



**Memorandum from the Office of the Inspector General**

August 5, 2019

Kevin D. York, MPM 1M-M

**REQUEST FOR MANAGEMENT DECISION – EVALUATION 2019-15627-01 –  
ORGANIZATIONAL EFFECTIVENESS – HYDRO GENERATION, SOUTH WESTERN  
REGION**

Attached is the subject final report for your review and management decision. Your written comments, which addressed your management decision and actions planned or taken for three of the recommendations, have been incorporated into the report. Please advise us of your management decision in response to the remaining recommendation within 60 days from the date of this report. In accordance with the Inspector General Act of 1978, as amended, the Office of the Inspector General is required to report to Congress semiannually regarding evaluations that remain unresolved after 6 months from the date of report issuance.

If you have any questions or wish to discuss our findings, please contact Amy R. Rush, Evaluations Manager, at (865) 633-7361 or Lisa H. Hammer, Director, Evaluations – Organizational Effectiveness, at (865) 633-7342. We appreciate the courtesy and cooperation received from your staff during the evaluation.

David P. Wheeler  
Assistant Inspector General  
(Audits and Evaluations)  
WT 2C-K

ARR:KDS

Attachment

cc (Attachment):

TVA Board of Directors  
Clifford L. Beach Jr., WT 7B-K  
Robert B. Casey, PKH 1A-PDT  
Allen A. Clare, LP 2K-C  
Susan E. Collins, LP 6A-C  
Robertson D. Dickens, WT 9C-K  
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OIG File No. 2019-15627-01



Office of the Inspector General

# *Evaluation Report*

To the Senior Manager,  
Regional Hydro Generation,  
South Western

## **ORGANIZATIONAL EFFECTIVENESS – HYDRO GENERATION, SOUTH WESTERN REGION**

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Evaluation Team  
Amy R. Rush  
Jessica L. Monroe

Evaluation 2019-15627-01  
August 5, 2019

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- A. TVA VALUES AND LEADERSHIP COMPETENCIES
- B. MEMORANDUM DATED JULY 30, 2019, FROM KEVIN D. YORK TO DAVID P. WHEELER



# Evaluation 2019-15627-01 – Organizational Effectiveness – Hydro Generation, South Western Region

## EXECUTIVE SUMMARY

### Why the OIG Did This Evaluation

Organizational effectiveness, as defined in this evaluation, is the ability of an organization to achieve its mission and goals. To achieve and sustain organizational effectiveness, there should be alignment between strategy, team engagement, and operational performance. Specifically, values and behaviors that drive good performance should be embedded throughout the organization's business processes and exemplified by the individuals that manage and work in the organization. The Tennessee Valley Authority's (TVA) 2018 Risk Assessment Summary recognized that (1) workforce strategy and management risks<sup>i</sup> and (2) workplace environment risks<sup>ii</sup> could negatively affect the performance environment.

Due to the importance of alignment between strategy, team engagement, and operational performance, the Office of the Inspector General is conducting organizational effectiveness evaluations of business units across TVA. As requested by Hydro Generation management, we assessed Hydro Generation, South Western Region (Hydro SW), which is an organization under Power Operations (PO). The objective of this evaluation was to identify strengths and risks that could impact Hydro SW's organizational effectiveness.

### What the OIG Found

During the course of our evaluation, we identified strengths that positively affected the day-to-day activities of Hydro SW personnel. These strengths included (1) organizational alignment, (2) positive interactions within and outside of Hydro SW, (3) effective leadership, and (4) positive ethical culture. We also identified risks that could impact Hydro SW's ability to meet its responsibilities in support of the PO mission. These included risks related to (1) inadequate resources including training, materials, and staffing and (2) perceptions of upper management support including spending and lack of hydro experience.

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<sup>i</sup> Workforce strategy and management risks include failure to maintain key leadership positions, ineffective talent management, and performance management shortfalls.

<sup>ii</sup> Workplace environment risks include lack of organizational adaptability, lack of inclusion and employee engagement, and inappropriate workplace incidents.



# Evaluation 2019-15627-01 – Organizational Effectiveness – Hydro Generation, South Western Region

## EXECUTIVE SUMMARY

Based on our observations and using TVA’s Business Operating Model, we assessed Hydro SW’s level of risk in the areas of alignment, execution, and engagement. We determined:

- Alignment risk is rated low based on alignment of employee goals with those of regional management as well as TVA’s Values and Competencies. Performance goals also aligned to Hydro Generation initiatives, which supported the PO and TVA missions.
- Engagement risk is low. Employees commented favorably on interactions with each other as well as with others inside and outside of their organization. Employees also commented positively on interactions with their first-line leaders, including communication, trust, accountability, and recognition. In addition, most employees indicated the existence of a positive ethical culture.
- Execution risk is rated medium because of concerns related to inadequate resources, including training, materials, and staffing levels. In addition, employees expressed concerns related to spending and upper management’s lack of hydro experience.

	Low Risk	Medium Risk	High Risk
<b>Alignment</b>	X		
<b>Engagement</b>	X		
<b>Execution</b>		X	

### What the OIG Recommends

We recommend the Senior Manager, Regional Hydro Generation, South Western, take actions to address concerns related to training, materials, staffing, and upper management.

### TVA Management’s Comments

TVA management described actions planned or taken to address three of our recommendations. Management did not provide an action with regard to perceptions of upper management experience. See Appendix B for TVA management’s complete response.

### Auditor’s Response

We agree with management’s planned actions and actions taken.

## BACKGROUND

Organizational effectiveness, as defined in this evaluation, is the ability of an organization to achieve its mission and goals. To achieve and sustain organizational effectiveness, there should be alignment between strategy, team engagement, and operational performance. Specifically, values and behaviors that drive good performance should be embedded throughout the organization's business processes and exemplified by the individuals that manage and work in the organization.

In recent years, the Tennessee Valley Authority (TVA) has faced internal and external economic pressures and implemented cost-cutting measures in an attempt to keep rates low and reliability high while continuing to fulfill its broader mission of environmental stewardship and economic development. TVA's 2018 Risk Assessment Summary recognized that (1) workforce strategy and management risks<sup>1</sup> and (2) workplace environment risks<sup>2</sup> could negatively affect the performance environment.

Due to the importance of alignment between strategy, team engagement, and operational performance, the Office of the Inspector General is conducting organizational effectiveness evaluations of business units across TVA. As requested by Hydro Generation management, we assessed Hydro Generation, South Western Region (Hydro SW), which is an organization under Power Operations (PO). The mission of PO is to provide low-cost, reliable coal, gas, and hydro generation while keeping employees safe and ensuring compliance with environmental regulations.

Hydro Generation currently operates 29 conventional hydroelectric dams and a pumped storage facility, which include 113 generating units, located throughout the Tennessee Valley. These units, including the Raccoon Mountain Pumped Storage Facility, account for 5,182 megawatts of net dependable capacity.<sup>3</sup> Of that, Hydro SW generation accounts for approximately 30 percent of the capacity.

Hydro SW is comprised of five hydro plants, including Guntersville Hydro, Kentucky Hydro, Pickwick Hydro, Wheeler Hydro, and Wilson Hydro. Each plant in the region is staffed by Hydro Technician levels III and IV and laborers who report to a plant manager responsible for operation and maintenance activities at their respective hydro generating plants. Responsibilities of Hydro IV technicians include performing plant unit startups, monitoring, and shutdowns, as well as preparing and implementing clearances<sup>4</sup> while ensuring work is performed in

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<sup>1</sup> Workforce strategy and management risks include failure to maintain key leadership positions, ineffective talent management, and performance management shortfalls.

<sup>2</sup> Workplace environment risks include lack of organizational adaptability, lack of inclusion and employee engagement, and inappropriate workplace incidents.

<sup>3</sup> Net dependable capacity is the amount of power a dam can produce on an average day, minus the electricity used by the dam itself.

<sup>4</sup> Clearances are established when energy sources including electrical, mechanical, and/or hydraulics have been isolated and tagged before servicing, maintenance, or modifications.

accordance with environmental and safety requirements. Individuals serving in these roles may also supervise or direct the work of other technicians. Technician level III employees are responsible for corrective, preventive, and emergency maintenance activities as well as electrical and mechanical operation of hydro systems. Laborers are responsible for general labor work including maintaining cleanliness and order of the facility. Hydro SW personnel responsible for supporting the organization include engineers and business support representatives who report to the regional manager.

Hydro SW, along with other hydro regions, tracks metrics related to people, operations, finance, and stewardship. Specifically, people-related metrics include number of injuries, number of human performance events, and number of observations performed. Metrics related to operations include equivalent forced outage rate,<sup>5</sup> equivalent availability factor,<sup>6</sup> and the number of unit trips. Capital, nonfuel operations and maintenance, and total spending, as well as changes in nonfuel inventory, comprise finance metrics. Stewardship metrics include those related to environmental compliance and continuous improvement activities.

As of January 24, 2019, Hydro SW had 79 employees, including 1 regional manager, 4 hydro plant managers,<sup>7</sup> 7 employees at Kentucky Hydro, 9 employees at Guntersville Hydro, 8 employees at Pickwick Hydro, 17 employees at Wheeler Hydro, 26 employees at Wilson Hydro, and 7 support personnel.

## OBJECTIVE, SCOPE, AND METHODOLOGY

At the request of Hydro Generation management, we assessed Hydro SW's organizational effectiveness. The objective of this evaluation was to identify strengths and risks that could impact Hydro SW's organizational effectiveness. We assessed operations as of April 2019 and culture at the time of our interviews, which occurred February through March 2019. To complete the evaluation, we:

- Reviewed PO and Hydro Generations' fiscal year (FY) 2019 through FY2021 business plans and TVA's FY2019 through FY2021 Business Plan Summary to gain an understanding of Hydro Generations' goals and initiatives to determine whether goals and initiatives aligned with those of PO and TVA.
- Reviewed TVA values and competencies (see Appendix A) for an understanding of cultural factors deemed important to TVA.

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<sup>5</sup> This is defined as the percentage of generation lost due to forced outages with respect to the total generation capability for a period that a unit is not planned to be offline. Forced outages are unplanned outages caused by equipment failures or problems.

<sup>6</sup> Equivalent availability factor reflects the percentage of available capacity within a defined period.

<sup>7</sup> A vacancy existed in the Kentucky Hydro plant manager position.

- Reviewed select (1) TVA and PO Standard Programs and Processes and other documentation to gain an understanding of processes and (2) laws and regulations to gain an understanding of the requirements of the organization.
- Examined financial information for FY2018 and FY2019, through March, to gain understanding of the operations and maintenance expenditures that could affect the work environment.
- Examined (1) FY2019, through March, quarterly safety meeting minutes for the region and (2) April 2019 safety meeting minutes for each of the five plants to gain understanding of the work environment related to safety.
- Conducted individual interviews with 72 employees, including management,<sup>8</sup> and analyzed the results to identify themes related to strengths and risks that could affect organizational effectiveness.
- Analyzed FY2018 performance documentation for personnel<sup>9</sup> to identify alignment with respective management and organizational goals and/or initiatives.
- Interviewed Safety and Environmental personnel who support Hydro SW to identify strengths and risks that could affect organizational effectiveness.
- Assessed the overall effectiveness of Hydro SW in the following areas, as included in TVA's Business Operating Model:
  - Alignment – How well the organization coordinates the activities of its many components for the purpose of achieving its long-term objectives—this is grounded in an understanding of what the organization wants to achieve, and why.
  - Engagement – How the organization achieves the highest level of performance from its employees.
  - Execution – How well the organization achieves its objectives and mission.

This evaluation was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

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<sup>8</sup> Eight individuals either declined an interview or were not available for interview. We also interviewed one individual who was selected on February 4, 2019, to fill a plant manager position.

<sup>9</sup> We excluded performance management documentation for trades and labor personnel. According to TVA documentation, effective calendar year 2018, performance management documentation for trades and labor employees was discontinued.

## OBSERVATIONS

During the course of our evaluation, we identified strengths that positively affected the day-to-day activities of Hydro SW personnel. However, we also identified risks that could impact Hydro SW's effectiveness and its continued ability to meet its responsibilities in support of PO's mission.

## STRENGTHS

During the course of our interviews and data analyses, we identified strengths that positively affected the day-to-day activities of Hydro SW personnel. These strengths included (1) organizational alignment, (2) positive interactions within and outside of Hydro SW, (3) effective leadership, and (4) positive ethical culture.

### **Organizational Alignment**

Our review of FY2018 performance management documentation for management and employees revealed that performance goals were consistent with goals of the individual's regional management as well as TVA's Values and Competencies. Performance goals also aligned to hydro initiatives, which supported the PO and TVA missions. Most individuals indicated they understood how their jobs aligned with either the plant, hydro, or TVA goals and/or the TVA mission.

### **Positive Interactions Within and Outside of Hydro SW**

The majority of employees interviewed provided positive comments related to interactions with coworkers. In addition, most individuals indicated they trusted their coworkers to do their jobs well. Most individuals indicated positive interactions with other departments within the organization and several individuals specifically described meetings with their peers as positive experiences. Most employees also noted engagement with others as a driver to positive morale within the organization.

Most individuals indicated that interactions with others outside of their organization were positive. Several personnel provided examples of having support and/or positive communication with individuals in other organizations, such as Safety Operations and/or Environmental Operations.

### **Effective Leadership**

For most individuals, in Hydro SW, the plant manager is their first-line leadership. The regional manager serves as first-line leadership for other individuals. Most individuals indicated having positive relationships with their first-line leaders. Specifically, most employees provided positive comments pertaining to first-line leadership in the areas of communication, trust, accountability, and recognition. In addition, most employees indicated they felt positive about reporting concerns or sharing a differing opinion with their first-line management.

## Positive Ethical Culture

Employees and management are charged with conducting business according to the highest ethical standards and seeking to earn the trust of others through words and actions that are open, honest, and respectful. The majority of employees interviewed indicated there is a positive ethical culture.<sup>10</sup> A few individuals also provided examples of instances where they believed their coworkers did the right thing when no one was looking.

## RISKS

During the course of our evaluation, we identified risks that could hinder Hydro SW's effective execution and its continued ability to meet its responsibilities in support of the PO mission. These were comprised of risks related to (1) inadequate resources including training, materials, and staffing and (2) perceptions of upper management support including spending and lack of experience.

### Inadequate Resources

While most employees indicated having the necessary tools to complete their work, we identified potential impediments to effective execution of the PO mission. These included inadequate resources related to training needs, materials, and staffing.

### Training Needs

Hydro Generation utilizes a multi-skilled workforce where employees have multiple skillsets to perform job responsibilities. As stated previously, responsibilities of hydro technicians include performing plant unit startups, monitoring, and shutdowns, as well as preparing and implementing clearances, and electrical and mechanical operation of hydro systems. When asked whether they had the training necessary to perform their jobs, most employees indicated having concerns related to training or expressed an interest in receiving additional training.

Specifically, several employees indicated a need for continuing education or refresher training in technical areas. In addition, several employees indicated training related to programs or processes, such as Maximo,<sup>11</sup> Microsoft Excel and/or the clearance writing process, could help them in performing their job duties. While Hydro management and some employees indicated there had been training related to governors,<sup>12</sup> several employees indicated that additional training on new equipment or technical skills would be beneficial.

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<sup>10</sup> Ethical culture is the "shared concept of right and wrong behavior in the workplace that reflects the true values of the organization and shapes the ethical decision making of its members" as defined in S. P. Robbins & T. A. Judge, *Organizational Behavior*, 18<sup>th</sup> edition, 2019.

<sup>11</sup> Maximo is an asset management lifecycle and workflow process management system.

<sup>12</sup> Devices automatically regulating the supply of fuel, steam, or water to a machine, ensuring uniform motion or limiting speed.

### Inadequate Materials

Several employees across multiple plants expressed concerns with having necessary materials, including equipment and supplies to perform their work. Specifically, some employees described frustrations with timely receipt of materials from an outside vendor. Some employees also expressed concerns with the ordering and/or tracking process for obtaining equipment and parts.

### Insufficient Staffing Levels

Several employees at multiple plants expressed concerns with the level of staffing for their site. Currently, management has filled some vacancies with staff augmented contractors; however, several individuals indicated a need for increasing the number of Hydro IV technician positions and some indicated vacancies in the Hydro III technician positions. We confirmed that vacancies exist within Hydro SW and management described plans for addressing those vacancies.

Several years ago, Hydro Generation became a part of PO. A few employees indicated their work has become more procedural and some employees indicated that PO procedures were more stringent than Hydro procedures or were not applicable to Hydro Generation. Currently, there is a Hydro Generation procedure improvement team in place to address issues, but a few individuals indicated they do not have the staffing to support the work necessary for changing procedures. As of April 2019, Hydro SW's people-related metrics reflected no issues related to safety; however, a few individuals indicated increased safety risk in relation to staffing levels. Management indicated they are working on a long-term solution to address staffing concerns.

### **Perceptions of Upper Management Support**

Several employees at various plants indicated concerns with spending in Hydro Generation. Specifically, several employees indicated that TVA's hydro assets requires additional funding and/or commented that current funding was insufficient to address concerns. In addition, some employees indicated a risk related to budgeting and/or spending in relation to safety concerns. As stated previously, Hydro SW's safety-related metrics as of April 2019 reflected no issues related to safety; however, Hydro SW did not meet its equivalent availability factor, which is an indicator of asset reliability. Metrics did indicate that Hydro SW had exceeded its April 2019 fiscal year-to-date target for spending on nonfuel operations & maintenance. While we did not test the adequacy of the budget, this metric reflects that monies are being spent to address operations and maintenance issues.

In addition, while most employees did not provide comments regarding their relationship with upper management, several employees at various plants indicated their belief that a lack of experience by upper management in Hydro Generation was a risk for the organization. Comments included concerns that upper management had never worked in the hydro organization. Several individuals indicated their belief that lack of hydro experience or knowledge could impact upper management's ability to support the site effectively.

## **CONCLUSION**

Because Hydro SW is responsible for approximately one third of Hydro Generation's capacity, it is a necessary component in assisting PO with achievement of its mission of low-cost, reliable generation. While interviews with employees revealed the existence of organizational alignment, positive interactions within and outside of Hydro SW, effective leadership, and ethical culture, execution-related improvements could be made to aid in achievement of the PO's mission. Specifically, providing additional training, increasing material availability and addressing staffing concerns could improve operations and safety at the dams. Furthermore, addressing employee perceptions related to spending and upper management experience could increase trust within the organization.

Based on our observations and using TVA's Business Operating Model, we assessed Hydro SW's level of risk in the areas of alignment, execution, and engagement. We determined:

- Alignment risk is rated low based on alignment of employee goals with those of regional management as well as TVA's Values and Competencies. Performance goals also aligned to Hydro Generation initiatives, which supported the POs' and TVA missions.
- Engagement risk is low. Employees commented favorably on interactions with each other as well as with others inside and outside of their organization. Employees also commented positively on interactions with their first-line leaders, including communication, trust, accountability, and recognition. In addition, most employees indicated the existence of a positive ethical culture.
- Execution risk is rated medium because of concerns related to inadequate resources, including training, materials, and staffing. In addition, employees expressed concerns related to spending and upper management's lack of hydro experience.

## **RECOMMENDATIONS**

We recommend the Senior Manager, Regional Hydro Generation, South Western:

1. Assess training needs within the organization and take actions as necessary.

**TVA Management's Comments** – TVA management will continue to focus on Hydro SW's FY2019 Power to Win people initiative including (1) identification of leadership training needs for Technician IV and plant managers, (2) clarification of roles and responsibilities, (3) addressing training needs, and (4) completion of an instrumentation pilot class the week of July 24, 2019.

**Auditor's Response** – We agree with management's planned actions and actions taken.

2. Address concerns related to timely receipt of materials, including ordering and tracking of materials.

**TVA Management's Comments** - TVA management will engage Asset Support and evaluate current planning and scheduling to ensure material is available when needed.

**Auditor's Response** - We agree with management's planned actions.

3. Evaluate staffing levels and associated safety-related risks in light of current staffing levels and take actions as necessary.

**TVA Management's Comments** - TVA management is working together on a work management initiative that will include an evaluation of work load and associated resource levels. Following that assessment, a resource management strategy will be developed.

**Auditor's Response** - We agree with management's planned actions.

4. Address concerns with upper management related to plant spending and perceptions of upper management experience.

**TVA Management's Comments** - TVA management has communicated the capital spend plan for the previous 5 years to plant personnel and management. In addition, the Hydro SW organization developed a major maintenance strategy where asset maintenance will receive nominal capital funding to address equipment degradation issues. Management did not provide an action with regard to perceptions of upper management experience.

**Auditor's Response** - We agree with management's actions taken related to addressing plant spending concerns.

<b>TVA Values</b>	
Safety	We share a professional and personal commitment to protect the safety of our employees, our contractors, our customers, and those in the communities that we serve.
Service	We are privileged to be able to make life better for the people of the Valley by creating value for our customers, employees, and other stakeholders. We do this by being a good steward of the resources that have been entrusted to us and a good neighbor in the communities in which we operate.
Integrity	We conduct our business according to the highest ethical standards and seek to earn the trust of others through words and actions that are open, honest, and respectful.
Accountability	We take personal responsibility for our actions, our decisions, and the effectiveness of our results, which must be achieved in alignment with our company values.
Collaboration	We are committed to fostering teamwork, developing effective partnerships, and valuing diversity as we work together to achieve results.

### **TVA Leadership Competencies**

- Accountability and Driving for Results
- Continuous Improvement
- Leveraging Diversity
- Adaptability
- Effective Communication
- Leadership Courage
- Vision, Innovation, and Strategic Execution
- Business Acumen
- Building Organizational Talent
- Inspiring Trust and Engagement

July 30, 2019

David P. Wheeler, WT 2C-K

REQUEST FOR COMMENTS – DRAFT EVALUATION 2019-15627-01 – ORGANIZATIONAL  
EFFECTIVENESS – HYDRO GENERATION, SOUTH WESTERN REGION

An Organizational Effectiveness review of the hydro operating regions and support organizations was conducted by the Inspector General's office. The Hydro Organization utilizes its Power to Win plan to measure performance in specific focus areas. Where performance does not meet targets or expectations, measurable action plans are developed to close gaps. These action plans are reviewed monthly, as well as at the fiscal year end, and actions are adjusted as needed to achieve desired results. These plans were also reviewed during the organizational effectiveness reviews. The following is in response to your memorandum dated July 1, 2019:

**RECOMMENDATIONS**

We recommend the Senior Manager, Regional Hydro Generation, South Western:

1. Assess training needs within the organization and take actions as necessary.

Response Action

Continue to focus on Hydro's FY19 "Power to Win" people initiative that includes the following:

- Identification of leadership training needs for Tech IVs and Plant Managers – and communicate during peer team meetings
- Clarify roles and responsibilities for Tech IVs, Tech IIIs, Tech IIs, HSS and PMs
- Continue to work with Technical Training to address training needs for Plant employees
- Completed Instrumentation "Pilot" class the week of July 24

2. Address concerns related to timely receipt of materials, including ordering and tracking of materials.

Response Action

Engage Asset Support and evaluate our current planning and scheduling (work management process) to ensure material is available when needed

3. Evaluate staffing levels and associated safety risks in light of current staffing levels and take actions as necessary.

David P. Wheeler  
Page 2  
July 30, 2019

Response

The Hydro senior leadership team is working with Power Operations leadership on a work management initiative that will include an evaluation of work load and associated resource levels. The goal is to consistently align work management practices across Power Operations following an assessment of our work management processes. Following that assessment a resource management strategy will be developed that meets the business needs of the organization while aligning with business goals and targets.

4. Address concerns with upper management related to plant spending and perceptions of upper management experience.

Response

The Hydro Senior Leadership team has communicated the capital spend plan for the previous 5 years to plant personnel and management. This plan showed an overall increase in funding levels for the hydro organization. In addition, the Hydro Organization developed a major maintenance strategy where asset maintenance will receive nominal capital funding of ~\$60M yearly to address equipment degradation issues on the units. With respect to experience levels of upper management, qualified candidates with appropriate experience levels across different technologies are leading the organization. This diversity of leadership continues to be effective and when leveraged brings a different perspective to the Hydro organization. There are also multiple levels of support provided by the broader leadership team to ensure no one individual can negatively impact the organization.

Thank you for allowing us to provide these comments. If you need additional information, please let us know.



Kevin D. York  
Senior Manager  
Regional Hydro Generation, South Western Region  
MPM 1M-M

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