

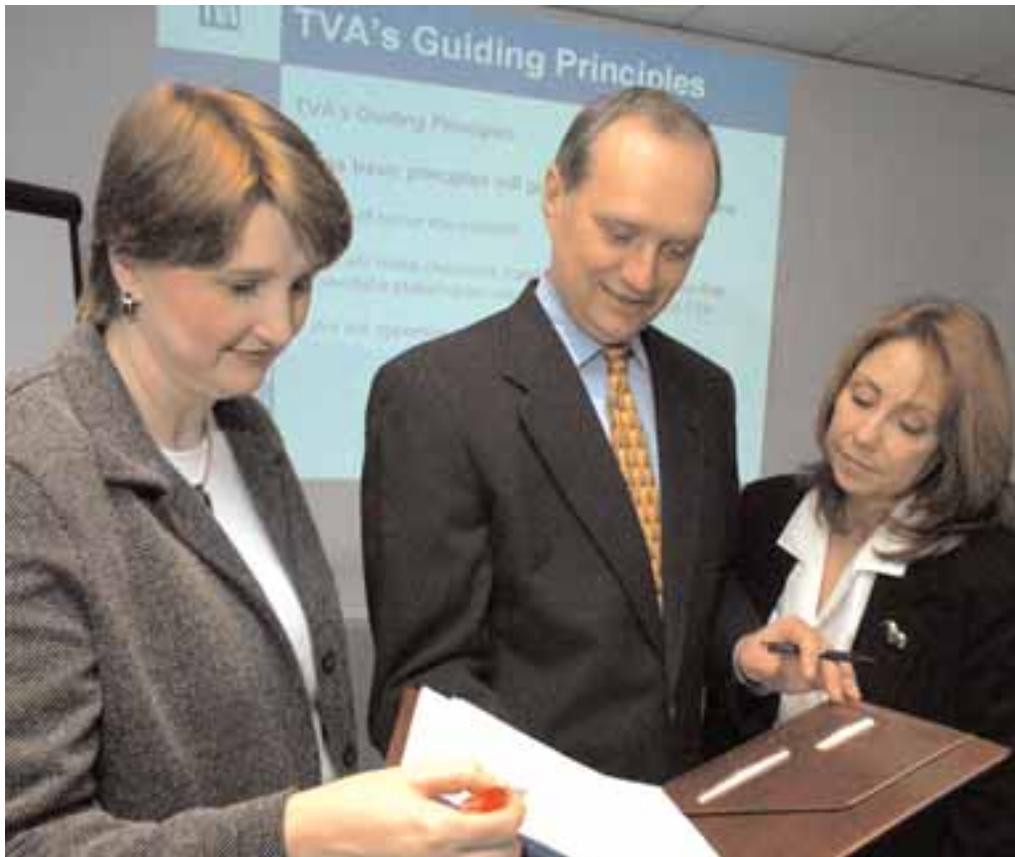
InsideTVA

TVA's Leadership Standard: Achieve Excellence in Business Performance and Public Service

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CLETUS MITCHELL

From left, Economic Development's Teresa Taylor and Customer Service & Marketing's Ron Owens and Cindy Stoker are members of the Distributor Notice Team defining how the customer relationship must change once a distributor has given notice of contract termination.

Working to meet power needs

As power distributors give notice, relationships, services are redefined.

Since October 2002, six distributor customers have provided TVA with official notice of contract termination, signaling their intent to explore options for power from suppliers other than TVA.

These customers, like the majority of distributors of TVA power, are served under contracts that allow them to give a five-year notice to TVA.

"Some distributors believe other suppliers can meet their supply needs at prices lower than TVA's," says Mark Medford, Executive Vice President of Customer Service & Marketing. "It's simple economics. They're investigating these options."

Once notice is given, the distributor remains a customer of TVA for an additional five-year period. This period allows the customer to shop for a new supplier and for TVA to take steps to win back the distributor's business.

But it also is important during this five-year transition to re-examine ongoing TVA programs and services to make sure the distributor's decision to leave does not unfairly shift costs for these offerings to

See "Distributor customers" on page 7

PROP council brings employees 'into the process'

When the going gets tough, the smart money is on the organizations in which managers and employees are already communicating.

The Power Resources & Operations Planning Employee Council provides a prime example of the benefits of ongoing communication, especially during times such as the current program and staffing reviews.

The council has been meeting since last April to bring PROP employees into the process of identifying issues and concerns and make them part of the resolution.

Jack Bailey, PROP Senior Vice President, initiated the council after looking at his group's Cultural Health Index numbers. He was concerned with what he saw.

"Our 2002 Cultural Health Index indicated we had some problems," Bailey says. "I was looking for a way to get every-

thing out on the table, so we could discover what was causing the problems that were interfering with productivity and job satisfaction. We needed to get them fixed."

The council, modeled on a similar employee council in Electric System Operations, has eight members, a primary and alternative for each of the four PROP areas. Facilitator James Sanderfer has met with the group twice a month to bring issues to the surface and seek solutions. Bailey joins the group for an hour in every meeting.

The measurable results have been impressive. For fiscal year 2002 and FY '03, PROP achieved 100-percent participation in the CHI survey. Between 2002 and 2003, "Winning Behaviors are a way of life in my workgroup" increased 15.6 percent. And while

See "Employee council" on page 7

Policy revised for contractor workforce

As part of the ongoing effort to support its changing business needs, TVA is revising its Contractor Workforce Management policy on hiring former employees and retirees as TVA contractors.

Here's a summary of the changes that will become effective March 10:

- TVA retirees cannot return as staff-augmentation contractors or enter into personal-services contracts for 12

months from their retirement date.

- Employees who voluntarily separate from TVA and receive incentives to do so cannot return to work as a contractor at a TVA facility or enter into personal-services contracts with TVA for three years from their separation date.

- Payment of overtime and for shift differentials for contract employees has been changed.

The following are answers to some

questions employees have asked about the policy changes:

Q. Why is TVA implementing restrictions on retirees returning to work as contractors?

A. It makes good business sense to implement procedures that will help TVA manage all aspects of the workforce as efficiently as possible. TVA does not believe it is a good business practice to

See "CWM changes" on page 3

what's new

IN EMPLOYEE NEWS

Understanding How TVA Works: Managing and Responding to Emergencies

TVA must be ready to respond to any type of emergency — from a fire to an ice storm to a terrorist attack. And TVA is prepared.

Part 7 in the Business Education series describes how organizations throughout TVA work together to manage and respond to various types of emergencies.

Emergency-planning experts agree that being able to respond appropriately to emergencies begins with the individual employee. Read the latest installment in the Business Education series to find out what you can do.

InsideTVA

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TVA is an equal-opportunity and affirmative-action employer. TVA also ensures that the benefits of programs receiving TVA financial assistance are available to all eligible persons, regardless of race, color, sex, national origin, religion, disability or age.

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Comments and suggestions are welcome. Send them to *Inside TVA*, ET 6E-K (400 W. Summit Hill Dr., Knoxville, TN 37902), or call 865-632-8021.

Inside TVA and Inside TVA Retirees Edition are available on the TVA external homepage — www.tva.com.



ROBERT KOLLAR

Blitz Day for Habitat

Barbara Franks, an Attorney in the Office of the General Counsel, was part of a corps of Team TVA volunteers who turned out on Blitz Day Feb. 21 to begin construction of the TVA Habitat for Humanity house in Knoxville. This marks the second consecutive year for Team TVA volunteers to build a Habitat house to honor the life and legacy of Dr. Martin Luther King Jr. About 60 volunteers, including Director Bill Baxter, TVA employees and retirees, and University of Tennessee football players, worked on Blitz Day. TVA Trades & Labor employees and partners are providing special skills needed to construct the house, which is being built for Arthur and Jama Wagher and their two children, Wesley and Natasha. The parents will help build the house their family will move into this spring. Volunteers still are needed to work on several Saturdays between now and May 1. Anyone wanting to help can sign up on the Team TVA page on TVA's internal Web site, or they can contact Nancy Harbin via e-mail at nbharbin@tva.gov or call her at 632-7870.

Insidebriefs

TVA-wide

Effective Feb. 24, TVA will provide five days off with pay to employees who return to work at TVA from military service in the global war on terrorism. The paid time off is in support of a memorandum from President Bush to federal agencies. The excused absence will be provided for employees who participated in Operation Iraqi Freedom, Operation Enduring Freedom, Operation Noble or any other military operation established under Executive Order 13223.

- March 31, 2004, is the deadline for submitting 2003 flexible-spending-account reimbursement claims. Claims under the healthcare and dependent-care flexible spending accounts should be submitted in a timely manner with complete documentation. Claims received by SHPS, the admin-

istrator, after March 31 cannot be processed, and employees will forfeit any amount not yet reimbursed. Employees with questions about their 2003 spending accounts or claims can view their personal accounts at www.shps.net, or they can call SHPS at 1-800-678-6684.

TVA Nuclear

John Scalice, Chief Nuclear Officer & Executive Vice President of TVA Nuclear, will retire from TVA June 1. Karl Singer, Senior Vice President of Nuclear Operations, will assume the position of CNO & EVP of TVAN. Singer, who has more than 20 years of nuclear experience, joined TVA in 1993. He has held several positions, including Maintenance & Modifications Manager, Plant Manager and Site VP at Browns Ferry Nuclear Plant.

what's new online

Program/Staffing Reviews

The Employee SelfService site on the internal Web site provides extensive information on the continuing process of TVA-wide staffing and program reviews. After logging onto the site, click on "Staffing/Program Review Implementation."

The site includes an e-mail address at the bottom of each of the Web pages for employees to submit questions, comments and suggestions.

Other information includes a list of organizations/functional areas accepting voluntary RIFs, as well as information on severance pay, voluntary reduction-in-force forms for represented Salary Policy employees, represented Trades & Labor employees, and Managers and Specialists.

Integrity. TVA's #1 Value.

On and off the job, the shadows cast by the way employees conduct themselves directly affects how the public perceives TVA.

TVA Employment Practice 1 — Business Ethics — requires employees to follow ethics standards established by TVA, as well as the ethics laws that apply to them as federal employees.

These standards and laws describe how to avoid conflicts of interest, prohibited gifts and gratuities, and misuse of TVA property and resources. Following these rules leads to sound business decisions and improved internal operations, and they help maintain public confidence in TVA's integrity and efficiency, which is vital to preserve the trust and support of those TVA serves.

See the ethics homepage on TVA's internal Web site for information you need to stay within the ethics rules.

For answers to your ethics questions, call the ethics staff in the Office of the General Counsel at 632-4142 or visit the ethics pages on the internal Web site.

To report suspected violations, call the Office of the Inspector General Hotline at 632-3550 or 1-800-323-3835.

Making the right choices — ethical choices — contributes to excellence in public service.



Communicating Winning Performance Staying on track

TVA's *Balanced Scorecard* is the "report card" for measuring progress toward specific performance-improvement goals. The "balance" is achieved with success in four categories: Financial, Customer, Operations and People. Starting with the Financial category, Inside TVA begins a series this month on the scorecard categories.

Operating & Maintenance (O&M) Costs

Controlling O&M expenses is an important financial measure of competitiveness and drives the rates TVA charges customers for power. Customers ultimately will view price as one of their deciding factors in whether or not they would switch suppliers.

"Employees can help impact this measure by lowering O&M costs and conserving cash," says Andy Holmes, Senior Manager of Accounting & Performance Reporting, and the key contact for this and the Financial Strength measures.

"Any action we take that reduces costs, such as improving the processes for purchasing or optimizing services received under contract, can make a difference."

Financial Strength

Financial Strength is a measure of the reduction in TVA's total financing obligations, including statutory debt and debt-like instruments.

"TVA has achieved lower costs of financing by entering into new types of financing alternatives," says Holmes. "However, these alternatives are still considered financing obligations, like debt. TVA is trying to lower total financing obligations over the long-term in order to provide itself with the financial flexibility to respond quickly as the power market changes."

Winning Performance

TVA's Six Strategic Objectives



TVA Balanced Scorecard for January

	Weight	Status	Actual YTD	Plan YTD	Year-End Forecast	GOALS		
						Target*	Mid	Stretch
Financial								
• O&M Costs (\$ millions)	15%	➡	1,184	1,235	3,684	3,644	3,608	3,535
• Financial Strength (\$ millions)	15%	⬆	189	120	225	225	275	375
• Productivity (kWh/\$)	10%	⬆	149.9	144.0	147.8	147.8	150.8	152.4
Customer								
• Customer Satisfaction (%)	10%	⬆	131.0	100.0	100.0	100.0	117.0	130.0
• Economic Development (index)	10%	⬆	94	100	100	100	110	120
Operations								
• Asset Availability (%)	20%	⬆	99	98	100	98	100	102
• Environmental Impact (index)	10%	⬆	84	92	98	98	91	85
People								
• Safe Workplace** (all injuries/hour worked)	10%	⬆	1.58	2.41	2.41	2.41	2.36	2.31

Notes:

- * Target equals FY '04 Performance Plan Target.
- ** Payout at any performance level is contingent upon no fatalities.

Status:

- ⬆ = Forecast at or better than Target
- ➡ = Forecast worse than Target, but recovery is possible
- ⬇ = Forecast worse than Target, and recovery is unlikely

The January scorecard has been posted on the Winning Performance section of TVA's internal Web site.

Reductions in cash expenditures contribute to the reduction of financing obligations.

Productivity

The Productivity measure represents the cost of labor. It is used to demonstrate the impact of managing labor costs around producing power in a competitive energy market. It also provides line of sight for employees

to understand how their job and performance contribute to success and how they manage resources.

"The more employees stay aware of changing business conditions and requirements, the better equipped we are to fulfill our line of sight to TVA's success," says Anthony Conkin, Senior Manager of Compensation & Human Resource Planning, and the key contact for this measure.

CWM changes

continued from page 1

allow former employees or retirees to return as staff-augmentation contractors or enter into personal-services contracts immediately after leaving TVA. It also isn't good business sense to allow employees who voluntarily separate from TVA employment and receive a severance package to return to work as an onsite contractor or enter into a personal-services contract with TVA immediately after leaving TVA. Under the policy revisions, restrictions will be implemented to enable TVA to better manage the return of employees and retirees working as TVA contractors.

Q. Does the three-year restriction apply to former employees/retirees who leave before March 10?

A. The policy becomes effective March 10 and applies to anyone who has voluntarily terminated from TVA and received incentives to do so before or after March 10.

Q. How will we monitor the one- and three-year former employee/retiree restrictions (i.e., how will we be sure retirees do not return as contractors, especially if they are working for a managed-task supplier)?

A. The restriction will be noted in the Human Resources Information System and TVA's Contractor Security System at the time of the employee's termination. Vendors who provide contractors to work for TVA are required to check the Contractor Security System for the suitability of individual contractors for TVA work. If the restriction is noted, the individual will not be able to return as a contractor.

Q. Are there any restrictions for those involuntarily reduced in force about returning to TVA to work as a contractor?

A. No. However, it is very unlikely that an employee will be involuntarily reduced in force and then brought back as a contractor, especially performing the same or similar work as he/she was doing previously as a TVA employee. If an employee chooses to retire as a result of an involuntary reduction in force,

then, as covered in the policy revisions, he or she cannot return as a staff-augmentation contractor or enter into a personal-services contract for 12 months from the effective TVA retirement date.

Q. Does the policy apply to or affect those former employees/retirees who are currently working as contractors?

A. The policy affects any former employee/retiree where the one-year and three-year restrictions apply. Current contractors may complete their assignments depending on business-unit needs. Once their assignment ends, they will be released unless an exception is approved.

Q. Why does the policy require a former employee/retiree to be obtained through the Retiree Resource Corp.? What if the retiree does not want to work for RRC?

A. RRC is TVA's preferred supplier for retirees, just as TVA has identified other preferred suppliers for other tasks. Any exception to secure a former employee/retiree as a contractor through a supplier other than RRC must have approval of the Senior Vice President of Procurement.

Q. Does the three-year former employee/retiree restriction apply to craft labor and managed-task contractors also?

A. Yes, it applies to all contractors who would be working at a TVA facility. Any exceptions to the policy require the approval of the Executive Vice President of Human Resources.

Details about the Contractor Workforce Management policy are on the CWM site on TVA's internal Web site homepage under Programs & Services. The site will reflect these changes on March 10, when the policy revisions become effective.

Reservoir Operations Study

Input leads to preferred ROS alternative



Mike Eiffe (left), a Civil Engineer in River Scheduling and member of the ROS core team, listens while ROS Project Manager David Nye discusses the next steps in the study process.

CLETUS MITCHELL

The final outcome won't be determined until May, but the Reservoir Operations Study is a giant step closer to completion. The final Environmental Impact Statement for the comprehensive review of how TVA operates its dams and reservoirs was released Feb. 27. Members of the public have 45 days to comment — through April 12.

ROS Project Manager David Nye says TVA is recommending several changes in the policy that guides TVA's operation of the Tennessee River and reservoir system.

"At the very beginning of the process, as part of scoping, we asked the public and others to tell us what they valued about the reservoir system and what they wanted from it in the future," he says.

"We used that input to develop a set of objectives that addressed the issues raised during scoping. Those objectives have driven every aspect of the study — from identifying and evaluating policy alternatives to developing and selecting the Preferred Alternative."

The eight alternatives selected for detailed analysis and outlined in the draft Environmental Impact Statement were carefully crafted to emphasize specific objectives, says Nye.

"In addition to the base case — continuing current reservoir-operations policy — we looked at two reservoir recreation alternatives and at alternatives designed to emphasize tailwater recreation, tailwater habitat, summer hydropower, commercial navigation and equalized summer/winter flood risk.

"But after additional public review, data collection, statistical analysis, computer modeling and qualitative assessment, we determined that none of those alternatives was completely acceptable, given our scoping objectives."

Staff members developed the Preferred Alterna-

tive by combining elements of the original eight alternatives that supported the objectives of navigation, reservoir recreation, tailwater recreation and scenic beauty. Adjustments also were made to avoid or reduce unacceptable impacts to other objectives, including flood control, water quality, power supply, aquatic species, wetlands and shoreline erosion.

Under the Preferred Alternative, TVA would no longer target specific summer pool elevations. Instead, reservoir operations would be aimed at managing the flow of water through the system to meet the objectives identified during the scoping process.

Nye says that's a major change.

"A flow-based approach would help us make the best use of the available water," he says. "Water quality, commercial navigation and thermal compliance at our coal-fired and nuclear-power plants all depend on an adequate volume of water moving through the system."

Focusing on flows also will help increase recreation opportunities on tributary storage reservoirs, Nye says.

"Under the Preferred Alternative, drawdowns of tributary reservoirs would be limited from June through Labor Day. The amount of water released from these reservoirs during this time would depend on the amount of rainfall and runoff that is available to meet project-specific and systemwide flow requirements."

Water stored in tributary reservoirs also could be

used in the event of a power-system alert or other critical power-system situation.

Another change under the Preferred Alternative would affect how TVA's river schedulers decide how much water to draw from which reservoirs when more flow is needed during the summer recreation season.

"Equity has always been an issue," says Nye. "Summer reservoir levels can vary significantly even among neighboring reservoirs, and people sometimes think this is because some reservoirs receive preferential treatment.

"In most cases, there are good reasons for those differences. But we wanted to respond to the public by ensuring that water is drawn from tributary reservoirs equitably."

This would be achieved under the Preferred Alternative by modifying the operating guides used to make reservoir-release decisions. Those modifications would balance pool levels from June 1 through Labor Day by requiring that each reservoir provide a fair share of the water needed to meet downstream flow requirements.

As Project Manager, Nye says he has had a unique vantage point from which to observe the ROS process from start to finish.

"I've had the pleasure of working with an outstanding team of technical experts from inside and outside TVA, and I can personally attest to their dedication, as well as to their openness to change. I'm

Feature

Stakeholders comment on the process

“Participating in the Public Review Group for TVA’s Reservoir Operations Study has proved to be an exceptional and educational experience. I commend TVA for its commitment to the process and its diligent effort to reach a fair compromise in arriving at new policy recommendations for the operation of the Tennessee River system. The process, in and of itself, has produced greater overall value for the Tennessee Valley and its residents.”

— **Miles Mennell, Executive Director
Association of Tennessee Valley Governments**

“ROS technical staff members have stayed focused on finishing the study in a timely manner. Despite their time constraints, I have appreciated their willingness to adjust their work plans to address our questions, concerns and ideas about the study, especially its efforts to solicit public comment. Our Public Review Group has tried to ensure that a wide range of public and private interests has been considered by ROS managers, and that those interests are represented in the range of alternatives now under consideration by TVA. The ROS has been one of the more efficient, yet responsive, program reviews that I have observed in my 19 years of working with other agencies.”

— **Jeff Durniak, Georgia Department of Natural Resources**

“I believe the ROS process was fair to all stakeholders, because public input was used from the very beginning through the Public Review Group and the Inter-Agency Team to develop the list of alternatives and reduce the list to eight for TVA to consider. I’ve been impressed by the professionalism and expertise of the TVA staff involved in the study. TVA, and David Nye in particular, are to be commended.”

— **Tom Vorholt, Ingram Barge Co., and Vice Chair of the
Regional Resource Stewardship Council**

indebted to them for their hard work and for the personal sacrifices they’ve made during the past two years.

“I’ve also had the privilege of meeting thousands of Valley residents — waterfront-property owners, anglers, boaters, barge operators, environmentalists, economic developers, ratepayers and others — who care deeply about the Tennessee River.

“Together we’ve accomplished a lot. I’m confident the Preferred Alternative better aligns TVA’s reservoir-operating policy with public values. That has been our goal from the beginning, and I offer my sincere thanks to everyone who helped us achieve it.”

— **RENEE HURST**

To provide comments

As boaters and anglers, as shoreline property owners and electric ratepayers, as consumers of products moved by barge, and as people who care about the environment, TVA employees have a stake in the Reservoir Operations Study and are invited to comment on the Final Environmental Impact Statement.

To view the FEIS and provide input, visit the ROS site at www.tva.com/ros. Comments also can be submitted by mail to TVA Reservoir Operations Study, WT 11A, 400 West Summit Hill Dr., Knoxville, TN 37902 or by fax to 865-632-3146. The public-comment period closes April 12, 2004.

Fact sheets describing projected impacts on specific reservoirs also are available on the ROS Web site.

**The Preferred Alternative at a glance:
Impacts on the objectives identified during scoping**

Improving recreation on reservoirs and tailwaters; increasing revenue from recreation; protecting and improving the scenic beauty of reservoirs

- The Preferred Alternative would increase recreation opportunities, revenue from water-based recreation and scenic value by limiting the drawdown of tributary reservoirs from June 1 through Labor Day.
- When water must be released from these reservoirs during this period to meet flow requirements for downstream needs, the operating objective would be to balance pool levels by drawing a fair share of the needed water from each reservoir.
- Summer operating ranges would be maintained through Labor Day on four mainstream projects (Chickamauga, Gunterville, Wheeler and Pickwick).
- Higher winter operating ranges would be established on 10 tributary reservoirs (Boone, Chatuge, Cherokee, Douglas, Fontana, Hiwassee, Norris, Nottely, South Holston and Watauga).
- Great Falls Reservoir would be filled to the summer operating level by Memorial Day.
- Expanded and more dependable scheduled releases for tailwater recreation would be provided at five additional tributary projects (Ocoee No. 1, Apalachia, Norris, Watauga/Wilbur and South Holston).

Lowering the cost of transporting materials on the commercial waterway

- The Preferred Alternative would enable barges to carry more tonnage for the same cost by providing continuous minimum flows up to 25,000 cubic feet per second at Kentucky Dam to better maintain a minimum tailwater elevation of 301 feet and a 12-foot navigation channel below Kentucky.
- It also would raise the minimum winter elevation at Wheeler Reservoir by six inches to better maintain the full 11-foot channel depth throughout the entire main river.

Reducing flood risk and flood-related damages

- Under the Preferred Alternative, flood damages for flood events up to a 500-year magnitude would not increase above the current level at any of the critical locations within the Tennessee Valley, including Chattanooga. A flood event of a 500-year magnitude has a 1-in-500 chance of happening in any given year.
- Fill operations on Fort Loudoun, Watts Bar and Chickamauga reservoirs would be delayed until mid-May to reduce the risk of flooding at Chattanooga.

Supplying low-cost, reliable electricity

- Under the Preferred Alternative, water stored in TVA-managed reservoirs could be used during critical power-system situations to preserve the reliability of the TVA power system.
- Some hydropower generation now used to meet peak-power demand in the summer would be shifted to the winter and early spring. As a result, other more costly generation sources such as coal, combustion-turbine units or purchased power would have to be used during periods of peak demand in the summer, resulting in slightly adverse impacts on power-supply costs.

Improving water quality in reservoirs and tailwaters; improving aquatic habitat in reservoirs and tailwaters

- Because the Preferred Alternative could have slightly adverse impacts in some tailwater areas, TVA would continue to invest in equipment to add oxygen to water released through TVA-managed dams.
- TVA would continue to meet the minimum flow and dissolved-oxygen targets adopted as part of the 1991 Lake Improvement Plan.
- Continuous minimum flows would be provided between Apalachia Dam and the powerhouse from June 1 through Nov. 1 to enhance aquatic habitat in the bypass reach.

Providing water for municipal, agricultural and industrial purposes

- Water-supply benefits and treatment costs to municipalities, industries and others under the Preferred Alternative would be similar to current policy.

Minimizing erosion of reservoir shoreline and tailwater riverbanks

- Extending the duration of summer pool levels could result in a slight increase in shoreline erosion under the Preferred Alternative.
- TVA would continue to monitor the rate of shoreline erosion to address impacts on sensitive cultural-resource sites.

Protecting and improving wetlands and other ecologically sensitive areas; increasing protection for threatened and endangered species

- TVA would monitor specific wetland plant communities and threatened and endangered species to address effects related to the Preferred Alternative.
- Those effects would be minimal, but could range from slightly adverse to slightly beneficial.



Chairman, COO address Senate Energy Subcommittee

Chairman Glenn McCullough Jr. and Chief Operating Officer Ike Zeringue represented TVA at a Senate Energy Subcommittee hearing in Washington, D.C., March 4.

U.S. Sen. Lamar Alexander of Tennessee, chairman of the subcommittee, called the hearing to discuss new nuclear-power generation in the United States. Alexander, who also chairs the TVA Caucus, focused on the restart of Browns Ferry Nuclear Plant Unit 1.

In his testimony, the Chairman detailed the status of the restart project and reported that it is more than 40-percent complete in meeting its 60-month baseline schedule.

"Restarting Browns Ferry Unit 1 is a wise business investment for TVA and our customers," he said. "It will provide clean, affordable and reliable power, enabling TVA to meet the future power demands of the Tennessee Valley."

Alexander applauded the Browns Ferry restart decision and wondered if this success might provide an opportunity to open additional plants at Watts Bar and Sequoyah. The Chairman responded that, based on projections, "we won't

need additional capacity until 2014." He added that was a future decision that would have to be made in order to meet extra capacity needs.

Zeringue answered questions from the subcommittee, including one from Sen. Mary Landrieu, a Democrat from Louisiana, on how TVA has improved nuclear security since Sept. 11, 2001. He said in addition to making it harder to enter a nuclear facility, TVA has taken significant steps to improve training and response time to possible threats.

Other groups testifying were the Nuclear Energy Institute, the U.S. Nuclear Regulatory Commission, the Shaw Group and Lehman Brothers.

Completion of Browns Ferry will represent the first new nuclear capacity in the United States to be added in 20 years.

The subcommittee has jurisdiction over several issues, including nuclear, coal, oil, gas and global-climate change.



— NANCY TOWNES

ACROSS TVA

Across TVA highlights news, achievements and activities of TVA organizations. E-mail submissions to Suzanne Cottrell on Microsoft Outlook or send them to her at ET 6E-K. Digital photographs can be e-mailed to the Employee Communications Photos mailbox in Microsoft Outlook.

Paradise Fossil Plant — The Paradise chapter of the TVA Veterans Association received recognition from the 101st Airborne Division (Air Assault) and Fort Campbell, Ky., for the assistance it provided to the Little Soldier Tree program. This initiative helps provide Christmas gifts for children.

Procurement — Procurement has successfully incorporated reverse auctions into TVA's overall procurement strategy. Reverse auctions allow multiple vendors to lower their prices throughout the course of bidding in an open and interactive environment. The auction reduces the negotiation time normally spent in a procurement transaction. TVA's reverse auctions have resulted in significant reduction of total costs when competing for materials and services. Procurement is reviewing all current and future buys to identify opportunities for this new method, which is an effective strategy to help TVA meet its financial challenges.

Resource Stewardship and Economic Development — RS and ED staff members are working with the Beech River Watershed Development Authority in the development of a sustainable-growth subdivision plan. Sustainable-growth development is a low environmental-impact concept incorporating site-specific, segmented green-space areas, erosion control and reduced impervious-surface acreage. Under the 1963 TVA/BRWDA cooperative regional-development agreement, BRWDA has requested TVA's transfer of about 250 acres for residential development on Redbud Reservoir, one of seven Beech River projects BRWDA manages.

Transmission/Power Supply — Electric System Operations personnel helped TVA earn full compliance with applicable 2003 Southeastern Electric Reliability Council operating measurements in an audit last fall. To ensure reliability, the North American Electric Reliability Council created performance guidelines, with which all control areas are committed to comply. The audit included compliance with NERC Operating Policy Year 2003 requirements, plus a review of procedures, self-certification forms and other documentation developed by TVA to meet the requirements. ESO employees, including those from System Operations, Transmission Operations, Control System Engineering and the ESO Compliance staff, participated. In addition, the audit team noted that TVA maintains all operating and



A blooming good cause

Gallatin Fossil Plant Business Support Representative and campaign coordinator Brenda Whitaker helps Maintenance Mechanic/Steamfitter Joey Frank select flowers during a fund-raiser for the American Heart Association. The plant sold more than \$2,600 worth of daffodils, with 100 percent of the proceeds going to fight strokes and heart disease in Sumner County, Tenn. Gallatin workers purchased more than 200 pots of flowers and earned second place for sales in the county.

emergency procedures on its Energy Management System environment and annually reviews and updates all procedures.

TVA Nuclear — Browns Ferry, Sequoyah and Watts Bar nuclear plants have each received the President/Chief Operating Officer Safety Excellence Award Trophy and the President/COO Safety Excellence Award Flag. The awards are in recognition of excellent safety performance in fiscal year 2003, the best year on record for TVA Nuclear safety performance. TVAN's recordable injury rate for FY '03 was 0.25 per 200,000 employee hours worked. The year-end target was 0.55, a rate that equals a performance in the top 10 percent based on benchmarking studies.

Around the industry

This feature provides brief highlights of events in the electric-utility industry. More information is available in PowerBolts, accessible through *TVA Today*.

Failed \$2.35-billion-debt deal clouds outlook for Calpine — Calpine Corp., stumbling on higher interest rates and growing worries that a recovery in wholesale electricity prices may be farther off than once thought, failed to complete a \$2.35-billion bond and loan offering, raising questions about the company's future. Calpine's failure to sell bonds with a relatively high yield of 11.25 percent in a market where it had once been a star was damaging for the company, analysts said. Calpine's failed offering was intended to refinance \$2.5 billion in credit facilities at CCFC II (the old name for Calpine Generating Company). The facilities, which come due in November, are Calpine's last major maturity until about 2006. Calpine faces rising interest expense and still-significant construction costs this year, when the gross profits from generating electricity are expected to be at their lowest. — *Dow Jones Business News*

Entergy must shift costs among states, says FERC judge — A Federal Energy Regulatory Commission judge has ruled that utility major Entergy Corp. should reallocate electricity costs among its five subsidiaries in a move that could shift millions of dollars from ratepayers in Louisiana to Arkansas customers. New Orleans-based Entergy owns five operating companies that serve 2.6 million customers in Arkansas, Louisiana, Mississippi, Texas and the city of New Orleans. A deal struck among state regulators in 1982 called for a "rough equalization" of the whole system's production costs.

— *Reuters*

Ameren to buy Illinois Power — Ameren Corp. has agreed to buy Dynegy Inc.'s Illinois Power Co. unit for \$500 million and the assumption of \$1.8 billion in debt and preferred stock. The deal is expected to add earnings of five to 10 cents per share in the first year following the unit's purchase. Ameren is expected to finance the deal by issuing new common stock for at least half of the total transaction value. The new unit will be renamed AmerenIP.

— *Reuters*

Employee council

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TVA's overall improvement in CHI scores from FY '02 was 4 percent, PROP's improvement was 8.8 percent.

"We're gratified by the improved scores," Bailey says. "But our purpose was to create an atmosphere where employees could be productive. The scores are just a reflection of the change that is now beginning to occur."

Here are some of the more substantial items that surfaced, along with their solutions:

- Some employees felt they needed more in-depth and more frequent input from their supervisors. Regular meetings have been instituted for all staffs.
- Some employees felt that their positions were not properly classified. A detailed review was conducted with HR, and six positions were reclassified. Three of those were upgrades.
- Several computer upgrades were needed to better use existing software and improve productivity. Also, improvements were needed for use of a shared server for analytical work. These changes were prioritized and implemented.

What Employee Council members value about results

- "The feeling that someone is listening and actually looking into questions and concerns."
- "Seeing just how far we've come and the open communication we've achieved."
- "Recognizing the overall addressing of concerns and the fact that things get done in a reasonable amount of time."
- "A 200-percent improvement in communication."
- "At a time when the going is definitely tough, PROP has spent almost a year laying the groundwork for trust and is seeing results."
- "All TVA groups are stressed right now. This process is allowing us to ask questions and get honest feedback."



Members of the PROP Employee Council, from left, Risk Management Specialist Lee Fuller, Project Manager James Sanderfer and Economist Meredith Snyder have met with the group twice a month since last April to bring issues to the surface and seek solutions.

And the most appreciated —

- Employees wanted more developmental opportunities. PROP management committed to providing such opportunities for employees.

"It may be more difficult to provide opportunities outside PROP while we're going through staffing reviews, but we're committed to finding ways for people to grow their skills and opportunities," Bailey says.

Sanderfer attributes the success of the council to three things: "Jack is totally committed to it, PROP managers support it and council members take what they are doing seriously. The entire staff had a pent-up potential for good. The council has provided the arena to release that potential." — JUDY ELB

Distributor customers

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TVA's remaining power-supply customers.

Team established to define customer-relationship changes

TVA has established a cross-functional team to define in detail how the customer relationship must change once a distributor has given TVA notice of contract termination.

"The contract with our customers spells out how some services change once a distributor gives notice," says Ron Owens, General Manager of Customer Relations & Service, and Distributor Notice Team lead.

"But the contract is silent on how TVA should treat many additional products and services we provide. The Distributor Notice Team's mission was to develop a comprehensive set of guidelines for these additional services. The intent is to ensure these distributors are treated fairly, while protecting the interests of our customers that have not given notice."

Owens says the following three principles guided all the work performed by the team:

First, TVA will honor the terms and conditions of each distributor's contract. Just as the contract governed the relationship before notice was given, it will continue to do so during the remainder of the notice period. TVA will not be punitive, nor will it offer special advantages that are unfairly subsidized by the customers choosing to remain with TVA.

Second, TVA will make prudent business decisions based on sound economic principles that maximize value for TVA and all its stakeholders. TVA will attempt to retain its existing customers and

win back all customer loads in a manner that preserves and improves overall system value.

Third, as distributors give notice of intent to leave, they are fundamentally changing the business relationship with TVA and must begin to assume the responsibility for obtaining their own power supply along with all the associated risks. TVA will work to ensure that actions taken by those giving notice do not negatively affect those that have long-term commitments to TVA.

Services affected after notice given

The power contract explicitly states that offerings, such as additional Enhanced Growth Credits for new industry and TVA's obligation to plan for power supply beyond the five-year-notice term, end once a distributor gives notice.

While many services will continue without change, the new notice policy details how other services, such as the Comprehensive Services Program, *energy right* and Economic Development Revolving Loan Programs, will be administered after notice. Some services and programs will end after notice is given, others will be converted to a fee-for-service basis, while still others will be frozen or scaled back.

"Our goal is to balance the needs of all our stakeholders," Owens says. "Many complicated issues need to be resolved throughout this process, and we will be working with all our distributor customers, including those that have given notice, to reach that goal."

The TVA Board approved the Notice Team's

Six distributors give notice

Here are the distributors that have given notice of contract termination and the date it was given:

- Meriwether Lewis Electric Cooperative (Tenn.), Oct. 1, 2002
- Bowling Green Municipal Utilities (Ky.), Oct. 15, 2002
- Warren Rural Electric Cooperative Corp. (Ky.), March 28, 2003
- Duck River Electric Membership Corp. (Tenn.), Aug. 4, 2003
- Monticello Electric Plant Board (Ky.), Nov. 20, 2003
- Glasgow Electric Plant Board (Ky.), Nov. 26, 2003

recommendations last November. This January, TVA staff began briefing distributors individually on the new policy.

"While we work through the new relationship with the six distributors that have given notice to TVA, we also are looking at ways to win back their business," Medford says. "A great deal of work is going on now, in conjunction with committees from the Tennessee Valley Public Power Association, to develop new rates and contract offerings that may appeal to these customers."

"TVA can't offer these six customers a contract that it's not willing to offer to other similarly situated distributors. The new rate-development initiative offers the best vehicle for TVA to develop offerings that meet the needs of all our customers."

— FRANK RAPLEY

Widening horizons for U.S./Iraqi relations

Tamara Quinn knows first hand the tragedies and tribulations going on in Iraq. A Fuel Contract Administrator with Fossil Fuels in Chattanooga, Quinn recently returned from a three-month tour of duty in Iraq, where she helped the United States Office of the Secretary of Defense and the Iraqi Reconstruction & Development Council address women's issues and civil rights during the reconstruction process.

"My first night in Iraq, I stayed in the same hotel as Deputy Secretary of Defense Paul Wolfowitz," says Quinn. "There was a rocket attack on our hotel at 6 the next morning, but we made it out all right. We were in the Green Zone, which was a 'bull's-eye' target while I was there."

Quinn was born in Baghdad but moved to the United States in 1973 to pursue her education and escape Saddam Hussein's regime. She has remained involved with her home country through a variety of organizations, including Women for a Free Iraq and Women Waging Peace.

"When the war began, WWP invited 25 Iraqi-born women and expatriates to a workshop to discuss civil rights, laws and women's roles in the new Iraq," Quinn says. "Several WFI members decided to form a new organization called 'Women's Alliance for a Democratic Iraq.' I am one of its five directors."

The Office of the Secretary of Defense asked Quinn to be part of the Iraqi Reconstruction & Development Council, which would advise the Coalition Provisional Authority during the reconstruction period. She went to Iraq at the end of October to spend three months working with the council.

The group established the Cross Cultural Pro-

gram, which links American and Canadian schools with corresponding schools in Iraq.

"The purpose of this program is to help Iraqi children understand freedom and democracy," says Quinn. "In order to democratize the region, we must start with the new generation and teach them what it means to be free. CCP is part of the long-term plan to achieve this."

The Cross Cultural Program, open to all students in U.S. schools, is designed to help the American children understand the culture of Iraq and for Iraqi children to learn about the United States. In February, Quinn met with the U.S. State Department to discuss designating funds and grants for the program.

"Iraqi children have been cut off from the outside world through sanctions," she says. "Now the American and Iraqi children can write to each other as pen pals to discuss what their worlds are like."

Besides the CCP, Quinn is taking part in two other reconstruction projects — Women's Alliance for a Democratic Iraq's centers to help women regain independence and become more self-sufficient, and another program to aid widows of men who were killed in mass graves during the war. More recently, Quinn has been meeting with U.S. senators to help make sure Islamic law and customs are not the sole basis for the new constitution in Iraq.

"There are a lot of positive changes happening behind the scenes in Iraq," she says. "The people there are working seven days a week. Everyone is very dedicated, and it's real teamwork. Contrary to a lot of what you see in the media, people there are ready for democracy and business. They are eager to join the rest of the world."

— SUZANNE COTTRELL



ELIZABETH CZERSKA

Tamara Quinn poses with Hussan, a 12-year-old homeless boy in Baghdad. "Hussan lives in a box on the street outside our military compound," she says. "He said he felt safer being close to the military. We provided him with necessities."

PEOPLE, PLAUDITS & PROMOTIONS



Charles Bryant Randy Knox Jackie Solley

TVA Nuclear has selected **Charles Bryant**, a Maintenance Mechanical Engineer at Sequoyah Nuclear Plant, **Randy Knox**, a Steamfitter at Watts Bar, and **Jackie Solley**, a Senior Instrument Mechanic Foreman at Browns Ferry, as Maintenance Professionals of the Year. The award is presented to individuals who exemplify values in TVAN's maintenance professional code — safety, pride, teamwork, performance, positive attitude and effective communication.



Maurice Newby

Maurice Newby, a Health Physics Technician at Browns Ferry Nuclear Plant, **James Reagan Jr.**, a Radwaste Health Physicist at Sequoyah, and **Kelvin Summers**, a Health Physics Technician at Watts Bar, have been selected Radiological/Chemistry Control Professionals of the Year. Rad/Chem Professionals of the

Year are selected from a group of quarterly recipients who demonstrated high safety standards and TVA's commitment to strategic teamwork for actions and results and eight values — safety, integrity, respect for the individual, innovation & continuous improvement, accountability, teamwork, honest communication and flexibility.

John Boyd, Instrument Mechanic Apprentice at Cumberland Fossil Plant, has been named Apprentice of the Year by the Chief Operating Officer Technical Training Group. A COO Trainee of the Year is selected for each training group, and from those winners



John Boyd

an overall COO Apprentice of the Year is chosen to represent "the best of the best." COO supervisors and the local joint subcommittee select recipients based upon several measures, including grade-point average, ability



James Reagan Jr.



Kelvin Summers

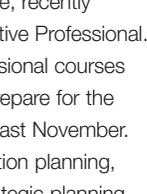
and performance at work. The award identifies outstanding achievers and role models for future trainees.

Elisa McDole, a Senior Secretary in Market Research & Evaluation in Nashville, recently became a Certified Administrative Professional. She took several of the professional courses offered by TVA University to prepare for the CAP exam, which took place last November. The CAP focuses on organization planning, which includes teamwork, strategic planning and advanced administration. McDole earned her Professional Secretary certification in 1989.

Daryl Armentrout has received the prestigious Government Civil Engineer of the Year Award for the state of Tennessee in recognition of his outstanding civil-engineering performance in the public-service sector. The award was presented at the national conference of the American Society of Civil Engineers. Armentrout, a member of the Knoxville chapter



Elisa McDole



Joe Henson

of ASCE, is Manager of Partner & Business Relations in River System Operations & Environment Business Services and a section manager for Environmental Engineering Services-East in Energy Research & Technology Applications.

Joe Henson, Right-of-Way Specialist in System Applied Maintenance, has been selected Transmission Operations & Maintenance Professional for 2003. A 26-year TVA veteran, Henson was nominated for his accomplishments in safety initiatives for negotiating a United States Department of Agriculture timber sale and fostering planning and teamwork associated with right-of-way contractors. Henson also takes an active role in Mississippi State University baseball team sponsorship and has served as an official in the Mississippi Vegetation Management Association. He was selected from quarterly professionals. Other TOM quarterly professionals were Huntsville System Engineer Jerry Ake, Muscle Shoals System Engineer Steve McDonald and System Applied Maintenance Right-of-Way Specialist Vernon Moore.



Daryl Armentrout