



Memorandum from the Office of the Inspector General

April 12, 2018

Michael S. Cashon, MAG 1A-AHM

**REQUEST FOR FINAL ACTION – EVALUATION 2018-15524 – LAGOON CREEK
COMBUSTION TURBINE PLANT’S ORGANIZATIONAL EFFECTIVENESS**

Attached is the subject final report for your review and final action. Your written comments, which addressed your management decision and actions planned or taken, have been included in the report. Please notify us when final action is complete. 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 Jamie M. Wykle, Senior Auditor, at (865) 633-7382 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)
ET 3C-K

JMW:BSC
Attachment

cc (Attachment):

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OIG File No. 2018-15524



Office of the Inspector General

Evaluation Report

To the Senior Manager,
Regional Gas Operations
(Southern)

LAGOON CREEK COMBUSTION TURBINE PLANT'S ORGANIZATIONAL EFFECTIVENESS

Evaluation Team
Jamie M. Wykle
Alina A. Karpich

Evaluation 2018-15524
April 12, 2018

ABBREVIATIONS

FY	Fiscal Year
LCCT	Lagoon Creek Combustion Turbine Plant
P-Card	Purchasing Card
PO	Power Operations
SPP	Standard Programs and Processes
TVA	Tennessee Valley Authority

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Evaluation 2018-15524 – Lagoon Creek Combustion Turbine Plant’s Organizational Effectiveness

EXECUTIVE SUMMARY

Why the OIG Did This Evaluation

Organizational effectiveness, as defined in this evaluation, is the ability of the 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. The Tennessee Valley Authority’s (TVA) 2017 3-year Enterprise Risk Profile recognized that ongoing workforce refinementⁱ might negatively affect the performance environment. Therefore, employee engagement is critical.

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. This evaluation focuses on Lagoon Creek Combustion Turbine Plant (LCCT), a combustion turbine plant in TVA’s western region gas division under the Gas and Hydro Operations business unit within Power Operations. Gas and Hydro Operations’ mission is to “make life better for the people of the Tennessee Valley by keeping their lights on and spurring economic development through affordably priced electricity” with LCCT focusing on peaking economic/seasonal operation. The objective of this evaluation was to identify strengths and risks that could impact LCCT’s organizational effectiveness.

What the OIG Found

We identified strengths related to (1) teamwork and (2) organizational alignment. However, we also identified issues that could pose risks to LCCT’s effectiveness and its continued ability to meet its responsibilities. These issues related to (1) low morale caused by a lack of accountability and (2) perceptions of unethical behavior.

Based on our findings and using TVA’s Business Operating Model, we assessed LCCT’s level of risk in the areas of alignment, engagement, and execution. As shown in the table on the following page, we determined:

- Alignment risk is rated low because manager goals cascade to the employees’ goals, and there is alignment between Power Operations’ and TVA’s mission and initiatives.

ⁱ Refinement of the workforce includes activities such as reduction in force.



Evaluation 2018-15524 – Lagoon Creek Combustion Turbine Plant’s Organizational Effectiveness

EXECUTIVE SUMMARY

- Engagement risk is rated high because of low morale at the plant. While LCCT personnel cited teamwork as a strength for the organization, most employees cited a lack of trust related to the employee responsible for training and coaching. In addition, there were perceptions of unethical behaviors that also contributed to the low morale.
- Execution risk is rated medium due to inadequate training and coaching provided by the employee responsible for employee development.

	Low Risk	Medium Risk	High Risk
Alignment	X		
Engagement			X
Execution		X	

What the OIG Recommends

We recommend the Senior Manager (Acting), Regional Gas Operations (Western):

1. Take action to improve morale, restore trust between employees, and improve coaching and mentoring.
2. Address inappropriate employee behaviors and document actions taken to enable subsequent plant managers to continue accountability efforts.

TVA Management’s Comments

TVA management agreed with our recommendations and described actions planned and completed. See Appendix B for TVA management’s complete response.

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. In addition to recognizing operational risks related to those pressures, TVA's 2017 3-year Enterprise Risk Profile recognized that ongoing workforce refinement¹ might negatively affect the performance environment. Therefore, employee engagement is critical.

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. This evaluation focuses on TVA's Lagoon Creek Combustion Turbine Plant (LCCT), which is in TVA's western region gas division under the Gas and Hydro Operations business unit within Power Operations (PO).

Natural gas generation has taken on a larger role in the TVA generation mix in an effort to move toward a balanced portfolio. Natural gas combustion turbine plants are used for their quick-start capabilities to meet peak demands, as well as for backup power needs. LCCT, one of TVA's nine combustion turbine facilities, is located in Brownsville, Tennessee. Gas and Hydro Operations' mission is to "make life better for the people of the Tennessee Valley by keeping their lights on and spurring economic development through affordably priced electricity" with LCCT focusing on peak economic/seasonal operation.

At the time of our interviews conducted in November 2017, LCCT had nine employees and the plant manager. Of the nine employees, two were trainees. The plant manager had been at LCCT approximately 7 months at the time of our interviews in November 2017 and has since retired. The LCCT plant manager is responsible for the site's budget, performance reviews, and disciplinary actions.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this evaluation was to identify strengths and risks that could impact LCCT's organizational effectiveness. We assessed operations as of

¹ Refinement of the workforce includes activities such as reduction in force.

September 2017 and culture at the time of our interviews, which occurred during November 2017. To complete the evaluation, we:

- Reviewed TVA's fiscal years (FY) 2017 through FY2019 Business Plan Summary and Western/Southern Region Gas Plants FY2018 Business Plan to gain an understanding of goals and how LCCT's responsibilities align with PO's mission.
- Reviewed TVA values and competencies (see the Appendix) for an understanding of cultural factors deemed important to TVA.
- Interviewed LCCT's plant manager and nine employees to obtain their perceptions related to strengths and risks that could affect organizational effectiveness.
- Reviewed select TVA Standard Programs and Processes (SPP) and guidelines to gain an understanding of processes and controls.
- Reviewed previous organization charts, from 2011 to 2017, to determine frequency of LCCT plant manager changes.
- Reviewed 14 work orders provided by LCCT personnel to verify how long work orders were open.
- Reviewed performance management documentation for the LCCT plant manager and employees and analyzed the documentation for alignment with departmental and organizational goals.²
- Assessed the overall effectiveness of LCCT 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*.

² During our evaluation, FY2017 performance management documentation was not complete for Trades and Labor employees. We reviewed FY2016 performance management documentation for eight LCCT employees and FY2017 performance management documentation for the LCCT plant manager and one other employee.

OBSERVATIONS

We identified strengths that positively affected the day-to-day activities of LCCT personnel and performance. These strengths included (1) teamwork and (2) organizational alignment. However, we also identified issues that could pose risks to LCCT's effectiveness and its continued ability to meet its responsibilities. These issues related to (1) low morale caused by a lack of accountability and (2) perceptions of unethical behavior.

STRENGTHS

During the course of our interviews and data analyses, we identified strengths that positively affected the day-to-day activities of LCCT personnel and performance. These strengths included (1) teamwork and (2) organizational alignment.

Teamwork

TVA's collaboration value of "fostering teamwork, developing effective partnerships, and valuing diversity as we work together to achieve results" was evident through interviews with employees of LCCT. With the exception of one team member discussed further in this report, most employees stated the team works well together. In our opinion, teamwork is especially important given the small size of the staff.

Organizational Alignment

Our review of performance management documentation for the LCCT plant manager and employees indicated that performance goals were cascading and aligned with the PO mission. We also confirmed that PO's mission and initiatives supported the TVA mission.

RISKS

Issues that could pose risks to LCCT's effectiveness and its continued ability to meet its responsibilities included (1) low morale caused by a lack of accountability and (2) perceptions of unethical behavior.

Low Morale Caused by Lack of Accountability

Most employees indicated that morale was low and blamed the actions of one employee as the main reason for the negative culture at the plant. These employees described behaviors and actions of the employee that are not in alignment with TVA's Trust and Engagement values, which have resulted in low trust. This employee is the primary individual responsible for providing on-the-job training and coaching, which is critical to the success of the combustion turbine plants.

As previously stated, LCCT has two employees who are gas technician trainees. TVA gas plant personnel, according to TVA job descriptions, are expected to be "multi-trained" for all areas. Gas plant technician training takes approximately

3 years to complete and consists of classroom and on-the-job training. Because gas plant technicians are provided a foundation in multiple specialty areas, but may not be experts in any specialty, these individuals require continued coaching and training. A few individuals indicated the responsible employee is not providing adequate on-the-job training and coaching that is critical for their development. In addition, several employees stated when they have discussed concerns with this employee, the issues did not improve.

Our interview with the LCCT plant manager revealed his awareness of problems with the employee. However, some employees indicated this situation has gone on for several years, predating the plant manager in place at the time of our review, and has not been addressed. As stated above, this plant manager had been there approximately 7 months at the time of our interviews in November 2017 and has since retired. We reviewed LCCT organizational charts from 2011 to February 8, 2018, and noted there have been four plant managers at the LCCT site since 2011, with the position vacant as of February 8, 2018. This frequent change may have contributed to a lack of consistent accountability and coaching for this employee as well as for others at the site.

Perceptions of Unethical Behavior

TVA's value of integrity states "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." During our evaluation, employees discussed behaviors that were not perceived as being in accordance with this expectation. We were provided with 14 specific work order numbers that were allegedly closed by an employee prior to a technician completing the work. We reviewed the 14 work orders and could not determine if work was completed prior to closing the work order. However, according to TVA's PO personnel, it is common practice to receive work order packages and input information into Maximo at the end of a shift as opposed to entering information twice, once before and once after the work is complete.

In addition, some employees informed us they were aware of questionable behaviors related to (1) using TVA equipment for personal use, (2) having materials delivered to an individual's personal address, and (3) using the purchasing card (P-card) to purchase tools and parts from Amazon and local tools stores rather than using blanket purchase order agreements. We determined that actions related to personal use of equipment and delivery of materials to the individual's personal address had previously been called into the Office of the Inspector General's Empowerline and subsequently addressed by TVA management. With regard to use of the P-card, we noted TVA's Supply Chain governs purchases of products and services made for TVA. According to TVA-SPP-04.003, TVA Visa Purchasing Card Procedure, purchasing from third-party Web sites (such as Amazon) or local tool stores is not expressly prohibited; however, the practice of using the P-card for small dollar materials and services is only a last option.

Although we could not determine the validity of the work order closure allegations, this issue, coupled with the behaviors noted above, has created a perception of behaviors that are not in accordance with TVA values.

CONCLUSION

Our evaluation revealed significant opportunities for LCCT to improve its effectiveness. Perceptions of unethical and inappropriate behaviors by one employee have impacted trust and resulted in low morale at the site. There are also concerns this employee is providing inadequate training and coaching, which is critical to the success of the plant. Frequent management changes within the organization have resulted in the employee not being held accountable. Low morale could result in a higher employee turnover rate and lower plant performance.

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

- Alignment risk is rated low because manager goals cascade to the employees, and there is alignment between PO's and TVA's mission and initiatives.
- Engagement risk is rated high because of low morale at the plant. While LCCT personnel cited teamwork as a strength for the organization, most employees cited a lack of trust related to the employee responsible for training and coaching. In addition, there were perceptions of unethical behaviors.
- Execution risk is rated medium due to inadequate training and coaching provided by the employee responsible for employee development.

RECOMMENDATIONS

We recommend the Senior Manager (Acting), Regional Gas Operations (Western):

1. Take actions to improve morale, restore trust between employees, and improve coaching and mentoring.
2. Address inappropriate employee behaviors and document actions taken to enable subsequent plant managers to continue accountability efforts.

TVA Management's Comments – TVA management agreed with our recommendations and described actions planned and completed. Specifically, TVA management stated the employee at the center of LCCT's issues has been transferred to another site and is under the supervision of a site manager who will be responsible for providing the employee with timely feedback. TVA management further stated the LCCT plant manager position is still vacant but is currently being filled by another manager who is working to restore trust. To ensure effectiveness and sustainability, TVA management plans to develop a

framework for a site-mentoring program and provide follow-up meetings with employees. Further, TVA management stated their intent to properly address all inappropriate employee behaviors and document actions.

Auditor's Response – We concur with TVA management's planned and completed actions.

TVA Values	
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

April 5, 2018

David P. Wheeler, ET 3C-K

Assistant Inspector General

Audits and Evaluations

**COMMENTS - DRAFT EVALUATION 2018-15524 - LAGOON CREEK COMBUSTION TURBINE
PLANT'S ORGANIZATIONAL EFFECTIVENESS**

Mr. Wheeler,

First, I would like to thank your team for the professional manner in which this audit was conducted with the staff at Lagoon Creek Combustion Turbine. After review of this DRAFT, I am providing my response to address the Recommendations, as outlined on page 5 of the Report, regarding Organizational Effectiveness at the site.

Recommendations:

- 1. Take Actions to improve morale, restore trust between employees, and improve coaching and mentoring.**

Response - The employee that was at the center of the issues with the team at Lagoon Creek Combustion Turbine has been removed from his leadership position, placed back into an individual contributor role and transferred from the site. He is under the supervision of a site manager who understands the necessity of providing quality and timely feedback and will be given the opportunity to be successful in his new role.

While we are making all possible efforts to fill the site manager position at Lagoon Creek Combustion Turbine, this position is still currently vacant. At present time, it is being covered by another combustion turbine site manager in the Brownsville area. This manager is working to restore trust between the employees at the site and removing the employee in question was a good start to that process.

To ensure effectiveness and sustainability, we also plan to take the following actions:

- Developing a framework for a mentoring program at the site
- Conducting Two C's (Compliments and Concerns) meetings with the site team
- Perform an Effectiveness Review in September 2018 to gauge progress made this FY

2. Address inappropriate employee behaviors and document actions taken to enable subsequent plant managers to continue accountability efforts.

Response - It is our intent to properly investigate and address all inappropriate employee behaviors and to document such, including any and all actions deemed necessary for violations of any TVA process/procedures.

To that end, the role of Senior Manager (Acting), Regional Gas Operations (Western) has recently been transferred to Ken Cornett. While I was Acting manager for this region, I also had responsibility for the Southern Gas Region. This was a temporary role that gave us time to reallocate our resources until a more tenable solution was found. Ken is a seasoned TVA manager and his addition to the Western Region will allow him to focus and to work with subsequent plant managers to continue accountability efforts.

Additional actions here include, but are not limited to, the following:

- Following the robust process that is currently in place for selection and filling of key leadership positions within the organization
- Conducting "skip level" meetings with site employees to identify any legacy or new concerns

These actions, coupled with the TVA and Labor Council Code of Excellence program, should position us to have a much better relationship/partnership with our trades employees. This partnership, between Labor and Management, is a critical piece in ensuring that TVA can meet its mission, to serve the people of the Tennessee Valley to make life better.

Please contact me if you have questions or comments regarding any part of this communication and I will work to further clarify or address as needed.

Respectfully,

Michael S. Cashon

Senior Manager, Gas Operations - Southern Region