



Memorandum from the Office of the Inspector General

January 25, 2021

Cassidy L. Larson

REQUEST FOR FINAL ACTION – EVALUATION 2020-15762-01 – ORGANIZATIONAL EFFECTIVENESS – COMMERCIAL ENERGY SOLUTIONS PRICING, STRUCTURING, ANALYSIS/CONTRACTS

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 A. Rebecca McCarter, Senior Auditor, at (423) 785-4831 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)

ARM:KDS

Attachment

cc (Attachment):

TVA Board of Directors
Susan E. Collins
Megan T. Flynn
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OIG File No. 2020-15762-01



Office of the Inspector General

Evaluation Report

To the Vice President,
Pricing Structuring
Analysis/Contracts

ORGANIZATIONAL EFFECTIVENESS – COMMERCIAL ENERGY SOLUTIONS PRICING, STRUCTURING, ANALYSIS/CONTRACTS

Auditor
A. Rebecca McCarter

Evaluation 2020-15762-01
January 25, 2021

ABBREVIATIONS

CES	Commercial Energy Solutions
ECM	Enterprise Content Management
FY	Fiscal Year
P&C	Pricing, Structuring, Analysis/Contracts
PCC	Power Customer Contracts
TVA	Tennessee Valley Authority

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Evaluation 2020-15762-01 – Organizational Effectiveness – Commercial Energy Solutions Pricing, Structuring, Analysis/Contracts

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. 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 the Tennessee Valley Authority (TVA). This evaluation focuses on Pricing, Structuring, Analysis/Contracts (P&C), an organization within Financial Services' Commercial Energy Solutions.

P&C is tasked with developing effective rates and pricing, performing analysis that guides business decisions, and developing and administering contracts with TVA customers. The objective of this evaluation was to identify factors that could impact P&C's organizational effectiveness. Specifically, we identified behavioral and operational factors that affect organizational effectiveness.

What the OIG Found

During the course of our evaluation, we identified behaviors that had a positive impact on P&C. These included positive interactions with management and team members. However, we also identified behavioral risks in two groups related to accountability and reporting concerns or offering a differing opinion with management. We also identified risks to operations that, if left unaddressed, could hinder P&C's effectiveness. These risks were related to effective collaboration with business partners and resource needs in the organization. Based on our observations, we assessed P&C's level of risk related to behaviors and operations and determined risk was low. Ratings are reflected in the table below:

	Low Risk	Medium Risk	High Risk
Behaviors	X		
Operations	X		



Evaluation 2020-15762-01 – Organizational Effectiveness – Commercial Energy Solutions Pricing, Structuring, Analysis/Contracts

EXECUTIVE SUMMARY

What the OIG Recommends

We recommend the Vice President, P&C, address (1) concerns related to employee interactions with management, (2) interactions with business partners, and (3) resource concerns.

TVA Management's Comments

TVA management described actions taken and planned to address our recommendations. See Appendix B for TVA management's complete response.

Auditor's Comments

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. 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 the Tennessee Valley Authority (TVA). This evaluation focuses on Pricing, Structuring, Analysis/Contracts (P&C), an organization within Financial Services' Commercial Energy Solutions (CES).

P&C's vision is to "design, deliver, and manage pricing, contracts, and analysis that generate value for our customers." P&C's core commitments of developing effective rates and pricing, performing analysis that guides business decisions, and developing and administering contracts with TVA customers are accomplished through its three departments, described as follows:

- Power Customer Contracts (PCC) is responsible for developing, executing, and maintaining TVA's power supply and related contracts with TVA customers. According to a PCC employee, Enterprise Content Management (ECM), TVA's enterprise document management tool, is primarily used by the PCC group to store power contracts and process the approval workflow.
- Rate Design and Administration develops TVA's wholesale rate designs and rate designs for direct serve customers. In addition, this group develops and updates TVA's rate alignment models and conducts local rate adjustments in support of retail rate design. Rate Design and Administration also administers retail rate requests from local power companies and allocates the fuel cost adjustment to each customer class.
- CES Analytics provides independent evaluation, measurement and verification, and research services across CES's portfolio of programs. This group also performs TVA's annual wholesale cost of service study and performs annual retail load shape analyses to support retail cost of service studies. CES Analytics calculates the annual rates charged for use of the TVA transmission system, as well as the annual carbon amounts for local power companies and large customers.

Current P&C initiatives include (1) completing the pricing study¹ to inform the development of a long-term pricing plan in alignment with the broader TVA strategies; (2) fostering people excellence through safety, diversity and inclusion, employee engagement and employee development;² and (3) implementing technological and process improvements to transform the way CES works.³

¹ Use of tools to leverage and transform the way CES designs rates, communicates impacts, and assesses customer options.

² This is a CES shared initiative in which P&C owns certain steps.

³ This is a CES shared initiative in which P&C owns certain steps.

As of August 10, 2020, P&C consisted of 37 individuals,⁴ including the P&C Vice President, 11 individuals in Rate Design and Administration, 15 individuals in PCC, 8 individuals in CES Analytics, and 2 direct reports to the P&C VP.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this evaluation was to identify factors that could impact P&C's organizational effectiveness. We assessed operations as of Fiscal Year (FY) 2020 and culture at the time of our interviews and fieldwork, which occurred during September 8, 2020, through September 15, 2020. To complete the evaluation, we:

- Reviewed (1) Financial Services' FY 2020 through FY 2022 business plan, (2) Financial Services' FY 2020 Risk Portfolio, and (3) documentation provided by P&C to gain an understanding of initiatives, metrics, or risks within P&C.
- Reviewed TVA values and competencies (see Appendix A) for an understanding of cultural factors deemed important to TVA.
- Reviewed select TVA Standard Programs and Processes and other documentation to gain an understanding of processes.
- Examined FY 2017 through FY 2020 financial information to gain an understanding of expenditures used in support of the work environment.
- Conducted individual interviews with 33 individuals, including management, and analyzed the results to identify themes that could affect organizational effectiveness.⁵
- Surveyed and/or interviewed a nonstatistical sample of 70 individuals from other TVA organizations that work with P&C personnel and three individuals responsible for supporting P&C. We analyzed results to identify factors affecting organizational effectiveness from a business partner perspective.
- Assessed the overall effectiveness of P&C in behavioral and operational aspects as described in TVA's Business Operating Model.

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

⁴ Includes seven interns.

⁵ Per P&C, two interns included in the headcount had left the group before interviews commenced September 8, 2020. There were two additional interns that left the group before interviews commenced September 8, 2020. Feedback received from the remaining three interns was excluded from the results below.

OBSERVATIONS

Prior to our evaluation, TVA personnel experienced a disruption to their normal business operations, which could have negatively impacted engagement within P&C. As of March 25, 2020, TVA employees who were not required to be physically at their site to support plant operation or plant outages, which included P&C, were subject to mandatory telework as part of TVA's response to the COVID-19 pandemic. During the course of our evaluation, we identified behaviors that had a positive impact on P&C. These included positive interactions with management and team members. However, we also identified behavioral risks in two groups related to accountability and reporting concerns or offering a differing opinion with management. In addition, we identified risks to operations that could hinder P&C's effectiveness. These risks were related to effective collaboration with business partners and resource needs.

BEHAVIORAL FACTORS

According to the Society for Human Resource Management (SHRM),⁶ employee engagement relates to the level of an employee's connection and commitment to the organization. In addition, SHRM specifies drivers of employee engagement, including commitment of leaders, trust in leadership, and positive relationships with supervisors. TVA, in its Business Operating Model, states that engagement is one component of effective execution. Thus, TVA has developed competencies intended to define common characteristics that set the tone for how work is to be performed in the organization. Defined behaviors are associated with the competencies to provide guidance as to how employees can demonstrate their commitment to TVA.

While individuals interviewed generally expressed having positive relationships with most levels of their management, several individuals within two groups expressed concerns regarding their accountability and reporting concerns or offering a differing opinion with various management personnel. In addition, many employees provided positive comments regarding their interactions with others in their department. However, some individuals in two groups expressed concerns related to trusting their coworkers to do their jobs well. Further, most individuals commented positively on the ethical culture in their organization.

Relationship with Management

TVA expects leaders to inspire trust and engagement by building a positive environment that motivates others to achieve and exceed organizational goals and aspirations. We asked individuals within P&C about relationships with their first-line supervisor, middle management, and upper management. Most individuals commented positively when asked about relationships and communication with all levels of management. Many individuals provided examples of positive interactions with all levels of management. Examples

⁶ SHRM is a membership organization for Human Resource professionals and has been the leading provider of resources for the needs and advancement of human resources.

included management's supportiveness, openness, and exhibition of care or concern. Most individuals also indicated they trusted all levels of management, with the exception of a few individuals in one group expressing a lack of trust in one manager. Further, many individuals commented favorably with regard to recognition. Examples of recognition from management included verbal recognition and showing appreciation through the use of the Power Up program.⁷ In addition, many individuals commented positively on morale in the organization, indicating that morale was driven primarily by management actions, communication and telework.

Most individuals indicated they felt comfortable reporting concerns or offering a differing opinion with all levels of management; however, some individuals in two groups expressed concerns. Reasons given for these concerns included fear of being judged or getting in trouble. In addition, while many individuals commented favorably on all management with regard to accountability, some individuals in two groups expressed concerns related to accountability at all levels of management. Examples of these concerns included perceptions that management only holds certain employees accountable or tends to work around lower levels of competency.

Positive Relationships with Team Members

TVA is committed to fostering teamwork and expects employees to earn the trust of others through open, honest, and respectful words. While most employees in P&C commented positively on interactions with others in their group and many indicated they trusted their coworkers to do their jobs well, some individuals in two groups expressed concerns about having to double check work performed by their coworkers, or coworkers dodging responsibilities.

Positive Ethical Culture

Having a positive ethical culture is especially relevant in P&C given their role in developing rates and administering contracts to TVA's customers. Ethical culture⁸ is defined in this evaluation as 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." When asked about the ethical culture within P&C, most individuals commented positively. Several individuals indicated the driver of their ethical culture was the willingness of P&C individuals to raise concerns or doing the right thing. Other individuals commented that their work is reviewed (1) internally by a peer, with checks and balances in place, or (2) externally by the Office of General Counsel in some cases.

OPERATIONAL FACTORS

Based on our interviews, we identified risks to operations that could impede P&C's effectiveness. These risks included effective collaboration with business

⁷ The Power Up program is used throughout Financial Services and allows employees and management to nominate coworkers in Financial Services or individuals in other TVA business units who demonstrate TVA values in helping TVA achieve its mission.

⁸ As defined in S.P. Robbins & T.A. Judge, *Organizational Behavior*, 18th edition, 2019.

partners, specifically in the areas of communication and/or collaboration and the need for improvement in P&C strategy or processes and ECM. In addition, while most individuals commented positively on having the resources to accomplish their work, some resource concerns were expressed related to ECM and equipment needs.

Collaboration with Business Partners

TVA is committed to developing effective partnerships to achieve results and creating value for stakeholders. When asked about interactions with business units outside of P&C, most individuals in P&C indicated interactions with outside organizations were positive. We then surveyed and/or interviewed a sample of individuals from business units outside of P&C to determine their opinions related to P&C products and services, quality of feedback and communication, and timeliness. The majority of individuals who provided feedback indicated that P&C was above average in these areas. However, when asked for an area where P&C could improve, some business partners indicated the need for more effective communication and/or collaboration with P&C. For example, business partners indicated the need for communication earlier in the process to allow them sufficient time to turn around products or the need for more collaboration between P&C and business partners. Others expressed concerns with the difficulty of understanding the contract and rate design or provided feedback that delivering messages in terms that less technically proficient individuals can understand would be helpful. Lastly, some business partners indicated that informing or educating business partners on P&C processes would be helpful.

In addition, several individuals indicated the need for improvement in P&C strategy or processes. Business partners indicated improvements could be made by conducting more rigorous reviews of local rate adjustments or making needed information more accessible. Further suggestions included expanding the contract legal review process, defining work flows, standardizing contract language, and focusing more on products and information for direct serve customers. A few individuals also indicated the need for improvement in the ECM system that PCC utilizes. Specific concerns that were mentioned included the system being dated and the need for a more user-friendly system.

Resource Concerns

While many individuals commented positively on having the resources to accomplish their work, some concerns were expressed in two groups. Several individuals expressed concerns related to the ECM system. For example, one individual indicated it was difficult to find information in ECM and there was no consistency in how contracts were cataloged. In addition, another individual indicated there has been talk about replacing ECM but little progress had been made. A couple of employees spoke of ECM being ineffective and inefficient, with one individual commenting that ECM is an efficiency killer, while another individual commented that it makes them less productive. In addition, concerns about ECM were echoed by a few business partners, specifically related to the need for a more user-friendly system.

Some P&C employees also expressed concerns related to the need for a monitor, printer, or scanner; not having enough time to take training or develop themselves professionally; or having to go through several IT groups to make changes. We noted that some of the resource needs mentioned could be attributed to telework.

CONCLUSION

P&C plays an important role in developing effective rates and pricing, performing analysis that guides business decisions, and developing and administering contracts with TVA customers. Interviews with individuals revealed positive relationships with most management and team members; however, a risk was identified in two groups related to relationships with management in the areas of accountability and reporting concerns or offering a differing opinion. In addition, we identified risks to operations that could hinder P&C's effectiveness. These concerns were related to collaboration with business partners and resource needs. Addressing these concerns can increase employees' commitment to the organization, aid P&C in execution of their work, and positively influence TVA business partners' perceptions of P&C.

RECOMMENDATIONS

We recommend the Vice President, P&C, address:

1. Concerns related to employee interactions with various management personnel.

TVA Management's Comments – P&C plans to focus on psychological safety and provide more opportunities for employees to attend leadership meetings, present their ideas, and increase leadership interactions with employees across the organization. See Appendix B for TVA management's complete response.

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

2. Business partner concerns related to communication and collaboration and P&C strategy improvements.

TVA Management's Comments – P&C is working to improve communications of the organization's focus and enhance partnerships with key customers. A group is being organized to update broader communications. See Appendix B for TVA management's complete response.

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

3. Employee concerns with resource needs and the ECM system.

TVA Management's Comments – P&C has worked with Information Technology to address additional resources such as printers and other digital solutions to enhance team effectiveness. Regarding ECM, P&C has been evaluating potential system enhancements and will continue working to become more efficient and effective in their use of the ECM system. See Appendix B for TVA management's complete response.

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

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

January 15, 2021

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

RESPONSE TO REQUEST FOR COMMENTS – DRAFT EVALUATION 2020-15762-01 – ORGANIZATIONAL
EFFECTIVENESS - COMMERCIAL ENERGY SOLUTIONS, PRICING, STRUCTURING, ANALYSIS/CONTRACTS
(PSA/C)

This is in response to the recommendations provided in your recent draft evaluation of organizational effectiveness
with TVA's Pricing Structuring Analysis/Contracts (PSA/C) business unit.

Our leadership team wants to extend a special thanks to those who worked on this evaluation. The insightful findings
and report compiled by Lisa Hammer, A. Rebecca (Becky) McCarter, and the audit team will further our organization's
effectiveness and culture. We are delighted to receive the feedback that employees have positive relationships with
each other, PSA/C leadership, and those in other departments. Those positive relationship support our ethical
culture and collaborative efforts. We also agree with the three recommendations to improve operational effectiveness.
In particular:

Recommendation 1. Concerns related to employee interactions with various management personnel.

PSA/C Response: A focus area this year will be psychological safety. Our team plans to provide more opportunities
for employees to attend leadership meetings, present their ideas and on varying topics during these meetings, and
increase leadership interactions with employees across the organization. This focus on psychological safety will also
mean more time dedicated to the topic in leadership meetings, and should improve trust between management and
our employees over time.

Recommendation 2. Business partner concerns related to communication and collaboration and PSA/C strategy
improvements.

PSA/C Response: Our team is working to improve communications of our organization's focus as well as enhancing
our partnerships with key customers. A group is being organized to update broader PSA/C communications. Each
business partner mentioned in the report will be further communicated with around these efforts.

Recommendation 3. Employee concerns with resource needs and the ECM system.

PSA/C Response: Within this telework environment, we have worked with IT to address additional resources such as
printers and other digital solutions to enhance the effectiveness of the team. Regarding the ECM system, our team
has been evaluating potential system enhancements and will continue working to become more efficient and effective
in our use of the system.

Thank you for the opportunity to review and respond. Please let me know if you have any further questions.



Cassidy L. Larson
Vice President
Pricing, Structuring, Analysis/Contracts

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