19 lease through the point of sale, other disposition, or
20 delivery;”.

21 **SEC. 643. AMENDMENT OF MINERAL LEASING ACT.**

22 Section 17(c) of the Act of February 25, 1920 (30
23 U.S.C. 226(c)) (commonly known as the “Mineral Leasing
24 Act”), is amended by adding at the end the following:

25 “(3) ROYALTY DUE IN VALUE.—

1 “(A) IN GENERAL.—Royalty due in value
2 shall be based on the value of oil or gas produc-
3 tion at the lease in marketable condition, and
4 the royalty due in amount shall be based on the
5 royalty share of production at the lease.

6 “(B) CALCULATION OF VALUE OR AMOUNT
7 FROM A POINT AWAY FROM A LEASE.—If the
8 payment in value or amount is calculated from
9 a point away from the lease—

10 “(i) the payment shall be adjusted for
11 quality and location differentials; and

12 “(ii) the lessee shall be allowed reim-
13 bursements at a reasonable commercial
14 rate for transportation (including transpor-
15 tation to the point where the production is
16 put in marketable condition), marketing,
17 processing, and other services beyond the
18 lease through the point of sale, other dis-
19 position, or delivery;”.

20 **SEC. 644. INDIAN LAND.**

21 This subtitle shall not apply with respect to Indian
22 land.

1 **Subtitle E—Royalty Reinvestment**
2 **in America**

3 **SEC. 651. ROYALTY INCENTIVE PROGRAM.**

4 (a) IN GENERAL.—To encourage exploration and de-
5 velopment expenditures on Federal land and the Outer
6 Continental Shelf for the development of oil and gas re-
7 sources when the cash price of West Texas Intermediate
8 crude oil, as posted on the Dow Jones Commodities Index
9 chart is less than \$18 per barrel for 90 consecutive pricing
10 days or when natural gas prices as delivered at Henry
11 Hub, Louisiana, are less than \$2.30 per million British
12 thermal units for 90 consecutive days, the Secretary shall
13 allow a credit against the payment of royalties on Federal
14 oil production and gas production, respectively, in an
15 amount equal to 20 percent of the capital expenditures
16 made on exploration and development activities on Federal
17 oil and gas leases.

18 (b) NO CREDITING AGAINST ONSHORE FEDERAL
19 ROYALTY OBLIGATIONS.—In no case shall such capital ex-
20 penditures made on Outer Continental Shelf leases be
21 credited against onshore Federal royalty obligations.

22 **SEC. 652. MARGINAL WELL PRODUCTION INCENTIVES.**

23 To enhance the economics of marginal oil and gas
24 production by increasing the ultimate recovery from mar-
25 ginal wells when the cash price of West Texas Inter-

1 mediate crude oil, as posted on the Dow Jones Commod-
2 ities Index Chart is less than \$18 per barrel for 90 con-
3 secutive pricing days or when natural gas prices are deliv-
4 ered at Henry Hub, Louisiana, are less than \$2.30 per
5 million British thermal units for 90 consecutive days, the
6 Secretary shall reduce the royalty rate as production de-
7 clines for—

8 (1) onshore oil wells producing less than 30
9 barrels per day;

10 (2) onshore gas wells producing less than 120
11 million British thermal units per day;

12 (3) offshore oil wells producing less than 300
13 barrels of oil per day; and

14 (4) offshore gas wells producing less than 1,200
15 million British thermal units per day.

16 **SEC. 653. SUSPENSION OF PRODUCTION ON OIL AND GAS**
17 **OPERATIONS.**

18 (a) IN GENERAL.—Any person operating an oil well
19 under a lease issued under the Act of February 25, 1920
20 (commonly known as the “Mineral Leasing Act”) (30
21 U.S.C. 181 et seq.) or the Mineral Leasing Act for Ac-
22 quired Lands (30 U.S.C. 351 et seq.) may submit a notice
23 to the Secretary of the Interior of suspension of operation
24 and production at the well.

1 (b) PRODUCTION QUANTITIES NOT A FACTOR.—A
2 notice under subsection (a) may be submitted without re-
3 gard to per day production quantities at the well and with-
4 out regard to the requirements of subsection (a) of section
5 3103.4–4 of title 43 of the Code of Federal Regulations
6 (or any successor regulation) respecting the granting of
7 such relief, except that the notice shall be submitted to
8 an office in the Department of the Interior designated by
9 the Secretary of the Interior.

10 (c) PERIOD OF RELIEF.—On submission of a notice
11 under subsection (a) for an oil well, the operator of the
12 well may suspend operation and production at the well for
13 a period beginning on the date of submission of the notice
14 and ending on the later of—

15 (1) the date that is 2 years after the date on
16 which the suspension of operation and production
17 commences; or

18 (2) the date on which the cash price of West
19 Texas Intermediate crude oil, as posted on the Dow
20 Jones Commodities Index chart is greater than \$15
21 per barrel for 90 consecutive pricing days.

1 **TITLE VII—FRONTIER OIL AND**
2 **GAS EXPLORATION AND DE-**
3 **VELOPMENT INCENTIVES**

4 **SEC. 701. TITLE.**

5 This title may be cited as the “Frontier Exploration
6 and Development Incentives Act of 2000”.

7 **SEC. 702. AMENDMENTS TO THE OUTER CONTINENTAL**
8 **SHELF LANDS ACT.**

9 (a) Section 8(a)(1)(D) of the Outer Continental Shelf
10 Lands Act, (43 U.S.C. 1337(a)(1)(D)) is amended by
11 striking the word “area;” and inserting in lieu thereof the
12 word “area,” and the following new text: “except in the
13 Arctic areas of Alaska, where the Secretary is authorized
14 to set the net profit share at 16²/₃ percent. For purposes
15 of this section, ‘Arctic areas’ means the Beaufort Sea and
16 Chukchi Sea Planning Areas of Alaska.”.

17 (b) Section 8(a) of the Outer Continental Shelf Lands
18 Act (43 U.S.C. 1337(a)) is amended by adding a new sub-
19 paragraph (10) at the end thereof:

20 “(10) After an oil and gas lease is granted pur-
21 suant to any of the bidding systems of paragraph
22 (1) of this subsection, the Secretary shall reduce any
23 future royalty or rental obligation of the lessee on
24 any lease issued by the Secretary (and proposed by
25 the lessee for such reduction) by an amount equal to

1 (a) 10 percent of the qualified costs of exploratory
2 wells drilled or geophysical work performed on any
3 lease issued by the Secretary, whichever is greater,
4 pursuant to this Act in Arctic areas and (b) an addi-
5 tional 10 percent of the qualified costs of any such
6 exploratory wells which are located ten or more miles
7 from another well drilled for oil and gas. For pur-
8 poses of this Act—‘qualified costs’ shall mean the
9 costs allocated to the exploratory well or geophysical
10 work in support of an exploration program pursuant
11 to 26 U.S.C. as amended; ‘exploratory well’ shall
12 mean either an exploratory well as defined by the
13 United States Securities and Exchange Commission
14 in 17 C.F.R. 210.4–10(a)(10), as amended, or a well
15 three or more miles from any oil or gas well or a
16 pipeline which transports oil or gas to a market or
17 terminal; ‘geophysical work’ shall mean all geo-
18 physical data gathering methods used in hydro-
19 carbon exploration and includes seismic, gravity,
20 magnetic, and electromagnetic measurements; and,
21 all distances shall be measured in horizontal dis-
22 tance. When a measurement beginning or ending
23 point is a well, the measurement point shall be the
24 bottom hole location of that well.”.

1 **TITLE VII—TAX MEASURES TO**
2 **ENHANCE DOMESTIC OIL AND**
3 **GAS PRODUCTION**

4 **Subtitle A—Marginal Well**
5 **Preservation**

6 **SEC. 801. SHORT TITLE; PURPOSE; AMENDMENT OF 1986**
7 **CODE.**

8 (a) This subtitle may be cited as the “Marginal Well
9 Preservation Act of 2000”.

10 (b) The purpose of section 802 is to prevent the aban-
11 donment of marginal oil and gas wells responsible for half
12 of the domestic production of oil and gas in the United
13 States and of section 803 is to recognize that geological
14 and geophysical expenditures and delay rentals are ordi-
15 nary and necessary business expenses that should be de-
16 ducted in the year the expense is incurred.

17 (c) Except as otherwise expressly provided, whenever
18 in this subtitle an amendment or repeal is expressed in
19 terms of an amendment to, or repeal of, a section or other
20 provision, the reference shall be considered to be made to
21 a section or other provision of the Internal Revenue Code
22 of 1986.

1 **SEC. 802. TAX CREDIT FOR MARGINAL DOMESTIC OIL AND**
2 **NATURAL GAS WELL PRODUCTION.**

3 (a) Subpart D of part IV of subchapter A of chapter
4 1 (relating to business credits) is amended by adding at
5 the end the following new section:

6 **“SEC. 45D. CREDIT FOR PRODUCING OIL AND GAS FROM**
7 **MARGINAL WELLS.**

8 “(a) GENERAL RULE.—For purposes of section 38,
9 the marginal well production credit for any taxable year
10 is an amount equal to the product of—

11 “(1) the credit amount, and

12 “(2) the qualified crude oil production and the
13 qualified natural gas production which is attrib-
14 utable to the taxpayer.

15 “(b) CREDIT AMOUNT.—For purposes of this
16 section—

17 “(1) IN GENERAL.—The credit amount is—

18 “(A) \$3 per barrel of qualified crude oil
19 production, and

20 “(B) 50 cents per 1,000 cubic feet of
21 qualified natural gas production.

22 “(2) REDUCTION AS OIL AND GAS PRICES IN-
23 CREASE.—

24 “(A) IN GENERAL.—The \$3 and 50 cents
25 amounts under paragraph (1) shall each be re-
26 duced (but not below zero) by an amount which

1 bears the same ratio to such amount (deter-
2 mined without regard to this paragraph) as—

3 “(i) the excess (if any) of the applica-
4 ble reference price over \$14 (\$1.56 for
5 qualified natural gas production), bears to

6 “(ii) \$3 (\$0.33 for qualified natural
7 gas production).

8 The applicable reference price for a taxable
9 year is the reference price for the calendar year
10 preceding the calendar year in which the tax-
11 able year begins.

12 “(B) INFLATION ADJUSTMENT.—In the
13 case of any taxable year beginning in a calendar
14 year after 2000, each of the dollar amounts
15 contained in subparagraph (A) shall be in-
16 creased to an amount equal to such dollar
17 amount multiplied by the inflation adjustment
18 factor for such calendar year (determined under
19 section 43(b)(3)(B) by substituting ‘1999’ for
20 ‘1990’).

21 “(C) REFERENCE PRICE.—For purposes of
22 this paragraph, the term ‘reference price’
23 means, with respect to any calendar year—

1 “(i) in the case of qualified crude oil
2 production, the reference price determined
3 under section 29(d)(2)(C), and

4 “(ii) in the case of qualified natural
5 gas production, the Secretary’s estimate of
6 the annual average wellhead price per
7 1,000 cubic feet for all domestic natural
8 gas.

9 “(c) QUALIFIED CRUDE OIL AND NATURAL GAS
10 PRODUCTION.—For purposes of this section—

11 “(1) IN GENERAL.—The terms ‘qualified crude
12 oil production’ and ‘qualified natural gas production’
13 mean domestic crude oil or natural gas which is pro-
14 duced from a marginal well.

15 “(2) LIMITATION ON AMOUNT OF PRODUCTION
16 WHICH MAY QUALIFY.—

17 “(A) IN GENERAL.—Crude oil or natural
18 gas produced during any taxable year from any
19 well shall not be treated as qualified crude oil
20 production or qualified natural gas production
21 to the extent production from the well during
22 the taxable year exceeds 1,095 barrels or barrel
23 equivalents.

24 “(B) PROPORTIONATE REDUCTIONS.—

1 “(i) SHORT TAXABLE YEARS.—In the
2 case of a short taxable year, the limitations
3 under this paragraph shall be proportion-
4 ately reduced to reflect the ratio which the
5 number of days in such taxable year bears
6 to 365.

7 “(ii) WELLS NOT IN PRODUCTION EN-
8 TIRE YEAR.—In the case of a well which is
9 not capable of production during each day
10 of a taxable year, the limitations under
11 this paragraph applicable to the well shall
12 be proportionately reduced to reflect the
13 ratio which the number of days of produc-
14 tion bears to the total number of days in
15 the taxable year.

16 “(3) DEFINITIONS.—

17 “(A) MARGINAL WELL.—The term ‘mar-
18 ginal well’ means a domestic well—

19 “(i) the production from which during
20 the taxable year is treated as marginal
21 production under section 613A(c)(6), or

22 “(ii) which, during the taxable year—

23 “(I) has average daily production
24 of not more than 25 barrel equiva-
25 lents, and

1 “(II) produces water at a rate
2 not less than 95 percent of total well
3 effluent.

4 “(B) CRUDE OIL, ETC.—The terms ‘crude
5 oil’, ‘natural gas’, ‘domestic’, and ‘barrel’ have
6 the meanings given such terms by section
7 613A(e).

8 “(C) BARREL EQUIVALENT.—The term
9 ‘barrel equivalent’ means, with respect to nat-
10 ural gas, a conversion ratio of 6,000 cubic feet
11 of natural gas to 1 barrel of crude oil.

12 “(d) OTHER RULES.—

13 “(1) PRODUCTION ATTRIBUTABLE TO THE TAX-
14 PAYER.—In the case of a marginal well in which
15 there is more than one owner of operating interests
16 in the well and the crude oil or natural gas produc-
17 tion exceeds the limitation under subsection (c)(2),
18 qualifying crude oil production or qualifying natural
19 gas production attributable to the taxpayer shall be
20 determined on the basis of the ratio which tax-
21 payer’s revenue interest in the production bears to
22 the aggregate to the revenue interests of all oper-
23 ating interest owners in the production.

24 “(2) OPERATING INTEREST REQUIRED.—Any
25 credit under this section may be claimed only on

1 production which is attributable to the holder of an
2 operating interest.

3 “(3) PRODUCTION FROM NONCONVENTIONAL
4 SOURCES EXCLUDED.—In the case of production
5 from a marginal well which is eligible for the credit
6 allowed under section 29 for the taxable year, no
7 credit shall be allowable under this section unless
8 the taxpayer elects not to claim credit under section
9 29 with respect to the well.”.

10 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
11 tion 38(b) is amended by striking “plus” at the end of
12 paragraph (11), by striking the period at the end of para-
13 graph (12) and inserting”, plus”, and by adding at the
14 end of the following new paragraph—

15 “(13) the marginal oil and gas well production
16 credit determined under section 45D(a).”.

17 (c) CREDIT ALLOWED AGAINST REGULAR AND MIN-
18 IMUM TAX.—

19 (1) IN GENERAL.—Subsection (c) of section 38
20 (relating to limitation based on amount of tax) is
21 amended by redesignating paragraph (3) as para-
22 graph (4) and by inserting after paragraph (2) the
23 following new paragraph—

24 “(3) SPECIAL RULES FOR MARGINAL OIL AND
25 GAS WELL PRODUCTION CREDIT.—

1 “(A) IN GENERAL.—In the case of the
2 marginal oil and gas well production credit—

3 “(i) this section and section 39 shall
4 be applied separately with respect to the
5 credit, and

6 “(ii) in applying paragraph (1) to the
7 credit—

8 “(I) subparagraphs (A) and (B)
9 thereof shall not apply, and

10 “(II) the limitation under para-
11 graph (1) (as modified by subclause
12 (I)) shall be reduced by the credit al-
13 lowed under subsection (a) for the
14 taxable year (other than the marginal
15 oil and gas well production credit).

16 “(B) MARGINAL OIL AND GAS WELL PRO-
17 DUCION CREDIT.—For purposes of this sub-
18 section, the term ‘marginal oil and gas well pro-
19 duction credit’ means the credit allowable under
20 subsection (a) by reason of section 45D(a).”.

21 (2) CONFORMING AMENDMENT.—Subclause (II)
22 of section 38(c)(2)(A)(ii) is amended by inserting
23 “or the marginal oil and gas well production credit”
24 after “employment credit”.

1 (d) CARRYBACK.—Subsection (a) of section 39 (relat-
2 ing to carryback and carryforward of unused credits gen-
3 erally) is amended by adding at the end the following new
4 paragraph—

5 “(3) 10-YEAR CARRYBACK FOR MARGINAL OIL
6 AND GAS WELL PRODUCTION CREDIT.—In the case
7 of the marginal oil and gas well production credit—

8 “(A) this section shall be applied sepa-
9 rately from the business credit (other than the
10 marginal oil and gas well production credit),

11 “(B) paragraph (1) shall be applied by
12 substituting ‘10 taxable year’ for ‘1 taxable
13 year’ in subparagraph (A) thereof, and

14 “(C) paragraph (2) shall be applied—

15 “(i) by substituting ‘31 taxable years’
16 for ‘21 taxable years’ in subparagraph (A)
17 thereof, and

18 “(ii) by substituting ‘30 taxable years’
19 for ‘20 taxable years’ in subparagraph (B)
20 thereof.”.

21 (e) COORDINATION WITH SECTION 29.—Section
22 29(a) is amended by striking “There” and inserting “At
23 the election of the taxpayer, there.”

1 (f) CLERICAL AMENDMENT—The table of sections
2 for subpart D of part IV of subchapter A of chapter 1
3 is amended by adding at the end the following item:

“Sec. 45D. Credit for producing oil and gas from marginal
wells.”

4 (g) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to production in taxable years be-
6 ginning after December 31, 1999.

7 **SEC. 803. ELECTION TO EXPENSE GEOLOGICAL AND GEO-**
8 **PHYSICAL EXPENDITURES AND DELAY RENT-**
9 **AL PAYMENTS.**

10 (a) Section 263 (relating to capital expenditures) is
11 amended by adding at the end the following new sub-
12 section:

13 “(j) GEOLOGICAL AND GEOPHYSICAL EXPENDI-
14 TURES FOR OIL AND WELLS.—Notwithstanding sub-
15 section (a), a taxpayer may elect to treat geological and
16 geophysical expenses incurred in connection with the ex-
17 ploration for, or development of, oil or gas as expenses
18 which are not chargeable to capital account. Any expenses
19 so treated shall be allowed as a deduction in the taxable
20 year in which paid or incurred.”.

21 (b) Section 263A(c)(3) is amended by inserting
22 “263(j),” after “263(i),”.

1 (c)(1) The amendments made by subsections (a) and
2 (b) shall apply to expenses paid or incurred after the date
3 of the enactment of this Act.

4 (2) In the case of any expenses described in section
5 263(j) of the Internal Revenue Code of 1986, as added
6 by subsections (a) and (b), which were paid or incurred
7 on or before the date of the enactment of this Act, the
8 taxpayer may elect, at such time and in such manner as
9 the Secretary of the Treasury may prescribe, to amortize
10 the suspended portion of such expenses over the 36-month
11 period beginning with the month in which the date of the
12 enactment of this Act occurs. For purposes of this para-
13 graph, the suspended portion of any expense is that por-
14 tion of such expense which, as of the first day of the 36-
15 month period, has not been included in the cost of a prop-
16 erty or otherwise deducted.

17 (d) Section 263 (relating to capital expenditures), as
18 amended by subsection (b), is amended by adding at the
19 end the following new subsection—

20 “(k) DELAY RENTAL PAYMENTS FOR DOMESTIC OIL
21 AND GAS WELLS.—

22 “(1) IN GENERAL.—Notwithstanding subsection
23 (a), a taxpayer may elect to treat delay rental pay-
24 ments incurred in connection with the development
25 of oil or gas within the United States (as defined in

1 section 638) as payments which are not chargeable
 2 to capital account. Any payments so treated shall be
 3 allowed as a deduction in the taxable year in which
 4 paid or incurred.

5 “(2) DELAY RENTAL PAYMENTS.—For purposes
 6 of paragraph (1), the term ‘delay rental payment’
 7 means an amount paid for the privilege of deferring
 8 the drilling of an oil or gas well under an oil or gas
 9 lease.”.

10 **Subtitle B—Independent Oil and** 11 **Gas Producers**

12 **SEC. 810. 5-YEAR NET OPERATING LOSS CARRYBACK FOR** 13 **LOSSES ATTRIBUTABLE TO OPERATING MIN-** 14 **ERAL INTERESTS OF INDEPENDENT OIL AND** 15 **GAS PRODUCERS.**

16 (a) Paragraph (1) of section 172(b) (relating to years
 17 to which loss may be carried) is amended by adding at
 18 the end the following new subparagraph—

19 “(H) LOSSES ON OPERATING MINERAL IN-
 20 TERESTS OF INDEPENDENT OIL AND GAS PRO-
 21 DUCERS.—In the case of a taxpayer—

22 “(i) which has an eligible oil and gas
 23 loss (as defined in subsection (j)) for a tax-
 24 able year, and

1 “(ii) which is not an integrated oil
2 company (as defined in section 291(b)(4)),
3 such eligible oil and gas loss shall be a net
4 operating loss carryback to each of the 5
5 taxable years preceding the taxable year of
6 such loss.”.

7 (b) ELIGIBLE OIL AND GAS LOSS.—Section 172 is
8 amended by redesignating subsection (j) as subsection (k)
9 and by inserting after subsection (i) the following new
10 subsection—

11 “(j) ELIGIBLE OIL AND GAS LOSS.—For purposes of
12 this section—

13 “(1) IN GENERAL.—The term ‘eligible oil and
14 gas loss’ means the lesser of—

15 “(A) the amount which would be the net
16 operating loss for the taxable year if only in-
17 come and deductions attributable to operating
18 mineral interests (as defined in section 614(d))
19 in oil and gas wells are taken into account, or

20 “(B) the amount of the net operating loss
21 for such taxable year.

22 “(2) COORDINATION WITH SUBSECTION
23 (b)(2).—For purposes of applying subsection (b)(2),
24 an eligible oil and gas loss for any taxable year shall

1 be treated in a manner similar to the manner in
2 which a specified liability loss is treated.

3 “(3) ELECTION.—Any taxpayer entitled to a 5-
4 year carryback under subsection (b)(1)(H) from any
5 loss year may elect to have the carryback period
6 with respect to such loss year determined without re-
7 gard to subsection (b)(1)(H).”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to net operating losses for taxable
10 years beginning after December 31, 1998.

11 **SEC. 811. TEMPORARY SUSPENSION OF LIMITATION BASED**
12 **ON 65 PERCENT OF TAXABLE INCOME.**

13 (a) IN GENERAL.—Subsection (d) of section 613A
14 (relating to limitation on percentage depletion in case of
15 oil and gas wells) is amended by adding at the end the
16 following new paragraph—

17 “(6) TEMPORARY SUSPENSION OF TAXABLE IN-
18 COME LIMIT.—Paragraph (1) shall not apply to tax-
19 able years beginning after December 31, 1998, and
20 before January 1, 2005, including with respect to
21 amounts carried under the second sentence of para-
22 graph (1) to such taxable years.”.

23 (b) EFFECTIVE DATE.—The amendment made by
24 this section shall apply to taxable years beginning after
25 December 31, 1998.

1 **TITLE IX—TAX MEASURES TO**
2 **ENHANCE THE USE OF RE-**
3 **NEWABLE ENERGY SOURCES,**
4 **IMPROVE ENERGY EFFI-**
5 **CIENCIES, PROTECT CON-**
6 **SUMERS AND CONVERSION**
7 **TO CLEAN BURNING FUELS**

8 **SEC. 901. CREDIT FOR ELECTRICITY PRODUCED FROM RE-**
9 **NEWABLE RESOURCES.**

10 (a) EXTENSION AND MODIFICATION OF PLACED-IN-
11 SERVICE RULES.—Paragraph (3) of section 45(c) of the
12 Internal Revenue Code of 1986 is amended to read as fol-
13 lows:

14 “(3) QUALIFIED FACILITY.—

15 “(A) WIND FACILITIES.—In the case of a
16 facility using wind to produce electricity, the
17 term ‘qualified facility’ means any facility
18 owned by the taxpayer which is originally
19 placed in service after December 31, 1993, and
20 before July 1, 2004.

21 “(B) BIOMASS FACILITIES.—In the case of
22 a facility using biomass to produce electricity,
23 the term ‘qualified facility’ means, with respect
24 to any month, any facility owned, leased, or op-
25 erated by the taxpayer which is originally

1 placed in service before July 1, 2004, if, for
2 such month—

3 “(i) biomass comprises not less than
4 75 percent (on a Btu basis) of the average
5 monthly fuel input of the facility for the
6 taxable year which includes such month, or

7 “(ii) in the case of a facility prin-
8 cipally using coal to produce electricity,
9 biomass comprises not more than 25 per-
10 cent (on a Btu basis) of the average
11 monthly fuel input of the facility for the
12 taxable year which includes such month.

13 “(C) SPECIAL RULES.—

14 “(i) in the case of a qualified facility
15 described in paragraph (B)(i)—

16 “(I) the 10-year period referred
17 to in subsection (a) shall be treated as
18 beginning no earlier than the date of
19 the enactment of this paragraph, and

20 “(II) subsection (b)(3) shall not
21 apply to any such facility originally
22 placed in service before January 1,
23 1997.

24 “(ii) in the case of a qualified facility
25 described in subparagraph (B)(ii)—

1 “(I) the 10-year period referred
2 to in subsection (a) shall be treated as
3 beginning no earlier than the date of
4 the enactment of this paragraph, and

5 “(II) the amount of the credit
6 determined under subsection (a) with
7 respect to any project for any taxable
8 year shall be adjusted by multiplying
9 such amount (determined without re-
10 gard to this clause) by 0.59.”.

11 (b) CREDIT NOT TO APPLY TO ELECTRICITY SOLD
12 TO UTILITIES UNDER CERTAIN CONTRACTS.—Section
13 45(b) of the Internal Revenue Code of 1986 (relating to
14 limitations and adjustments) is amended by adding at the
15 end the following—

16 “(4) CREDIT NOT TO APPLY TO ELECTRICITY
17 SOLD TO UTILITIES UNDER CERTAIN CONTRACTS.—

18 “(A) IN GENERAL.—The credit determined
19 under subsection (a) shall not apply to
20 electricity—

21 “(i) produced at a qualified facility
22 placed in service by the taxpayer after
23 June 30, 1999, and

24 “(ii) sold to a utility pursuant to a
25 contract originally entered into before Jan-

1 uary 1, 1987 (whether or not amended or
2 restated after that date).

3 “(B) EXCEPTION.—Subparagraph (A)
4 shall not apply if—

5 “(i) the prices for energy and capacity
6 from such facility are established pursuant
7 to an amendment to the contract referred
8 to in subparagraph (A)(ii);

9 “(ii) such amendment provides that
10 the prices set forth in the contract which
11 exceed avoided cost prices determined at
12 the time of delivery shall apply only to an-
13 nual quantities of electricity (prorated for
14 partial years) which do not exceed the
15 greater of—

16 “(I) the average annual quantity
17 of electricity sold to the utility under
18 the contract during calendar years
19 1994, 1995, 1996, 1997, and 1998,
20 or

21 “(II) the estimate of the annual
22 electricity production set forth in the
23 contract, or, if there is no such esti-
24 mate, the greatest annual quantity of
25 electricity sold to the utility under the

1 contract in any of the calendar years
2 1996, 1997, or 1998; and

3 “(iii) such amendment provides that
4 energy and capacity in excess of the limita-
5 tion in clause (ii) may be—

6 “(I) sold to the utility only at
7 prices that do not exceed avoided cost
8 prices determined at the time of deliv-
9 ery, or

10 “(II) sold to a third party subject
11 to a mutually agreed upon advance
12 notice to the utility.

13 For purposes of this subparagraph,
14 avoided cost prices shall be deter-
15 mined as provided for in 18 CFR
16 292.304(d)(1) or any successor regu-
17 lation.”.

18 (c) QUALIFIED FACILITIES INCLUDE ALL BIOMASS
19 FACILITIES.—

20 (1) IN GENERAL.—Subparagraph (B) of section
21 45(c)(1) of the Internal Revenue Code of 1986 (de-
22 fining qualified energy resources) is amended to read
23 as follows—

24 “(B) biomass.”.

1 (2) BIOMASS DEFINED.—Paragraph (2) of sec-
2 tion 45(c) of such Code (relating to definitions) is
3 amended to read as follows—

4 “(2) BIOMASS.—The term ‘biomass’ means—

5 “(A) any organic material from a plant
6 which is planted exclusively for purposes of
7 being used at a qualified facility to produce
8 electricity, or

9 “(B) any solid, nonhazardous, cellulosic
10 waste material which is segregated from other
11 waste materials and which is derived from—

12 “(i) any of the following forest-related
13 resources: mill residues, precommercial
14 thinnings, slash, and brush, but not includ-
15 ing old-growth timber,

16 “(ii) poultry waste,

17 “(iii) urban sources, including waste
18 pallets, crates, and dunnage, manufac-
19 turing and construction wood wastes, and
20 landscape or right-of-way trimmings, but
21 not including unsegregated municipal solid
22 waste (garbage) or paper that is commonly
23 recycled, or

24 “(iv) agriculture sources, including or-
25 chard tree crops, vineyard, grain, legumes,

1 sugar, and other crop by-products or resi-
2 dues.”.

3 (d) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to electricity produced after the
5 date of the enactment of this Act.

6 **SEC. 902. CERTAIN AMOUNTS RECEIVED BY ELECTRIC EN-**
7 **ERGY, GAS, OR STEAM UTILITIES EXCLUDED**
8 **FROM GROSS INCOME AS CONTRIBUTIONS TO**
9 **CAPITAL.**

10 (a) Subsection (c) of section 118 of the Internal Rev-
11 enue Code of 1986 (relating to special rules for water and
12 sewerage disposal utilities) is amended—

13 (1) in the heading, by striking, “WATER AND
14 SEWERAGE DISPOSAL” and inserting “CER-
15 TAIN”,

16 (2) in paragraph (1)—

17 (A) in the matter preceding paragraph (1),
18 by striking “water or” and inserting “electric
19 energy, gas (through a local distribution system
20 or transportation by pipeline), steam, water,
21 or” and

22 (B) in subparagraph (B), by striking
23 “water or” and inserting “electric energy, gas,
24 steam, water, or”,

1 (3) in paragraph (2)(A)(ii), by striking “water
2 or” and inserting “electric energy, gas, steam,
3 water, or”, and

4 (4) in paragraph (3)—

5 (A) in subparagraph (A), by inserting
6 “such term shall include amounts paid as cus-
7 tomer connection fees (including amounts paid
8 to connect the customer’s line to an electric
9 line, a gas main, a steam line, or a main water
10 or sewer line) and” after “except that”, and

11 (B) in subparagraph (C), by striking
12 “water or” and inserting “electric energy, gas,
13 steam, water, or”.

14 (b) The amendments made by subsection (a) shall
15 apply to amounts received after the date of the enactment
16 of this Act.

17 **SEC. 903. EXTENSION OF CREDIT FOR ELECTRICITY PRO-**
18 **DUCED FROM STEEL COGENERATION.**

19 (a) EXTENSION OF CREDIT FOR COKE PRODUCTION
20 AND STEEL MANUFACTURING FACILITIES.—Section
21 45(c)(1) (defining qualified energy resources) is amended
22 by striking “and” at the end of the next to last subpara-
23 graph, by striking the period at the end of the last sub-
24 paragraph and inserting “, and”, and by adding at the
25 end the following new subparagraph—

1 “() steel cogeneration.”

2 (b) STEEL COGENERATION.—Section 45(e) is amend-
3 ed by adding at the end the following—

4 “() STEEL COGENERATION.—The term ‘steel
5 cogeneration’ means the production of steam or
6 other form of thermal energy of at least 20 percent
7 of total production and the production of electricity
8 or mechanical energy (or both) of at least 20 percent
9 of total production (meaning production from all
10 waste sources in subparagraphs (A), (B), and (C)
11 from the entire facility that produces coke, iron ore,
12 iron, or steel), provided that the cogeneration meets
13 any regulatory energy-efficiency standards estab-
14 lished by the Secretary, and only to the extent that
15 such energy is produced from—

16 “(A) gases or heat generated during the
17 production of coke,

18 “(B) blast furnace gases or heat generated
19 during the production of iron ore or iron, or

20 “(C) waste gases or heat generated from
21 the manufacture of steel that uses at least 20
22 percent recycled material.”.

23 (c) MODIFICATION OF PLACED IN SERVICE
24 RULES FOR STEEL COGENERATION FACILITIES.—

1 Section 45(c)(3) (defining qualified facility) is
2 amended by adding at the end the following—

3 () STEEL COGENERATION FACILITIES.—In the
4 case of a facility using steel cogeneration to produce
5 electricity, the term ‘qualified facility’ means any fa-
6 cility permitted to operate under the environmental
7 requirements of the Clean Air Act Amendments of
8 1990 which is owned by the taxpayer and originally
9 placed in service after December 31, 1999, and be-
10 fore January 1, 2005. Such a facility may be treated
11 as originally placed in service when such facility was
12 last upgraded to increase efficiency or generation ca-
13 pability. However, no facility shall be allowed a cred-
14 it for more than 10 years of production.”.

15 (d) CONFORMING AMENDMENTS.—

16 (1) The heading for section 45 is amended by
17 inserting “and waste energy” after “renewable”.

18 (2) The item relating to section 45 in the table
19 of sections subpart D of part IV of subchapter A of
20 chapter 1 is amended by inserting “and waste en-
21 ergy” after “renewable”.

22 (e) EFFECTIVE DATE.—The amendments made by
23 this section shall take effect for taxable years beginning
24 after December 31, 2001, and before January 1, 2005.

1 **SEC. 904. FULL EXPENSING OF HOME HEATING OIL STOR-**
 2 **AGE FACILITIES.**

3 (a) IN GENERAL.—Section 179(b) of the Internal
 4 Revenue Code of 1986 (relating to limitations) is amended
 5 by adding at the end of the following—

6 “(5) FULL EXPENSING OF HOME HEATING OIL
 7 STORAGE FACILITIES.—Paragraphs (1) and (2) shall
 8 not apply to section 179 property which is any stor-
 9 age facility (not including a building or its structural
 10 components) used in connection with the distribution
 11 of home heating oil.”.

12 (b) EFFECTIVE DATE.—The amendment made by
 13 this section shall apply to property placed in service in
 14 taxable years beginning after the date of the enactment
 15 of this Act.”

16 **SEC. 905. RESIDENTIAL SOLAR ENERGY TAX CREDIT.**

17 (a) IN GENERAL.—Subpart A of part IV of sub-
 18 chapter A of chapter 1 of the Internal Revenue Code of
 19 1986 (relating to nonrefundable personal credits) is
 20 amended by inserting after section 25A the following new
 21 section—

22 **“SEC. 25B. RESIDENTIAL SOLAR ENERGY PROPERTY.**

23 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
 24 dividual, there shall be allowed as a credit against the tax
 25 imposed by this chapter for the taxable year an amount
 26 equal to the sum of—

1 “(1) 15 percent of the qualified photovoltaic
2 property expenditures made by the taxpayer during
3 such year, and

4 “(2) 15 percent of the qualified solar water
5 heating property expenditures made by the taxpayer
6 during the taxable year.

7 “(b) LIMITATIONS.—

8 “(1) MAXIMUM CREDIT.—The credit allowed
9 under subsection (a)(2) shall not exceed \$2,000 for
10 each system of solar energy property.

11 “(2) TYPE OF PROPERTY.—No expenditure may
12 be taken into account under this section unless such
13 expenditure is made by the taxpayer for property in-
14 stalled on or in connection with a dwelling unit
15 which is located in the United States and which is
16 used as a residence.

17 “(3) SAFETY CERTIFICATIONS.—No credit shall
18 be allowed under this section for an item of property
19 unless—

20 “(A) in the case of solar water heating
21 equipment, such equipment is certified for per-
22 formance and safety by the non-profit Solar
23 Rating Certification Corporation or a com-
24 parable entity endorsed by the government of

1 the State in which such property is installed,
2 and

3 “(B) in the case of a photovoltaic system,
4 such system meets appropriate fire and electric
5 code requirements.

6 “(c) DEFINITIONS.—For purposes of this section—

7 “(1) QUALIFIED SOLAR WATER HEATING PROP-
8 erty expenditure.—The term ‘qualified solar
9 water heating property expenditure’ means an ex-
10 penditure for property that uses solar energy to heat
11 water for use in a dwelling unit with respect to
12 which a majority of the energy is derived from the
13 sun.

14 “(2) QUALIFIED PHOTOVOLTAIC PROPERTY EX-
15 penditure.—The term ‘qualified photovoltaic prop-
16 erty expenditure’ means an expenditure for property
17 that uses solar energy to generate electricity for use
18 in a dwelling unit.

19 “(3) SOLAR PANELS.—No expenditure relating
20 to a solar panel or other property installed as a roof
21 (or portion thereof) shall fail to be treated as prop-
22 erty described in paragraph (1) or (2) solely because
23 it constitutes a structural component of the struc-
24 ture on which it is installed.

1 “(4) LABOR COSTS.—Expenditures for labor
2 costs properly allocable to the onsite preparation, as-
3 sembly, or original installation of the property de-
4 scribed in paragraph (1) or (2) and for piping or
5 wiring to interconnect such property to the dwelling
6 unit shall be taken into account for purposes of this
7 section.

8 “(5) SWIMMING POOLS, ETC., USED AS STOR-
9 AGE MEDIUM.—Expenditures which are properly al-
10 locable to a swimming pool, hot tub, or any other
11 energy storage medium which has a function other
12 than the function of such storage shall not be taken
13 into account for purposes of this section.

14 “(d) SPECIAL RULES.—For purposes of this
15 section—

16 “(1) DOLLAR AMOUNTS IN CASE OF JOINT OC-
17 CUPANCY.—In the case of any dwelling unit which is
18 jointly occupied and used during any calendar year
19 as a residence by 2 or more individuals the following
20 shall apply—

21 “(A) The amount of the credit allowable
22 under subsection (a) by reason of expenditures
23 (as the case may be) made during such cal-
24 endar year by any of such individuals with re-
25 spect to such dwelling unit shall be determined

1 by treating all of such individuals as 1 taxpayer
2 whose taxable year is such calendar year.

3 “(B) There shall be allowable with respect
4 to such expenditures to each of such individ-
5 uals, a credit under subsection (a) for the tax-
6 able year in which such calendar year ends in
7 an amount which bears the same ratio to the
8 amount determined under subparagraph (A) as
9 the amount of such expenditures made by such
10 individual during such calendar year bears to
11 the aggregate of such expenditures made by all
12 of such individuals during such calendar year.

13 “(2) TENANT-STOCKHOLDER IN COOPERATIVE
14 HOUSING CORPORATION.—In the case of an indi-
15 vidual who is a tenant-stockholder (as defined in sec-
16 tion 216) in a cooperative housing corporation (as
17 defined in such section), such individual shall be
18 treated as having made his tenant-stockholder’s pro-
19 portionate share (as defined in section 216(b)(3)) of
20 any expenditures of such corporation.

21 “(3) CONDOMINIUMS.—

22 “(A) IN GENERAL.—In the case of an indi-
23 vidual who is a member of a condominium man-
24 agement association with respect to a condo-
25 minium which he owns, such individual shall be

1 treated as having made his proportionate share
2 of any expenditures of such association.

3 “(B) CONDOMINIUM MANAGEMENT ASSO-
4 CIATION.—For purposes of this paragraph, the
5 term ‘condominium management association’
6 means an organization which meets the require-
7 ments of paragraph (1) of section 528(c) (other
8 than subparagraph (E) thereof) with respect to
9 a condominium project substantially all of the
10 units of which are used as residences.

11 “(4) JOINT OWNERSHIP OF ITEMS OF SOLAR
12 ENERGY PROPERTY.—

13 “(A) IN GENERAL.—Any expenditure oth-
14 erwise qualifying as an expenditure described in
15 paragraph (1) or (2) of subsection (c) shall not
16 be treated as failing to so qualify merely be-
17 cause such expenditure was made with respect
18 to 2 or more dwelling units.

19 “(B) LIMITS APPLIED SEPARATELY.—In
20 the case of any expenditure described in sub-
21 paragraph (A), the amount of the credit allow-
22 able under subsection (a) shall (subject to para-
23 graph (1)) be computed separately with respect
24 to the amount of the expenditure made for each
25 dwelling unit.

1 “(5) ALLOCATION IN CERTAIN CASES.—If less
2 than 80 percent of the use of an item is for nonbusi-
3 ness residential purposes, only that portion of the
4 expenditures for such item which is properly allo-
5 cable to use for nonbusiness residential purposes
6 shall be taken into account. For purposes of this
7 paragraph, use for a swimming pool shall be treated
8 as use which is not for residential purposes.

9 “(6) WHEN EXPENDITURE MADE; AMOUNT OF
10 EXPENDITURE.—

11 “(A) IN GENERAL.—Except as provided in
12 subparagraph (B), an expenditure with respect
13 to an item shall be treated as made when the
14 original installation of the item is completed.

15 “(B) EXPENDITURES PART OF BUILDING
16 CONSTRUCTION.—In the case of an expenditure
17 in connection with the construction or recon-
18 struction of a structure, such expenditure shall
19 be treated as made when the original use of the
20 constructed or reconstructed structure by the
21 taxpayer begins.

22 “(C) AMOUNT.—The amount of an ex-
23 penditure shall be the cost thereof.

24 “(e) BASIS ADJUSTMENTS.—For purposes of this
25 subparagraph, if a credit is allowed under this section for any

1 expenditure with respect to any property, the increase in
2 the basis of such property which would (but for this sub-
3 section) result from such expenditure shall be reduced by
4 the amount of the credit so allowed.”.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Subsection (a) of section 1016 of such Code
7 is amended by striking ‘and’ at the end of paragraph
8 (26), by striking the period at the end of paragraph
9 (27) and inserting “; and”, and by adding at the
10 end the following new paragraph:

11 “(28) to the extent provided in section 25B(e),
12 in the case of amounts with respect to which a credit
13 has been allowed under section 25B.”.

14 (2) The table of sections for subpart A of part
15 IV of subchapter A of chapter 1 of such Code is
16 amended by inserting after the item relating to sec-
17 tion 25A the following new item—

“Sec. 25B. Residential solar energy property.”

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years ending after De-
20 cember 31, 1999 and before December 31, 2004.

Calendar No. 552

106TH CONGRESS
2D SESSION

S. 2557

A BILL

To protect the energy security of the United States and decrease America's dependency on foreign oil sources to 50 percent by the year 2010 by enhancing the use of renewable energy resources, conserving energy resources, improving energy efficiencies, and increasing domestic energy supplies, mitigating the effect of increases in energy prices on the American consumer, including the poor and the elderly, and for other purposes.

MAY 17, 2000

Read the second time and placed on the calendar