

Update on the Federal Energy Policy Act of 2005

HR 6, the Federal Energy Bill, was signed into law on August 8, 2005. Below are several key provisions of the bill's conference report related to the electric industry.

Development of Energy Resources

- HR 6 extends the production tax credit for power generated from renewable sources through December 31, 2007.
- The bill authorizes federal funding for clean coal power initiatives and coal-based gasification technologies to promote development of coal-fired power plants.
- The bill promotes the construction of liquefied natural gas (LNG) terminals by streamlining the siting permitting process. This will help the U.S. increase its ability to import natural gas.
- It also establishes a new production tax credit for electricity produced at new nuclear energy facilities.
- The bill provides incentives to increase production from areas of the country already open to natural gas production.
- Solar energy, fuel cells and distributed generation also qualify for tax credits.

Development of Energy Infrastructure

- HR 6 requires FERC to provide several transmission investment incentives and assure cost recovery for reliability investments.
- The bill includes tax incentives related to the construction of transmission assets, such as allowing companies to defer the gain on the sale of transmission assets through 2007.
- The bill fosters installation of new pollution control equipment on power plants by reducing its cost-recovery period from 20 years to 5 years.

Oversight By FERC

- HR 6 makes electric reliability rules mandatory for all market participants by giving the Federal Energy Regulatory Commission (FERC) the power to enforce reliability rules by overseeing a new national reliability organization.
- The bill authorizes FERC backstop siting authority for interstate transmission projects in federally-designated transmission corridors. The Secretary of Energy is to conduct a study of electric congestion, and based on the study, designate any area experiencing congestion that adversely affects consumers as a national interest electric transmission corridor.

Protection of Customers

- HR 6 gives FERC greater enforcement authority and the ability to impose substantially higher penalties on companies that violate the Federal Power Act.
- The bill also provides FERC broad authority to prevent market manipulation.

Promotion of Energy Efficiency

- The bill establishes strict conservation standards for a variety of products that use large amounts of energy.
- It also provides tax credits for builders of energy efficient new homes, gives homeowners tax credits for installing energy efficient home improvements & purchasing energy efficient appliances, and expands energy conservation education programs such as Energy Star and Energy Guide.

