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Committee on Environment
and Public Works Washington, D.C.

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HEARING ON THE NOMINATIONS OF KENNETH E. ALLEN, A.D. FRAZIER,
JEFFREY SMITH, AND JAMES R. THOMPSON, III TO BE MEMBERS OF THE
BOARD OF DIRECTORS OF THE TENNESSEE VALLEY AUTHORITY

TUESDAY, NOVEMBER 28, 2017

U.S. SENATE

Committee on Environment and Public Works

Subcommittee on Clean Air and Nuclear Safety

Washington, D.C.

The subcommittee met, pursuant to notice, at 10:06 a.m. in room 406, Dirksen Senate Building, the Honorable Shelley Moore Capito [chairwoman of the subcommittee] presiding.

Present: Senators Capito, Inhofe, Boozman, Fischer, Ernst, Barrasso [ex officio], Whitehouse and Gillibrand.

STATEMENT OF THE HONORABLE SHELLEY MOORE CAPITO, A UNITED STATES
SENATOR FROM THE STATE OF WEST VIRGINIA

Senator Capito. I want to thank everybody for being here today.

This hearing of the Clean Air and Nuclear Safety Subcommittee is called to order.

I will begin by recognizing myself for a brief opening statement before turning over the floor to the Ranking Member.

We will then hear from our first panel, which will include Senate Majority Leader McConnell, to introduce the nominee from the Commonwealth of Kentucky and Senators Corker and Alexander to introduce the nominee from the great State of Tennessee.

Following their introductions, I will ask the nominees to introduce themselves and their friends and family in the audience today.

I recognize myself for five minutes.

The Tennessee Valley Authority has diverse mandates to provide portions of Tennessee, Alabama, Georgia, Kentucky, Mississippi, North Carolina and Virginia with affordable electricity, flood prevention, navigation access and economic development opportunities.

As a government corporation, the TVA faces a unique combination of challenges that also confront private utilities and State and local governments around the Country, as well as

the Federal Government itself.

Like many utilities reliant upon coal and nuclear as baseload generation sources, the TVA has been impacted by environmental regulations and the new economics of cheap natural gas. Aging coal and nuclear units will need to have their licenses extended, be upgraded or be replaced in the coming years, all subject to the full gamut of State and federal environmental regulatory review.

The Authority also sources renewable energy from its significant hydroelectric assets. However, this variable source of energy can contribute uncertainty to the TVA's price modeling. Like entities across the Country, the TVA faces significant maintenance and replacement costs for infrastructure, in some cases dating back to the 1930s.

The TVA reliance upon ratepayers for its funding and congressional mandates to provide electricity at the lowest feasible price for residential and industrial customers in one of the most economically disadvantaged parts of the Country is particularly susceptible to fuel and regulatory costs. So far it has been successful in its mission, having retail rates more affordable than nearly 70 percent of electric utilities.

From an environmental perspective, 55 percent of TVA's generation is carbon free across its nuclear and hydropower generation and the Authority intends to reduce carbon dioxide

emissions by 40 percent from its 2005 baseline by the year 2020. Continuing to build upon TVA's environmental stewardship will be of significant interest to this committee.

TVA is also facing a serious issue confounding government entities at every level all around the Country. That is, meeting its pension obligations. The GAO sounded the alarm last year that the TVA retirement system is under-funded by about \$6 billion.

The \$7.1 billion currently available to the TVA retirement system is sufficient to cover only 54 percent of existing and expected obligations. Though the TVA's debt has remained stable over the past decade, unfunded pension obligations have increased over the same time frame. Even as it transitions to a 401(k) style-defined contribution system, these pension obligations will further pressure TVA's finances given the other significant investments it will need to make in the coming years to fulfill its mission.

Each of our nominees will serve a term of five years on the TVA's board of directors determining the Authority's goals and objectives to address these challenges. I look forward to hearing the testimony today on how they intend to bring their varied backgrounds in private and public service from coal to finance to the National Lab system to bear to keep the TVA a viable engine for economic development in the Tennessee Valley

for another 80-plus years.

Thank you for your willingness to serve on the board of the TVA.

I will now recognize Ranking Member Whitehouse for his opening statement.

[The prepared statement of Senator Capito follows:]

Senator Whitehouse. Madam Chair, we have both the Majority Leader and the Chairman of the Foreign Relations Committee here. I would be more than happy to defer my opening statement to allow them to make their introductions so they can proceed with what must be fairly busy schedules.

Senator Capito. With unanimous consent, I think that is a great idea. Thank you for very much, Senator Whitehouse.

With that, I will introduce Senate Majority Leader, Senator McConnell, for his introduction. Thank you.

STATEMENT OF THE HONORABLE MITCH MCCONNELL, SENATE MAJORITY LEADER AND A UNITED STATES SENATOR FROM THE STATE OF KENTUCKY

Senator McConnell. Chairman Barrasso, Senator Capito, Senator Whitehouse and colleagues, I appreciate the opportunity to be here today to support the nomination of Kenneth Allen of Hopkins County, Kentucky, to serve on the board of directors of TVA.

President Trump made a strong choice in nominating Kenny to help lead the TVA to fulfill its important mission of delivering affordable and reliable energy and promoting economic development in the region it serves.

Kenny is the right choice to fill this role and he brings decades of relevant work experience to the position. Further, he has interacted firsthand with the agency for many years through his work in the coal industry.

As members of this subcommittee know, TVA is a critical resource for approximately 9 million Americans in the southeast, many of them in my State. About 205,000 households in Kentucky rely on TVA for the delivery of electricity. In addition, the TVA is charged with serving as a responsible steward of land and water around the Kentucky Dam and Reservoir which are important to our State economy and culture.

As a Native of western Kentucky, Kenny will help govern the TVA well and serve as a prudent caretaker of TVA-managed land in

Kentucky and throughout the southeast. He understands the particular challenges facing the coal industry in States like mine.

During his career in the private sector, much of his work focused on marketing coal to electric utility companies. I am confident that his wealth of experience and knowledge will benefit the agency as it works to better serve Kentucky and the entire region.

In addition to his nearly 40 years of work experience in the coal industry, he has served on the boards of a number of associations and commissions dedicated to environmental stewardship, energy production and economic development.

For example, he has shown his commitment to conservation and land preservation by serving as the Commissioner and Vice Chair of the Kentucky Reclamation and Guarantee Fund. For many communities, especially in coal States like mine, land reclamation and redevelopment are critical to economic growth. Kenny understands that priority.

He has also served on the Western Kentucky Consortium of Energy and Environment and the Kentucky Workforce Investment Board of Directors demonstrating his commitment to affordable energy, a clean environment, promoting job creation and economic development.

Through each of these positions, he has built relationships

with TVA communities. I want to congratulate Kenny, his wife Teresa and their two sons on this important nomination.

I thank the subcommittee for allowing me to be here today to support him during this process. I was proud to recommend him to President Trump to serve in this position and I hope the subcommittee will move forward quickly to process his nomination.

Through this morning's hearing, I am confident that you will find a qualified and talented individual prepared to serve the TVA service region as a member of its board. Once again, thanks for the opportunity to be here this morning and to introduce my friend. Thank you so much.

[The prepared statement of Senator McConnell follows:]

Senator Capito. I would like to thank the Leader. Thank you for taking the time. I appreciate you coming before the committee.

Senator Corker.

STATEMENT OF THE HONORABLE BOB CORKER, A UNITED STATES SENATOR
FROM THE STATE OF TENNESSEE

Senator Corker. Thank you, Chairman Capito, Chairman Barrasso and Ranking Member Whitehouse.

As you know, I have about 13 months left here and my bucket list is getting filled as I am able to present before EPW today for the first time. I thank you for that.

I am pleased to be with you today to introduce Jeff Smith nominated to serve on the board of the Tennessee Valley Authority. I would like to extend a warm welcome to Jeff and his family.

I also want to welcome the other three board members today, Kenny Allen, A.D. Frazier and Skip Thompson, as well as their families.

I would also like to thank the committee for holding this hearing.

With over 9 million customers, TVA is the largest public power utility in the Nation. It is critical for the region that it remains a low cost, reliable producer of electricity, not only for ratepayers, but also for our State business recruitment efforts.

It is important that TVA has a full and well-qualified board. Without confirmation of these nominees, the board will lose a quorum at the end of the year.

As Deputy Director of Operations for one of the most prestigious research labs in the Country, Oak Ridge National Laboratory, Jeff Smith understands the importance of continuing TVA's mission.

In this position, he gained extensive experience working with TVA as he coordinated with the utility to construct three new substations as part of efforts to modernize the grid at Oak Ridge.

Jeff also has overseen cutting edge research in the energy sector. That knowledge and background will be of great value as our electrical power sector undergoes important changes to support the demands of the growing Tennessee Valley.

In addition to a distinguished career, Jeff has demonstrated a true commitment to east Tennessee through his involvement with multiple community organizations that work to improve the standard of living in the region.

I am confident that Jeff understands the needs of the Tennessee Valley and I believe he will bring valuable experience to the TVA board. I wholeheartedly support Jeff's nomination and the other nominees here today and believe their diverse backgrounds give them the necessary qualifications to support TVA's important mission.

I appreciate you letting me be here today. Thanks for holding this committee hearing. I hope we will swiftly confirm

these nominees.

Thank you.

[The prepared statement of Senator Corker follows:]

Senator Capito. Thank you, Senator Corker.

Senator Alexander will be here at some point and we will recognize him. I will go to the Ranking Member for his statement.

STATEMENT OF THE HONORABLE SHELDON WHITEHOUSE, A UNITED STATES
SENATOR FROM THE STATE OF RHODE ISLAND

Senator Whitehouse. That will give me time to fit in my opening statement while we wait for Senator Alexander.

First, let me particularly welcome Jeff Smith and thank him for his service to our Country at the Oak Ridge National Laboratory. I have had the opportunity to visit Oak Ridge. It is an astonishingly impressive place where astonishingly impressive work is done for the American people.

Thank you, Chairman Capito and members of the subcommittee, who are all here today. Welcome to all of the nominees.

As Chairman Corker said, TVA is the Nation's largest public utility. It is positioned to lead the development of policies to provide affordable and clean energy. Currently, TVA provides electricity to about 9 million people in Tennessee, Alabama, Mississippi, Kentucky, Georgia, North Carolina and Virginia.

In 2015, TVA completed a long term planning process to identify future energy needs. In its plan, TVA stated that it would add between 150 mw to 800 mw of large scale solar by 2023 and between 3150 mw and 3800 mw of large scale solar by 2033. These renewable goals are worth pursuing but the heavy lifting to achieve them has yet to be done.

According to the World Economic Forum, there are more than 30 countries whose renewable energy prices are on par with

fossil fuels, in most cases without subsidies. New auctions are sometimes lower than fossil fuels can match.

Here in the U.S., the renewable energy industry currently employs nearly 700,000 Americans and provides 15 percent of our energy supply. Renewable energy capacity in the U.S. has more than tripled since 2008. In 2016, renewables led the way for new additions onto our energy grid.

We are seeing an explosion of renewable energy deployment and generation across the U.S. The five States that get the largest percentage of their electricity from wind are Iowa, Kansas, South Dakota, Oklahoma and North Dakota.

Texas wind generation hit a record 15 gw in December 2016, meeting 45 percent of the State's power needs, with 18,000 mw installed and another 5,000 mw under construction. In Iowa, MidAmerican is planning to add 2,000 mw of new wind by 2019. Once installed, 85 percent of the energy MidAmerican generates will be renewable.

The nationwide success of renewables shows that outside of Washington and the thrall of the powerful fossil fuel lobby, renewable energy is both a bipartisan issue and a powerful economic engine.

The growth in renewables is driven by innovation and rapidly declining costs, assisted sometimes by State and federal tax incentives, strong State level renewable portfolio

standards, federal policy and guidance from federal agencies like the Federal Energy Regulatory Commission.

FERC, the regional grid operators, and utilities like TVA, will continue to play a major role in the modernization of our grid.

I look forward to hearing from today's nominees about how they plan to carry out TVA's long-term plan and whether they support the ambitious renewable energy goals the agency set in 2015.

Independent regulators are being pressed by this Administration to reject market forces to prop up the fossil fuel industry. Right now, FERC is considering a rule proposed by the Department of Energy to subsidize the coal industry. That rule has drawn nearly universal opprobrium except from the likes of coal industry magnates such as Bob Murray.

The energy market is infested with subsidies for fossil fuels already. Any new rules at FERC should respect first, the Federal Power Act, and not the wishes of well-connected political donors like Murray working behind the scenes to direct Administration energy policy.

Thank you, Madam Chair.

[The prepared statement of Senator Whitehouse follows:]

Senator Capito. I would like to recognize the Chairman of the full committee for a brief statement.

STATEMENT OF THE HONORABLE JOHN BARRASSO, A UNITED STATES
SENATOR FROM THE STATE OF WYOMING

Senator Barrasso. Thank you, Senator Capito, for holding this subcommittee hearing today.

You are presiding over a very important matter on behalf of the full committee, a hearing to consider the nominations of four individuals to serve as members of the Board of Directors of the Tennessee Valley Authority. The significance of these nominations to the TVA region and the American people as a whole is underscored by the interest being demonstrated by our fellow Senate colleagues.

I would like to thank Senator McConnell as well as Senator Corker and Senator Alexander, who will be joining the proceedings shortly, for being with us today to introduce the nominees.

I look forward to the hearing. Thank you, Madam Chairman.

[The prepared statement of Senator Barrasso follows:]

Senator Capito. I would ask the nominees to take your seats.

Two gentlemen have been introduced by their home State Senators. Briefly, I would say Mr. A.D. Frazier is from Georgia. He is the President Emeritus of Georgia Oak Partners, LLC. Welcome. Additionally, we have Mr. James R. Thompson, III of Alabama. He is the Chief Executive Officer of Corporate Billing, LLC. Welcome to you four gentlemen.

As you know, you are the nominees to be members of the Board of Directors of the Tennessee Valley Authority. I want to remind each of you that your full statement has been submitted for the record. I would like to ask that you give a five minute synopsis of your statement and then we will begin questioning.

Mr. Allen, we will begin with you.

STATEMENT OF KENNETH E. ALLEN, NOMINATED TO BE A MEMBER OF THE
BOARD OF DIRECTORS OF THE TENNESSEE VALLEY AUTHORITY

Mr. Allen. Thank you, Madam Chairman.

Good morning, Ranking Member Whitehouse and members of the committee.

My name is Kenny Allen. I am extremely honored to be nominated by President Trump to serve on the Board of Directors of the Tennessee Valley Authority.

I would like to thank Senator McConnell, from my home State of Kentucky, who brought my name to the attention of the President, and gave me a very flattering recommendation earlier which I appreciate greatly.

I have spent my entire life working in the energy sector and believe that reliable, affordable and environmentally sound energy is the very foundation of our standard of living in our great Country.

I believe the Tennessee Valley Authority, by the very nature of its structure and long history, had and will continue to play a major role in the innovation and implementation of energy policy and the production of energy for the future success of our society.

I have led an extremely blessed life. I grew up on a small farm in western Kentucky. I was raised in a strong Christian family and taught a strong work ethic at an early age. I began

my career in the coal mining industry in the mid-1960s and spent 50 years working in various capacities with two mining companies, 40 years with the first and 10 years with the second, before my retirement in June of this year.

I began my mining career as an electrician in a mine in Ohio County, Kentucky. Power for the mine was provided from a new power plant at the time, Paradise Generating facility in neighboring Muhlenberg County.

As I stated, it was a relatively new power plant at the time and was then run by TVA and continues to be operated by TVA.

This was my first experience of many with TVA that my career would bring. My fascination and interest in electricity was fueled by the opportunities afforded me working at the mine on large electric machines.

As I worked and self-schooled myself, I was able to advance in my profession. In 1973 I became the chief electrician at one of the largest mines in Western Kentucky. In 1984, I was promoted to the position of chief electrical engineer for the eastern division of the company I worked for and later assumed that responsibility for the entire Midwest for the company.

From there I moved into senior management in the early nineties. Through the years I have served on various State and community boards, commissions, and committees both in civic and

governmental entities such as the Chamber of Commerce Board of Directors, Economic Development Board of Directors, Kentucky Workforce Development Board of Directors, and the Governor's Council of Economic Advisors.

I have been the chairman of the Upper Pond River Conservancy District for the past ten or twelve years, a local conservancy district in my community which I serve. I am Vice Chairman and Commissioner of the Kentucky Reclamation Guaranty Fund.

The early experiences in my career not only gave me insight into the mechanics of our Country's vast electrical system; it gave me a great appreciation for all of the many lives and businesses that are touched and involved in the production of the electricity that each American enjoys every day.

My time spent in management gave me a better knowledge of our economy as it relates to business, and the important role our infrastructure plays in our day to day lives and jobs, power supply, roads, waterways, communication, and so forth.

TVA plays an important role, not only in power supply, but also the management of our waterways, transportation and powerline corridors, as well as many acres of beautiful forest lands and lakes that enhance our region.

The time that I have spent serving on both civic and governmental boards, commissions, and committees has

strengthened my ability to deal with the public, and has helped to broaden my thought process beyond conventional thinking regarding some of the things that impact our daily way of life.

I believe that the Tennessee Valley Authority has a responsibility to the region it serves to continue to provide reliable and affordable electricity, to maintain the highest standards with regard to the environment, and to continue to manage all of the resources under their care in a professional and responsible manner.

I look forward to the opportunity to serve on this board, if approved by you, and respectfully ask for your consideration in this nomination process.

Thank you very much.

[The prepared statement of Mr. Allen follows:]

Senator Capito. Thank you, Mr. Allen.

Mr. Frazier.

STATEMENT OF A.D. FRAZIER, NOMINATED TO BE A MEMBER OF THE BOARD
OF DIRECTORS OF THE TENNESSEE VALLEY AUTHORITY

Mr. Frazier. Thank you, Madam Chairman Capito, Ranking Member Whitehouse and distinguished members of the committee.

I would like to thank you for your consideration of my nomination.

My name is A.D. Frazier. I appreciate having been nominated by President Trump and supported by Senators Isakson and Perdue to serve on the Board of Directors of the Tennessee Valley Authority.

It is also an honor because my home is in Mineral Bluff, Georgia, in the North Georgia Mountains. Mineral Bluff is six miles from Lake Blue Ridge, Georgia at the head waters of the Ocoee River. You may have heard of the Ocoee River because of the 1996 Olympic whitewater competition.

When I was chief operating officer of the Atlanta Committee for the Olympic Games, I signed the contract to put whitewater shalom canoeing on the Ocoee. I have never been more grateful for support in my life. We worked closely with TVA to ensure the Ocoee River had the appropriate flow for the whitewater events.

I am proud to say, every river event that was watched by people around the world was made possible because of the dedicated employees of the Tennessee Valley Authority. The

course remains the finest one in the United States and is still visited by athletes from around the world.

Aside from the Olympics, I am honored to be associated with the Tennessee Valley Authority because of its mission of service to improve the lives of the 9 million people of the Tennessee Valley. I live and work among these people every day. I cannot imagine the Appalachian Region without TVA.

As a bit about my professional background, I am President Emeritus of Georgia Oak Partners, a private equity business. My associates and I provide financing tools and resources to help small Georgia companies grow faster.

As president and CEO of INVESCO, Inc., we helped people and companies from around the world to make smart business investment decisions in the United States. When I served as chairman and CEO of Danka Business Systems, we provided technology solutions to businesses in the United States and Europe.

Earlier in my career, I served as chairman of the board of Gold Kist, Inc.; as president and COO of Caremark Rx, Inc.; and as chairman of the board and CEO of the Chicago Stock Exchange.

I served on the compensation committee of Apache Corporation, an upstream independent oil and gas company, for 19 years. I also served on the boards of Gevity, Inc.; Rock Tenn Corp.; and R.J. Reynolds Tobacco Co. In 2010, I chaired a task

force for the Georgia Legislature to examine how tax policy impacts economic development.

My career has required knowledge of topics like strategic planning, executive compensation, asset liability management, risk management, public policy, environmental stewardship, and economic development, all of which are important aspects of TVA leadership.

Speaking of economic development, TVA's efforts in just the last five years have helped to increase the number of companies that have decided to invest in the region, 418,000 jobs since 2011 and \$48 billion in commitment of capital.

I am confident my business experience has prepared me for an opportunity to serve as a member of this board. I firmly believe in TVA's commitment to do the right things for the region, to provide reliable electric power, to be responsible managers of public lands and water, and to fulfill its mission to make life better for all those who live in the region, as I do, through its economic development efforts.

Madam Chairman and members of the committee, I welcome this opportunity to be considered and respectfully request your support of my nomination.

Thank you.

[The prepared statement of Mr. Frazier follows:]

Senator Capito. Thank you, Mr. Frazier.

Mr. Smith.

STATEMENT OF JEFFREY SMITH, NOMINATED TO BE A MEMBER OF THE
BOARD OF DIRECTORS OF THE TENNESSEE VALLEY AUTHORITY

Mr. Smith. Chairman Capito, Ranking Member Whitehouse, and other members of the committee, thank you for the opportunity to appear before you today.

I am honored to have my wife and two of my three daughters here to support me.

My name is Jeffrey W. Smith and I am the Deputy for Operations at Oak Ridge National Laboratory. I am honored to have been nominated for this opportunity.

In 1999, I moved my family to east Tennessee to take on the role of Deputy for Operations at Oak Ridge National Laboratory. The laboratory consumes significant amounts of power, and as the Chief Operating Officer, I know large amounts of reliable, low cost electricity is important to the missions assigned by the Department of Energy to Oak Ridge.

The laboratory often works with TVA to help recruit new business to the region, and in my role as a senior executive, I have participated in these recruitments and seen first-hand the strength of TVA as driver of economic development.

More personally, our family owns a home on Norris Lake, one of TVA's reservoirs. As a result, I understand the complex dynamic between production, flood management, and recreational use of the water resources under TVA control.

Based on my professional and personal experiences with TVA over the last 18 years while I have been in Tennessee, it is my belief that to successfully fulfill its mission to improve the quality of life for all who live and work in the Valley, TVA must provide clean, reliable, resilient, low-cost power to our homes and businesses, while protecting the waterways we enjoy, and the air we breathe.

Oak Ridge National Laboratory has a longstanding relationship with the Tennessee Valley Authority, going all the way back to the 1940s and the Manhattan Project. The Manhattan Project needed a site with ample fresh water and access to tremendous amounts of power.

Sixteen miles downstream from TVA's Norris Dam, a site was selected to be the home of what is known as the secret city. That city would produce the nuclear materials that would accelerate the end of World War II and help win the Cold War. Simply put, if it had not been for TVA, there would be no Oak Ridge National Laboratory. I am grateful for that.

During my 18 years at the laboratory, I have had the privilege to lead a \$400 million modernization effort that has been instrumental in transforming the laboratory with the help of TVA.

I oversee the day to day operations of an organization with a \$1.4 billion annual operating budget, we entertain over 5,000

researchers and guests every day at the laboratory, and maintain the infrastructure of a small city.

Oak Ridge National Laboratory operates one of two Department of Energy nuclear reactors. Granted the High Flux Isotope Reactor at Oak Ridge is only 1/10th the scale of today's commercial power reactors such as those in the TVA fleet, but responsibility for this reactor has taught me something about the importance of a strong nuclear safety culture.

I have also had the opportunity to be involved with TVA in several economic development recruitments in which the laboratory has partnered with the State of Tennessee and local municipalities to attract new companies.

I can tell you that low cost, clean, and clean comes up more and more often these days, and reliable power is always a consideration in site selection. My personal experience tells me TVA is dedicated to working with local and State governments to encourage economic development and create jobs in the region. This is something that I will continue to support.

I have had a longstanding relationship with Battelle, a not-for-profit company that specializes in managing several national laboratories. I have served on the governing boards for the Pacific Northwest National Laboratory, the Brookhaven National Laboratory, the Idaho National Laboratory, and the National Renewable Energy Laboratory.

As a result, I have been involved in the recruitment and selection of several laboratory directors, the CEO of these organizations. If there should be a change in leadership at TVA during my appointment, I believe I can add something to that process through those experiences.

I have interacted with TVA as an industrial user, as a partner in infrastructure expansion, and to promote economic development. These engagements have given me useful insight into the breadth and depth of TVA's operations, and its importance to the region.

I believe my background and experience has prepared me for the challenge and responsibility of joining the TVA board. If confirmed, I am committed to working with my fellow board members and TVA staff to ensure that TVA continues to fulfill its mission to serve the people of the Tennessee Valley.

I appreciate your consideration of my nomination and thank you for the opportunity to be here today.

[The prepared statement of Mr. Smith follows:]

Senator Capito. Thank you.

Mr. Thompson.

STATEMENT OF JAMES R. THOMPSON, III, NOMINATED TO BE A MEMBER OF
THE BOARD OF DIRECTORS OF THE TENNESSEE VALLEY AUTHORITY

Mr. Thompson. Good morning, Chairman Capito, Ranking Member Whitehouse, and distinguished members of the Committee.

I am honored to have been nominated to serve on the Tennessee Valley Authority Board of Directors. I also very much appreciate the support of Senator Shelby and Senator Strange of my home State of Alabama.

I am also glad to have my wife, Margie, here with me this morning.

My relationship to the Tennessee River is probably fairly unique among potential board members. As a young person growing up in north Alabama, I spent countless hours on the Tennessee River waterskiing with friends.

As a father, some of my most cherished memories are of time spent on the river with my family, particularly time spent fishing with my two sons as they grew up. Today, as a grandfather, I'm now blessed to be able to introduce my grandchildren to the unique beauty of the Tennessee River and the recreational opportunities that it affords.

For this, TVA's focus on environmental stewardship and flood control deserves much of the credit.

My parents moved our family to the Tennessee Valley in 1963, when I was four years old. My father was fresh out of the

Navy and had taken a job with NASA at Marshall Space Flight Center in Huntsville.

As a result, I have lived and worked almost my entire life within a couple of miles of the Tennessee River. It defines our region of the Country, and TVA's influence on the economy and quality of life in its service area cannot be overstated.

For the past six years, I have had the privilege of serving on the Board of Directors of Decatur Utilities, which is TVA's second largest distributor partner in Alabama, which is TVA's second largest State. Decatur Utilities serves the power needs of roughly 30,000 customers.

In this role as a board member, I have developed a new appreciation for TVA and its unique relationship with its distributors. I have also developed a new appreciation for the importance of reliable, competitively priced power to the residents and businesses of our region.

As our electricity provider, TVA has been an exemplary partner in the economic development efforts of our region of Alabama. The business that I currently run is a nice example.

Our company provides credit and financial services for small trucking companies, body shops, truck and auto dealers throughout the Country. Any disruption in our electricity has the potential to cut off funding for our customers and significantly disrupt their operations.

Thanks in part to having TVA as our generator of power, our company has a predictable and reliable source of electricity and an attractive region of the Country to which we can attract employees. As a result, today we have grown to employ 68 people versus 38 when we purchased the company in 2009. TVA is a friend to small business just as much as it is to large industrial customers.

My primary role on the Decatur Utilities Board has revolved around my financial training and background. I envision using this skill set on the TVA Board, if confirmed. I have extensive experience with and appreciation for budgets, proper debt structure, and financial discipline and soundness. Given its unique ownership and structure, I believe these considerations are paramount in the proper management of TVA as it carries out its mission.

One final point I would like to make is my firm belief in the importance of competent board members playing their role in setting the mission of an organization, then empowering competent management to execute on that mission. In my career, I have been on both sides of that relationship, board member and management.

I have seen very talented boards that work well together and have an excellent working relationship with management. I have also seen boards that either do not have members with the

appropriate skill set or do not know the proper role of a board member.

Proper board interaction among the members and with management is essential for any organization to be successful. If confirmed, I intend to bring this same mindset to the TVA Board.

Thank you for your time and consideration.

[The prepared statement of Mr. Thompson follows:]

Senator Capito. Thank you all very much. I appreciate your opening statements.

I will recognize myself for five minutes of questioning.

I want to start with you, Mr. Smith, on the nuclear issue. You mentioned in your statement that you have quite a bit of experience in the field of nuclear energy. The TVA Watts Bar Unit 2 is the first new nuclear plant to start up in over 30 years. As you know, across the Country a lot of these are closing. As a matter of fact, in South Carolina, they just ceased construction of a new nuclear facility.

How do you envision TVA's nuclear power generation in the future looking out say 10 or 20 years?

Mr. Smith. Thank you, Madam Chairman.

I think nuclear is an important part of the generation mix that TVA needs to continue to supply to the region. TVA should be commended, in my opinion, for successfully starting up Watts Bar Unit 2. As you indicated, that has not happened very often in the U.S. recently.

We tend to be struggling right now as a Country in terms of delivering new nuclear generation plants. I am not sure I understand all the reasons behind that but I can see TVA being an important provider of power generated for nuclear assets for a long time into the future.

Senator Capito. I would comment that, on a bipartisan

basis, the full committee has moved forward on some reforms in the nuclear power area to make the next generation of nuclear facilities more agile from the regulatory perspective and also from the environmental and safety perspectives as well. I think that is something TVA could probably look forward to as part of their portfolio.

Mr. Allen, obviously I know a lot about coal being from the State of West Virginia, and obviously you do too. TVA has retired many coal plants. I think by the beginning of 2018, 59 coal-fired plants will have been retired.

I have the same kind of question I asked Mr. Smith. How do you envision the baseload capacity that coal brings as being part of TVA's energy mix, to bring that affordable energy to all the millions of customers?

Mr. Allen. Madam Chairman, I appreciate the question.

Yes, I have been involved in the coal industry for five decades and I am very proud of that fact, but I also recognize the changes in our environment and I recognize the changes in our culture across the Country. TVA has done a great job with diversity in their supply.

As you know, coal has declined as part of the generation mix. I think moving forward we have to be very cognizant of our environment, of our surroundings and how we address all those issues.

I believe in good, old American ingenuity to solve problems. I think we are problem solvers. We have proven that by the great electrical system that we have had in this Country for most of my life. I think we will continue to do that by using economic and technological data to make sound, responsible decisions.

Senator Capito. Thank you.

I would also mention that the Ranking Member and I are on a bill together to spur more investment in carbon capture, sequestration and utilization. We come from very different backgrounds and I would say slightly different belief systems in some instances, but we are able to bridge the gap here. Again, I think that could hold some promise for future coal utilization in TVA.

The last question is for Mr. Frazier. You obviously have a great background in finance and have worked in this area your entire life. In my opening statement, I mentioned the challenge of pensions. I would say the TVA pension issue is not unique to just TVA. We have this problem in a lot of other areas.

That is a formidable challenge, I think. How are you seeing that? I am not asking you to give a definitive plan forward but just what type of comments you might make about that?

Mr. Frazier. Thank you, Madam Chairman.

The difference in assets and liabilities is now \$8 billion in assets and about \$12.6 billion in liabilities. That is a formidable amount to pay. There are a couple of ways TVA is doing this. One is a return on assets in their pension fund, obviously. I have looked at the asset allocations there.

The second one is contribute contributions out of earnings. In 2017, as you know, they supplemented their \$300 million per year contribution effort with another \$500 million and expect to do the same thing again this year.

Those were about the only two options we have to fix this problem. The good news is this company is generating enough cash flow to make those additions to support assets. I am optimistic about the TVA's ability to fund this thing. It will take years, maybe a decade, but on the present course and speed, they will do it.

Senator Capito. Thank you.

Senator Whitehouse.

Senator Whitehouse. Thank you, Chairman.

If I am not misstating Mr. Allen's response, I think he recognized there are environmental and other costs associated with carbon emissions from coal power plants. I believe, based on the background of the other witnesses, they also already understand that.

My concern has to do with the economics of that problem. I

see it playing out in a couple of areas. One is with respect to carbon capture, utilization and sequestration. We have done some good bipartisan work and have the proposed bipartisan bill with wide support both from the energy industry and the environmental community to try to figure out a way, in the absence of a proper price on carbon, to put a payment of some kind or a benefit of some kind to successful carbon capture, utilization and sequestration.

I think when the President talks about clean coal, that is probably what he has in mind since there is no other rational or logical definition of the term.

The problem that I see is that if you have no revenues available for having successfully captured, utilized or sequestered carbon, it is hard to create a business model that supports carbon capture, utilization or sequestration.

The same problem occurs with respect to the nuclear fleet where you have nuclear power plants that are operating safely, that are providing carbon free energy to the grid, but that get no compensation whatsoever for the carbon free nature of their energy which then are obliged to compete with very often natural gas plants.

We have over and over again seen safely operating nuclear plants have to close because they cannot make an economic test that is unfair in the sense that it gives them no credit for the

carbon free nature of their power.

Until we solve those pricing problems, we are going to continue to hurt nuclear and continue to see carbon capture, utilization and sequestration die in the crib for want of any economic sustenance.

Let me start with Mr. Smith because I know the extraordinary work that your organization has done on mapping, predicting and quantifying carbon emissions, climate change and weather responses to all of that.

Instead of focusing on the sort of scientific, geological, atmospheric, oceanic merits of climate change, focus on this economic problem of how you keep nuclear plants on a level playing field with natural gas and that competition and how you allow for capture, utilization and sequestration, or other methods of dealing with carbon when there is no price reward for doing those things.

Mr. Smith. Thank you for that question, I think.

The challenge, as you have laid it out from a value pricing perspective, I am not an economics expert but I agree with you completely that the economics today, at some level, do not support what you would think would be a rational approach to some of these problems.

We all enjoy the benefits of nuclear but it is not value-priced, some would say, appropriately. We all think coal is a

reliable resource but we cannot figure out how to do the carbon capture piece.

In that piece, I think there are also some technological advancements that can be made in terms of how we would capture carbon and deal with that in a more economical way.

Senator Whitehouse. To Mr. Allen's point earlier about how good old American ingenuity has been a successful way of solving problems, usually that good old American ingenuity is provoked by a value proposition at the end of the day.

If there is no way to pay somebody for having captured, utilized or sequestered carbon pollution, it is pretty hard to channel that good old American ingenuity into solving that problem, except maybe at a few national labs.

Mr. Smith. Maybe, for example, there could be a pilot demonstration project or something like that. As you know, TVA's charter encourages TVA, in fact mandates, that they be a technological innovator as part of their culture.

You could see TVA trying some different things to see if we cannot move this whole front forward. You could say the same thing in the nuclear space with different reactor technology, small, modular reactors and things like that.

Again, I think TVA has the opportunity to participate in that by charter. It may not be something they deploy widely here in this region after it gets proven. Those are decisions

that would be made as part of the long range energy planning.

I do think TVA can be, if you will, a sandbox for understanding how some of these issues can be played out on a larger scale.

Senator Whitehouse. I very much hoped you would say that and use the TVA that way and I think your ability to model for the rest of the Country. I want you and all of the nominees to know that on these issues of supporting the nuclear fleet and not having these plants have to prematurely shut down and in terms of investing in carbon utilization, sequestration and capture, there has been really good bipartisan work done here.

We may have fights about other issues but those two things have been a place where if you come to us with a sensible proposal, I think you can find bipartisan support. I just wanted to close with that point.

Thank you, Chairman.

Senator Capito. Senator Inhofe.

Senator Inhofe. Thank you, Madam Chair.

Mr. Frazier, in your opening statement, you were very specific in answering a question I was going to ask all four of you. You do not need to answer this one.

The question would have been what do you see as the fundamental duty of the Tennessee Valley Authority to the individuals, talking about the 9 million individuals and

businesses who live in that area of service? You were very specific in your answer.

What would you say, Mr. Allen?

Mr. Allen. Thank you, sir. I think I understand your question.

Senator Inhofe. What benefits are you going to see or do you believe TVA is going to have to the 9 million people in that service area?

Mr. Allen. I think we have to continue to work hard to provide economical and affordable energy for those 9 million people. As I stated in my opening statement, I believe energy is the very foundation of our standard of living. I think it is of utmost importance that we continue to work diligently to provide economical and affordable energy to everyone. There are 3.5 billion people in this world who do not enjoy electricity. We are fortunate.

Senator Inhofe. Do you agree with that generally?

Mr. Thompson. Yes, sir. I would say jobs is a primary importance in TVA's mission, affordable electricity that is reliable, and also managing the environment along the rivers, basins and all that is very important.

Senator Inhofe. I appreciated that in your opening statement, you were the only one who really spent a lot of time talking about the recreational activity that is generated from

the TVA. I think all of you agree that should be in the mix in terms of the benefits that are out there.

Let me pause in my statement here at this point so that Senator Alexander can make his introduction.

STATEMENT OF THE HONORABLE LAMAR ALEXANDER, A UNITED STATES
SENATOR FROM THE STATE OF TENNESSEE

Senator Alexander. That is characteristically courteous of you, Senator Inhofe.

I thank you very much, Madam Chairman, Senator Whitehouse, and Senator Inhofe, thank you for letting me do this.

I am chairing a hearing down the hall, but I wanted to come by and congratulate all of the nominees, and especially to say a word about Jeff Smith. I will put my statement in the record.

The three areas I wanted to mention about Jeff are first, one reason Senator Corker and I recommended him was because of his background in nuclear energy. He is the Deputy Director of the Oak Ridge National Laboratory. He has been that for some time.

Going back to the Manhattan Project, they have a lot of expertise in nuclear energy and the Tennessee Valley Authority built the last new reactor of the last century and the first one of this century, and is headed toward 40 percent of our power in our large, seven-State region, to be coming from nuclear power, which, of course, is clean from sulfur, nitrogen, mercury and carbon. Having someone with that background is very important.

Second, he knows how to manage a large organization. He is deputy director of an organization with a \$1.5 billion budget and 5,000 employees. He has done that well for a long time.

Third, he knows how to bring a large construction project in on time and on budget which has been a problem with some government projects, but not at Oak Ridge National Laboratory. Their Spallation Neutron Source was on time and on budget, actually a little under budget, a \$1.4 billion project, while he was deputy director.

For all these reasons, his expertise in nuclear energy, his background in management of a large facility, and his understanding of large construction projects, he will make an excellent board member for the Nation's largest public utility.

I am grateful to the Senators for giving me an opportunity to come by and express my strong support for him.

Thank you very much.

[The prepared statement of Senator Alexander follows:]

Senator Capito. Thank you, Senator Alexander. I appreciate it.

Senator Inhofe, would you like to resume your questioning?

Senator Inhofe. Yes, I would. I am halfway through my questions but I wanted to pause to be sure Senator Alexander had a chance to make his introduction.

Mr. Allen, as someone who has worked his entire career in one industry, specifically the coal industry, I think you might appreciate a dilemma I found myself in during the last Administration, the Obama Administration.

During that Administration, when I would travel around Oklahoma, constituents would be amazed at the fact that we had a President who was opposed to fossil fuels, coal, oil and gas, and I might add, nuclear.

If you stop and think about the fact that 80 percent of the energy that runs this Country falls into those categories, coal, oil, gas and nuclear. If you extract that, how do you run this machine called America? That is the question I would have.

I think an answer is yes, we do have an all of the above but you have to put the economics in there also. When they talk about the efforts with wind, Oklahoma is one of the five States that generates the most, I suppose you could argue, energy from wind. The Congressional Research Service study shows the wind production tax is the largest energy-related tax expense.

Between the years of 2016 and 2020, it is projected that it would cost the Treasury some \$25.7 billion. That is a consideration.

I would like a response from you as to what are the risks associated with solely relying on renewable energy because there are some who believe that renewable energy is adequate to take care of all our needs.

Let us start with whoever wants to be first. Yes, Mr. Allen.

Mr. Allen. I totally agree with your statement. It is a tremendous problem that we have. There is a divide in this Country on how it should be addressed. I think that is one of the major issues the TVA board needs to confront.

As I stated earlier, TVA has done a good job in diversifying their generation portfolio. They are very fortunate to have a lot of hydro generation which is proven and well established. Some of the others, as you mentioned, wind and solar, we are still learning. I think we have to apply that good old American ingenuity, as I mentioned earlier, to all the above. I think we have to continue to investigate how we clean up fossil fuel.

Senator Inhofe. As a final question to all of you, is there anyone on this panel who believes you can do away entirely with fossil fuels and nuclear and still run the machine called

America? What do you think, Mr. Frazier?

Mr. Frazier. No. I don't believe that.

Senator Inhofe. Thank you, Madam Chair.

Senator Capito. Thank you all very much.

If there are no more questions for today, I do have to ask you all the following questions that we ask of all nominees on behalf of the committee. I am going to ask each of you to give me a verbal okay on this. I sound like the flight attendant on the exit row.

Number one, do you agree, if confirmed, to appear before this committee or designated members of the committee and other appropriate committees of the Congress, and provide information subject to appropriate and necessary security protection with respect to your responsibilities?

Mr. Allen. Yes.

Mr. Frazier. Yes.

Mr. Smith. Yes.

Mr. Thompson. Yes.

Senator Capito. Do you agree to ensure that testimony, briefings, documents and electronic and other forms of information are provided to this committee, its staff and other appropriate committees in a timely manner?

Mr. Allen. Yes.

Mr. Frazier. Yes.

Mr. Smith. Yes.

Mr. Thompson. Yes.

Senator Capito. Do you know of any matters, which you may or may not have disclosed, that might place you in any conflict of interest if you are confirmed?

Mr. Allen. No.

Mr. Frazier. No.

Mr. Smith. No.

Mr. Thompson. No.

Senator Capito. I think that ends that exercise.

If there are no more questions, you may expect members to submit follow up, written questions for the record, called QFR, by the close of business on Thursday, November 30. The nominees shall respond to those questions by close of business Wednesday, December 6.

I would like to thank the nominees for their time and testimony. I would like to state for the record that I intend to support all of you when your nominations come before the committee and on to the floor of the United States Senate.

Thank you for your willingness to serve and thank you for coming today.

The meeting is adjourned.

[Whereupon, at 11:03 a.m., the subcommittee was adjourned.]

