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Mr. Chairman and members of the committee: My name is John McClure, and I am Vice-President and General Counsel of Nebraska Public Power District, which I will sometimes refer to as NPPD. I have spent more than 30 years in my power industry career. I appreciate being able to appear before you today to discuss some of the significant challenges facing the electric utility industry. Everything we do in society, whether it involves commerce, communication, comfort or convenience has one or more crucial ties to the electric system. Consequently, it is imperative to understand the consequences of policies and regulation, since electricity usage impacts everything we do.

I am here today on behalf of the Alliance for Fuel Options, Reliability and Diversity, or AFFORD as we call ourselves. We are a group of consumer owned electric utilities serving in 14 states, and have recently published a white paper which details our concerns. Our message is simple: there is no single option for producing electricity, and due to regional differences and other considerations, public policy should encourage electric utilities to pursue fuel mixes that account for local, regional and national circumstances. A one size fits all energy policy will not work in the electricity sector.

There are far too many unique regional considerations that have shaped energy decisions in the past and will necessarily impact those decisions in the future.

Let me use my own utility as an example. NPPD is primarily a wholesale provider of power supply and transmission services throughout much of Nebraska, especially rural areas and small communities. We are also the retail electricity provider in 80 communities, and are governed by a publicly elected board of directors.

We have a diverse generation mix, especially compared to the fuel mix of many others in our region. Due in large part to the region's proximity to plentiful, low cost, low-sulfur Wyoming coal, it is a popular fuel choice. Several large and small utilities in our region receive 75 percent or more of their electricity from coal fired generation. At NPPD, approximately 60 percent of our generation is from coal with nuclear, hydro, wind and natural gas providing almost all the remainder of our generation mix.

During the past two years, NPPD has been planning for the future. We began with a customer and stakeholder process which was designed to promote dialogue with our customer base and others about the choices and consequences of power supply and demand side options. We found customers expect the following from their power supplier: affordability, high reliability, fast outage restoration, and environmental stewardship. Achieving all of these is no simple task, as some choices may serve one or more of the criteria, but may challenge others.

The final product of this effort will be an Integrated Resource Plan, and must consider numerous areas of uncertainty facing our industry. Some of the key drivers of the uncertainty include future regulatory requirements for fossil fuel, nuclear and renewables. One specific uncertainty involves the future price of carbon emissions. As you well know, a number of utilities have decided to close older, smaller coal plants because the known cost of more stringent environmental requirements and the unknown cost of future carbon restrictions is deemed either too high or too uncertain to continue with coal.

You also know that natural gas is the current fuel of choice for new generation. Its environmental characteristics are superior to coal and its recent widespread development has created a plentiful near term supply with attractive pricing.

While the supply and price of natural gas has been a game changer and is a critical part of a diverse fuel mix, it is not the silver bullet. What many do not realize is coal remains a more competitively priced fuel for certain regions of the country due to the proximity of supply, especially in the central and western U.S. Natural gas may be a great option if your power plant is located near a robust network of gas pipelines, but unfortunately many of the existing coal plants do not have access to pipeline capacity to convert from coal to natural gas.

My tenure in this industry has taught me there are no simple solutions to building a long-term power supply mix, that fuel choices go in and out of vogue, and that a diverse mix of fuel is important to deal with the economic and policy swings that can happen over a longer period of time. For example, in the 1970's, Congress restricted the use of natural gas as a boiler fuel for electricity because of the fear we were running out of it. Today, the perspective is much different. Coal has been a mainstay of our Nation's generating mix, and the Energy Information Administration continues to show coal as an important part of a diverse fuel mix for the coming decades.

As the owner and operator of a nuclear power plant, we believe this too must be part of our Nation's mix. Prior to the events in Fukushima nearly two years ago, a nuclear renaissance was predicted. Nuclear remains an important part of a carbon free generation mix, but significant expansion is now less likely and again reinforces the need for diversity.

Wind and solar receive considerable attention, and like many other fuel choices are significantly impacted by natural regional attributes and infrastructure availability. Some of the areas with the greatest wind potential are relatively remote with limited transmission infrastructure.

In summary, the electric industry is facing substantial uncertainty as we try to plan for the future. We are one of the most capital intensive industries. As we invest in infrastructure and make commitments to assets with operating lives of 30 years and longer, we need more regulatory certainty, although mandating exactly what a fuel mix must look like takes away creativity and ignores the unique regional realities I discussed earlier. Hopefully we can find the right balance for the benefit of our customers. Thank you.