



Memorandum from the Inspector General, ET 4C-K

March 10, 2016

David W. Sorrick, LP 3K-C

REQUEST FOR MANAGEMENT DECISION – EVALUATION 2015-15329 – KINGSTON  
FOSSIL PLANT ORGANIZATIONAL EFFECTIVENESS

Attached is the subject final report for your review and management decision. You are responsible for determining the necessary actions to take in response to our findings. Please advise us of your management decision within 60 days from the date of this report.

Information contained in this report may be subject to public disclosure. Please advise us of any sensitive information in this report that you recommend be withheld.

If you have any questions or wish to discuss our findings, please contact me at (865) 633-7300 or Gregory R. Stinson, Deputy Assistant Inspector General, Evaluations, at (865) 633-7367. We appreciate the courtesy and cooperation received from your staff during the evaluation.

Richard W. Moore

KSL:FAJ

Attachment

cc (Attachment):

TVA Board of Directors  
Susan E. Collins, LP 3A-C  
James R. Dalrymple, LP 3K-C  
Megan T. Flynn, LP 3A-C  
William D. Johnson, WT 7B-K  
Brian D. Keeling, OSA 1D-M  
Dwain K. Lanier, MR 3K-C  
Justin C. Maierhofer, WT 7BK  
R. Windle Morgan, WT 4D-K  
Charles G. Pardee, WT 7B-K  
OIG File No. 2015-15329



Office of the Inspector General

# *Evaluation Report*

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To the Vice President,  
East Region Coal and Gas

# **KINGSTON FOSSIL PLANT ORGANIZATIONAL EFFECTIVENESS**

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Audit Team

Lindsay J. Denny  
Hana Chung  
Lucas W. Cotter

Kristin S. Leach  
J. Lauren Pionke

Evaluation 2015-15329  
March 10, 2016

## **ABBREVIATIONS**

AUO	Assistant Unit Operator
EFOR	Equivalent Forced Outage Rate
FY	Fiscal Year
KIF	Kingston Fossil Plant
OIG	Office of the Inspector General
TVA	Tennessee Valley Authority

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# Evaluation 2015-15329 – KINGSTON FOSSIL PLANT ORGANIZATIONAL EFFECTIVENESS

## EXECUTIVE SUMMARY

### Why the OIG Did This Evaluation

This is one in a series of organizational effectiveness reviews that the Office of the Inspector General (OIG) will be conducting across Tennessee Valley Authority's (TVA) business units. Organizational effectiveness, as defined in this review, is the ability of an organization to achieve its mission and goals. To achieve and sustain organizational effectiveness, there should be alignment between strategy, operational performance, and team engagement. 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.

As discussed above, alignment of team engagement with strategy and operational performance is important in achieving and sustaining organizational effectiveness. An inherent component of employee engagement is the degree to which employees feel comfortable voicing problems or identifying risks to his or her supervisor(s). Strong employee engagement not only boosts productivity for a company but creates an "early warning system" when employees point out risks lurking beyond the radar of management.

In recent years, 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. In 2015, TVA recognized in its 3-year Strategic Risk Profile that ongoing organizational refinement and optimization might negatively affect the performance environment.

Kingston Fossil Plant (KIF) is one of the nine fossil plants relied upon to assist TVA in meeting its mission. KIF is located on Watts Bar Reservoir near Kingston, Tennessee, and has nine generating units with a summer net capability of 1,379 megawatts. As of June 9, 2015, KIF had 255 employees onsite. This review assesses operational and cultural strengths and areas for improvement that could impact KIF's organizational effectiveness. This does not require a separate conflict resolution program, but it does require management to determine the best process to most effectively resolve the conflict this report identifies.



# Evaluation 2015-15329 – KINGSTON FOSSIL PLANT ORGANIZATIONAL EFFECTIVENESS

## EXECUTIVE SUMMARY

### What the OIG Found

Overall, KIF has significant opportunity to improve its effectiveness. While we identified strengths associated with trust of first-line supervisors and teamwork, KIF's operational performance in fiscal year 2015 was mixed, and the morale of the workforce was low primarily due to a lack of trust between plant management and employees. The specific operational opportunities for improvement we identified included: (1) work management, (2) ammonia operations staffing, (3) training, and (4) inventory. In addition, we found a number of factors that impacted trust and employee morale including: (1) behaviors displayed by a few influential employees, (2) consistency of disciplinary actions, (3) ineffective communication, and (4) unresolved conflict. We also identified concerns based on corporate decisions surrounding staffing levels and management selections that have directly impacted employees. These operational and work environment issues, if left unresolved, could increase the risk that KIF employee engagement levels and performance levels will not be sufficient for the plant to meet its mission.

During the course of our review, TVA management began taking action to address certain observations in this report. Specifically, management has developed and is implementing (1) a focused leadership alignment plan, (2) a KIF labor relations strategy, and (3) action plans to address TVA Employee Engagement Survey results. Additionally, they are developing a new organizational structure to improve KIF-specific organizational and material condition issues.

Resolving the current issues between KIF employees and plant management is only the first step. Creating the right process going forward to timely identify and resolve issues on an ongoing basis and avoid the accumulation of such will help minimize frustrations and improve trust and engagement in the long run. A continuous process where plant management and employees collaborate to determine optimal solutions to issues can improve trust and teamwork that are essential in enhancing and sustaining organizational effectiveness.



# Evaluation 2015-15329 – KINGSTON FOSSIL PLANT ORGANIZATIONAL EFFECTIVENESS

## EXECUTIVE SUMMARY

### What the OIG Recommends

We recommend the Vice President, East Region Coal and Gas:

1. Evaluate and make necessary improvements to (a) work management processes, (b) ammonia operations staffing, (c) training, (d) inventory, (e) administration of discipline, and (f) resolve existing conflicts.
2. Identify ways to effectively communicate information to employees including the rationale for decisions made regarding staffing and vacant positions and Unit Operator upgrade training plans. Seek opportunities to solicit feedback and ideas from employees and collaborate, where possible, on solutions to issues.
3. Continue with plans for improving trust between plant management and employees. Modify these plans as necessary to include (a) ongoing methods for obtaining feedback, (b) an ongoing effective resolution process, and (c) key indicators to gauge the effectiveness of the actions.

The OIG will conduct a follow-up review of KIF approximately 6 months after the final report date to assess progress in addressing the report's findings and recommendations.

### TVA Management's Comments

TVA management reviewed and generally agreed with our draft report, and TVA and KIF management are currently working on a plan to address the recommendations. See Appendix B for TVA management's complete response.

## **BACKGROUND**

This is one in a series of organizational effectiveness reviews that the Office of the Inspector General (OIG) will be conducting across Tennessee Valley Authority's (TVA) business units. Organizational effectiveness, as defined in this review, is the ability of an organization to achieve its mission and goals. To achieve and sustain organizational effectiveness, there should be alignment between strategy, operational performance, and team engagement. 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.

As discussed above, alignment of team engagement with strategy and operational performance is important in achieving and sustaining organizational effectiveness. An inherent component of employee engagement is the degree to which employees feel comfortable voicing problems or identifying risks to his or her supervisor(s). Strong employee engagement not only boosts productivity for a company but creates an "early warning system" when employees point out risks lurking beyond the radar of management.

In recent years, 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. In 2015, TVA recognized in its 3-year Strategic Risk Profile that ongoing organizational refinement and optimization might negatively affect the performance environment.

### **Kingston Fossil Plant**

Kingston Fossil Plant (KIF) is one of the nine fossil plants relied upon to assist TVA in meeting its mission. KIF's mission, in support of the overarching TVA mission, is "to provide low cost, reliable generation and ancillary services while keeping our people safe and ensuring compliance with environmental regulations." KIF is located on Watts Bar Reservoir on the Tennessee River near Kingston, Tennessee, and has nine generating units with a summer net capability of 1,379 megawatts.

TVA continues to shift to a newer, cleaner, more diverse generation portfolio. As a result of the changes in the generation mix and fluctuations in fuel prices, KIF has shifted from a baseload to a swing load plant. As a swing load plant, KIF is called upon to start and shut down as the power needs increase or decrease. In calendar year 2015, KIF had 41 unit startups and generated 4.35 million megawatt hours for the TVA system.

As of June 9, 2015, KIF had 255 employees onsite. These employees work primarily within four separate departments: (1) Maintenance, (2) Operations, (3) Outage, and (4) Engineering. The current KIF plant management team consists of the Plant Manager and his direct reports. In addition to the plant

management team, work crews have first-line supervisors that provide the day-to-day immediate supervision to the workforce. The workforce at KIF primarily consists of union represented craft personnel.

KIF's Fiscal Year (FY) 2016-2018 business plan sets forth key operational metrics for the plant. Some of these metrics consist of:

- Equivalent Forced Outage Rate (EFOR) – The percentage of generation lost due to forced outages and forced deratings.
- Seasonal EFOR – Focus on ensuring reliable performance for coal plants during the peak demand seasons when replacement costs are typically higher.
- Reportable Environmental Events – An environmental event at a TVA facility or elsewhere caused by TVA or TVA contractors that violates permit conditions or other regulatory requirements and triggers regulatory required oral or written notification to or enforcement action by a regulatory agency.
- Recordable Injuries – An injury that results in death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, loss of consciousness, or significant injury or illness diagnosed by a physician or other licensed healthcare professional.
- Significant Human Performance Events – An event that occurs because of latent error or active error which could be related to industrial safety, clearance, regulatory event, radiation exposure, or coal, gas, hydro, or transmission facility operation. Human performance is defined as why people do what they do the way they do it. This determines the set of behaviors executed to accomplish specific results.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objective of this evaluation was to identify operational and cultural strengths and areas for improvement that could impact KIF's organizational effectiveness. We assessed operations and culture from October 2012 to October 2015. In summary, we did the following to complete the evaluation:

- Reviewed the KIF business plans for FY2005-2018 to gain an understanding of KIF's goals.
- Reviewed TVA values, behaviors, and competencies (for more detailed information see Appendix A) for understanding of cultural factors deemed as important to TVA.
- Administered a questionnaire to KIF personnel and assessed results in order to identify themes related to strengths and areas for improvement. We also held informational sessions where OIG personnel were available for questions and/or discussions.

- Interviewed the Plant Manager and direct reports from KIF Engineering, Operations, Maintenance, and Outage groups as well as other designated supervisory/management-level employees to obtain their perceptions related to strengths and areas for improvement for operational and cultural factors.
- Randomly selected a sample of 125 KIF employees, conducted interviews and focus groups, and analyzed the results to identify themes related to strengths and areas for improvement.
- Reviewed Fossil Power Group and KIF operational and cultural data to utilize in our assessment of themes related to strengths and areas for improvement.
- Reviewed select TVA Standard Programs and Processes and guidelines to gain an understanding of processes and controls.
- Reviewed TVA's disciplinary process and judgmentally selected a sample of four incidents and 5 employees placed on controlled leave to perform additional interviews and analysis.
- Reviewed results of TVA's 2015 employee engagement survey to gain additional understanding of the KIF work environment.

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

## **OBSERVATIONS**

Overall, KIF has significant opportunity to improve its effectiveness. While we identified strengths associated with trust of first-line supervisors and teamwork, KIF's operational performance in FY2015 was mixed, and a lack of trust between plant management and employees is a contributing factor to the low morale of KIF's workforce. The specific operational opportunities for improvement we identified included: (1) work management, (2) ammonia operations staffing, (3) training, and (4) inventory. In addition, we found a number of factors impacted trust and employee morale including: (1) behaviors displayed by a few influential employees, (2) consistency of disciplinary actions, (3) ineffective communication, and (4) unresolved conflict. We also identified concerns based on corporate decisions surrounding staffing levels and management selections that have directly impacted employees. These operational and work environment issues, if left unresolved, could increase the risk that KIF employee engagement levels and performance levels will not be sufficient for the plant to meet its mission. During the course of our evaluation, TVA management began taking action to address certain observations in this report.

The observations, as presented below, are related to the strengths and opportunities for improvement that could improve the effectiveness of KIF. These observations are based on the analyses of information gathered as described above.

## STRENGTHS

**Most First-Line Supervisors are Trusted and Well Respected** – As part of TVA’s leadership competency of “Effective Communication,” leaders are encouraged to foster an environment where communication is valued and concerns that are raised receive frank responses, empathy, and follow-up. Craft employees indicated that they feel respected and heard by their immediate supervisors and are comfortable raising a differing opinion. They believe first-line supervisors are knowledgeable about the plant and perform their jobs well. Survey participants in the 2015 employee engagement survey favorably rated their immediate manager/supervisor in a number of areas, such as listening and responding to problems, ideas, and concerns, encouraging and accommodating suggestions, and acting with integrity.

**Teamwork** – TVA’s value of “Collaboration” was evident in the employees at KIF. Teamwork was identified as a strength by employees and management. Employees expressed a sense of camaraderie and a desire to help each other. In the 2015 employee engagement survey, participants responded favorably when asked about cooperation among employees in their department.

## OPERATIONAL OPPORTUNITIES FOR IMPROVEMENT

KIF’s operational performance was mixed in FY2015. Although KIF met their target for seasonal EFOR, targets were not met for recordable injuries, Reportable Environmental Events, human performance events, and EFOR. We did note that although targets were not met for recordable injuries and human performance events, KIF’s performance in these areas had improved in FY2015 from previous years.

During the course of our interviews and data analysis, a number of potential improvement areas were identified that impact the day-to-day activities of employees at the plant and, ultimately, operational performance of KIF. The operational areas for improvement included: (1) work management, (2) ammonia operations staffing, (3) training, and (4) inventory.

### Work Management

In FY2016, KIF is receiving a 59 percent increase in capital funding to address needed equipment repairs. Since repairs and capital projects are set to be performed, an effective and efficient work management process is important to maximize the resources available. KIF’s current work management processes have significant opportunities for improvement in the areas of:

- *Procedures* – Procedures are reported by management and employees to be out of date. One factor appears to be that responsibility for writing and updating procedures is unclear.

- *Work Packages* – Work packages are reported by employees to be too generic which makes it difficult to complete work in an efficient manner. Training and experience of coordinators are believed to be contributing factors.
- *Condition Reports* – The condition report process causes frustration due to reports being closed without being completed. Employees report they are not provided feedback on the condition reports they submit.
- *Work Management Planning and Prioritization* – Employees identified work management planning and prioritization as an opportunity for improvement. Better communication could improve sequencing of work, prevent downtime caused when materials are unavailable, and increase the time spent performing preventive maintenance. During our time at KIF, the Work Week Manager position was vacant but was in the process of being filled. This should alleviate some of the planning issues with work management.

### **Ammonia Operations Staffing**

In June 2014, KIF experienced an ammonia release that resulted in an emergency event at the plant. In response to the release, TVA determined it was appropriate to shift responsibility for ammonia operations from a single Assistant Unit Operator (AUO) to the AUOs assigned to the scrubber.<sup>1</sup> AUOs work on a rotational schedule that make them responsible for ammonia operations once every fifth week. To prepare the AUOs assigned to the scrubber for ammonia operations, training was provided and supervision was increased. However, AUOs do not feel they have adequate expertise for ammonia operations because they are only assigned part-time to ammonia responsibilities. TVA Safety conducted a review of ammonia operations and concluded that there was no evidence that employees were asked to complete tasks without oversight and guidance.

In addition, both Unit Operators and AUOs expressed concerns about the AUOs split responsibilities for the scrubber and ammonia operations. AUOs are required to be at the ammonia farm while trucks are being unloaded. If an emergency were to occur at the scrubber while an ammonia truck was being unloaded, there would not be personnel to assist the Unit Operator. This could result in forced outages or equipment damage.

### **Training**

During our conversations with employees, concerns were expressed related to training. Employees reported that when new equipment is installed, training is not typically provided thus making it difficult for employees to do their job properly. In addition, there were concerns about the limited availability of Unit Operator upgrade training, which prepares AUOs to become Unit Operators. This could limit their opportunities for advancement.

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<sup>1</sup> A scrubber is an air pollution device that uses a spray of water or reactant or a dry process to trap pollutants in emissions.

## Inventory

According to KIF employees, materials that could be used at the site are being shipped to a central location for auction. As a result, two employees stated materials are hidden in the plant for future use. This could result in the plant not having materials available when they are needed.

## CULTURAL OPPORTUNITIES FOR IMPROVEMENT

### Opportunity to Improve Trust

There is an opportunity to improve trust between plant management and employees at KIF. Some of the factors that contribute to low trust levels include: (1) behaviors displayed by a few influential employees, (2) consistency of disciplinary actions, (3) ineffective communication, and (4) unresolved conflict. Additionally, the lack of trust is a contributing factor to the low morale of KIF's workforce. Based on OIG questionnaire responses, 71 percent (98 out of 138) answered "disagree" or "strongly disagree" when asked if employee morale is good.

- *Behavior Issues* – While most employees indicated that first-line supervisors at KIF are trusted and respected, our interviews identified a few influential employees, including a high-level manager, that have not displayed behaviors in alignment with TVA expectations. We discussed the specifics of these behaviors with the appropriate TVA Executive Managers.
- *Consistency of Disciplinary Actions* – During interviews, employees raised questions surrounding the fairness and consistency of disciplinary actions at KIF. While it appears TVA's disciplinary actions were not outside what is allowable in TVA's disciplinary policy, we determined there were some inconsistencies with discipline at KIF. We discussed these inconsistencies with the appropriate TVA Executive Managers.
- *Ineffective Communication* – The TVA competency "Effective Communication" encourages managers to communicate honestly and effectively with individuals and groups in a manner that helps them understand rationale behind decisions. During our conversations with employees, they reported limited interaction with current plant management. Although employees are comfortable with raising a differing opinion from their immediate supervisor, they fear retaliation for raising issues to plant management.
- *Unresolved Conflict* – During the review, we identified two areas of unresolved conflict that are impacting employees at KIF.
  - One department was characterized as having continual conflict and a lack of trust by both the supervisor and the employees within the group, which is impacting morale. The issues are highlighted by the high number of employee concerns involving this group.
  - Another area of unresolved conflict involves differing priorities between plant management and employees. Employees believe too much money is being spent for painting, new lighting, and cleaning. They think the

money should be spent to improve equipment condition and to purchase needed parts.

Unresolved conflict such as in these areas could continue to hamper the levels of trust between employees and management.

### **Concerns Raised About Corporate Decisions**

We identified additional concerns attributed to corporate decisions that directly affected employees. Concerns about corporate decisions included staffing and outside hires. Additional communication involving these issues could help alleviate employees' concerns.

- *Staffing* – As a result of planned coal plant closures across the fleet, TVA is not filling open positions at other plants so they can accommodate future transfers. As of September 2015, there were 23 open positions on hold at KIF. During interviews, employees indicated they are working overtime to cover vacancies. For FY2015, overtime hours were slightly higher than FY2014.
- *Outside Hires* – Employees have the perception that TVA has shifted away from promoting from within and seek to fill management positions with candidates from outside the plant or TVA.

## **MANAGEMENT ACTIONS TAKEN DURING OUR REVIEW**

During the course of our review, TVA management began taking action to address some of the observations in this report. Specifically, they have developed and are implementing (1) a focused leadership alignment plan, (2) a KIF labor relations strategy, and (3) action plans to address TVA Employee Engagement Survey results. Additionally, they are developing a new organizational structure to improve focus on KIF-specific organizational and material condition issues.

The operational and work environment issues identified in this report, if left unresolved, increase the risk that KIF employee engagement levels and performance levels will not be sufficient to meet their mission. However, resolving the current issues between KIF employees and plant management is only the first step. Creating the right process going forward to timely identify and resolve issues on an ongoing basis and avoid the accumulation of such will help minimize frustrations and improve trust and engagement in the long run. A continuous process where plant management and employees collaborate to determine optimal solutions to issues can improve trust and teamwork that are essential in enhancing and sustaining organizational effectiveness. This does not require a separate conflict resolution program, but it does require management to determine the best process to most effectively resolve the conflict this report identifies.

## **RECOMMENDATIONS**

We recommend the Vice President, East Region Coal and Gas:

1. Evaluate and make necessary improvements to (a) work management processes, (b) ammonia operations staffing, (c) training, (d) inventory, (e) administration of discipline, and (f) resolve existing conflicts.
2. Identify ways to effectively communicate information to employees including the rationale for decisions made regarding staffing and vacant positions and Unit Operator upgrade training plans. Seek opportunities to solicit feedback and ideas from employees and collaborate, where possible, on solutions to issues.
3. Continue with plans for improving trust between plant management and employees. Modify these plans as necessary to include (a) ongoing methods for obtaining feedback, (b) an ongoing effective resolution process, and (c) key indicators to gauge the effectiveness of the actions.

The OIG will conduct a follow-up review of KIF approximately 6 months after the final report date to assess progress in addressing the report's findings and recommendations.

## **MANAGEMENT'S COMMENTS**

In response to our draft report, TVA management stated that TVA and KIF leadership agreed with the recommendations in our report and will give consideration to the opportunities for improvement identified. To address recommendation 1, TVA stated that they agreed continued improvements are necessary for the Kingston site to be successful and will work to implement actions to address the concerns raised in the recommendation. With regard to recommendation 2, TVA recognizes that effective communication between management and employees is paramount in TVA's success going forward. Power Operations and plant leadership will continue to enhance their communication opportunities and effectiveness with all plant employees. In response to recommendation 3, TVA management agreed that communication effectiveness improvement opportunities exist at Kingston. TVA has developed and is implementing a plan to engage directly with the plant employees in different forums and settings to increase the effectiveness of their communications. See Appendix B for TVA management's complete response.

<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 & Engagement

March 2, 2016

Richard W. Moore, ET 4C-K

RESPONSE TO REQUEST FOR COMMENTS – DRAFT EVALUATION 2015-15329 –  
KINGSTON FOSSIL PLANT ORGANIZATIONAL EFFECTIVENESS

Reference: OIG Memorandum to David W. Sorrick, Vice President Eastern Coal and Gas

This is in response to the recommendations provided in your January 29, 2016, draft evaluation of organizational effectiveness at TVA's Kingston Fossil Plant. TVA and Kingston Fossil Plant leadership agrees with the recommendations. Management will give consideration to the opportunities for improvement identified and will inform you of our decisions.

It is important that this evaluation be viewed in context. First, in order to better serve the people of the Tennessee Valley, TVA is shifting to a more balanced energy portfolio that is cleaner and more efficient to operate. This transition involves the closure of several coal-fired plants. TVA strives to ensure consistent, timely and transparent communication about future changes. However, some uncertainties remain, creating anxiety for employees.

Second, leaders at Kingston Fossil Plant have been working to improve standards to address inconsistent performance. This initiative, combined with the added anxiety around the larger fleet changes, has created some challenges at Kingston. Management has been intentional in communicating with employees about the performance improvement – and we continue to make progress, as the evaluations suggest.

From a broader TVA perspective, management recognizes the importance of organizational effectiveness as we work together to fulfill our mission of service for the people of the Tennessee Valley. We agree that strong, healthy employee engagement is critical to our organization's overall effectiveness. During the 2015 Business Plan rollout meetings and other forums, we consistently reinforce TVA's Business Operating Model (see attachment) which emphasizes the importance of business alignment, engagement and execution. Our TVA values are a key component of creating alignment in that model, with competencies and behaviors as a foundation. Over the past year, we have given considerable focus to educating employees on those values and competencies, and incorporating them into our HR and Leadership programs.

We are currently pursuing a comprehensive approach to bolster engagement at all levels of the organization. In June of 2015, recognizing the opportunity for additional data to better inform decision-making, we conducted an Employee Engagement Survey. Seventy-six percent of TVA employees provided feedback on the survey and the resulting engagement index exceeded the national norm. TVA leaders have shared survey results with their employees, discussing contributing factors to the results, and providing feedback. The open sharing of results, contributing factors, and general discussion helps address the opportunities for improvement identified in your report. Kingston Fossil Plant will also use the IG organizational effectiveness report as feedback to inform planned actions that will focus on continuous improvement.

We recognize the flavor-of-the-month effect and sustainability challenges of broad TVA organizational effectiveness efforts. It is important that we not implement an initiative for every finding—whether from a TVA survey, an audit, an evaluation, or a consultant—as such an approach is unsustainable and would cause us to miss the forest for the trees. Further, our

Richard W. Moore  
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general approach to improvement actions is incorporation into day to day management and regular business planning process. This improves long-term sustainability and accountability for results.

Regarding recommendation 1, we agree that continued improvements are necessary for the Kingston site to be successful. Over the last several months, the plant management at Kingston has attempted to raise the standards around safety behaviors, operational performance and the respectful and inclusive treatment of all TVA employees on the site. To that end, we will work to implement actions that address the concerns raised in items (a) through (f).

Regarding recommendation 2, we recognize that effective communications between management and employees is paramount in TVA's success going forward. Power Operations and plant leadership will continue to enhance our communications opportunities and effectiveness with all plant employees. Power Operations leadership has already increased the flow of two-way communications with Kingston plant employees and we have developed a communications strategy for the site which is currently being implemented.

Regarding recommendation 3, we agree that communications effectiveness improvement opportunities exist at Kingston. To that end, we have developed, and are implementing, a plan to engage directly with the plant employees in different forums and settings to increase the effectiveness of our communications. TVA employees already have a wide variety of formal and transparent methods for resolving issues so our emphasis will be on improving the informal & formal methods of communication by establishing and reinforcing communication channels through organization-wide scheduled meetings. We believe that the most effective way to resolve conflicts is at the local level between the employees and their leadership teams, therefore, we will continue to communicate and build trust through both formal and informal meetings with employees to discuss the current business landscape for TVA and the Kingston plant along with the future outlook for Power Operations and the Kingston Plant.

If you have further questions related to organizational effectiveness, please contact Megan Flynn at 423-751-2281.



Megan T. Flynn  
Vice President  
Human Resources  
LP 3A-C



David W. Sorrick  
Vice President  
Eastern Region Coal and Gas  
LP 3K-C

cc (Attachment):

S. E. Collins, LP 6A-C  
J. R. Dalrymple, LP 3K-C  
W. D. Johnson, WT 7B-K  
D. K. Lanier, MR 3K-C  
R. W. Morgan, WT 4D-K  
C. G. Pardee, WT 7B-K

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ATTACHMENT  
Attachment:



### TVA Business Operating Model

