

April 25, 2000

Regional Resource Stewardship Council Members:

**GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA): INPUT FROM REGIONAL COUNCIL MEMBERS**

TVA submitted its first GPRA Strategic Plan in 1997. A plan revision is due this year in June. Federal agencies are required to solicit and consider the views of affected parties in development of the strategic plan. Because Council members represent a wide range of stakeholder interests your feedback on the year-2000 submission will be very valuable. As discussed at the March Council meeting, we are sending you the draft revised plan for review and feedback by May 19, 2000. Please provide your comments in writing via the return envelope provided, or you may submit them verbally or via email to Rick Driggans, 423.751.7772, rldriggans@tva.gov.

Background

The Government Performance and Results Act of 1993 requires all federal agencies to prepare strategic plans which align programs and activities to agency missions and objectives. The Strategic Plan identifies Goals (how TVA will carry out its mission over time), Strategies (what TVA must do to accomplish the Goal), and Performance Indicators (characteristics used to measure results). The Strategic Plan identifies agency direction and emphasis over a 6 year window. It must be updated every 3 years. Prior to the beginning of each year, the agency must issue a Performance Plan that establishes specific targets that it intends to achieve for each Performance Indicator in the Strategic Plan. After each year has been completed, the agency must issue a Performance Report that discusses how well that year's targets were achieved and (if targets are not met) what must be done in the future to improve performance.

Thank you for your help. If you have questions about the request, please contact Rick Driggans for further assistance.

*(Original signed by)*

Kathryn J. Jackson

# **Government Performance and Results Act Strategic Plan, FY 2000 - 2005**

## **MISSION STATEMENT**

The mission of the Tennessee Valley Authority is to develop and operate the Tennessee River system to improve navigation, minimize flood damage, and to provide energy and related products and services safely, reliably, and at the lowest feasible cost to residents and businesses in the multi-state Tennessee Valley region. TVA's integrated management of the entire Tennessee River watershed optimizes the benefits of the water resource.

Major functions of the corporation include:

- Management of the Tennessee River system for multiple purposes including (in order of priority) navigation, flood control, power generation, water quality, public lands conservation, recreation, and economic development;
- Generation of electricity;
- Sale and transmission of electricity to wholesale and large industrial customers;
- Stimulation of economic development activities that generate a higher standard of living for citizens of the Tennessee Valley;
- Stewardship of TVA assets and provision of recreation opportunities on federal lands entrusted to TVA; and
- Research and technology development that addresses environmental problems related to TVA's statutory responsibilities for river and land management and power generation.

## **TANGIBLE BENEFITS TVA BRINGS TO THE TAXPAYER**

TVA exists to generate prosperity for the seven state Tennessee Valley region through its management of the nation's largest public power system and the Tennessee River system. TVA dams and locks are operated as a fully integrated system to deliver multipurpose outputs. Navigation, flood control, and electric power generation are achieved while sustaining a balance between economic progress and protection of the environment. Public lands are managed to provide flood control, wildlife habitat, and recreation benefits.

TVA's integrated resource management approach which optimizes the benefits available to all stakeholders and its focus on total quality and process improvement allows TVA to provide these governmental services in the Tennessee Valley in a cost-effective manner. All TVA activities are funded through revenues from power customers. This is in contrast to the remainder of the country where other federal agencies receive federal appropriations for flood control, navigation, and public land management activities.

TVA's power program supports public power distributors and benefits the public by providing highly reliable, low cost electric energy to customers in seven states. Low cost power stimulates economic development and raises the standard of living in a traditionally depressed region of the country.

## **TVA VISION, GENERAL GOALS, AND OBJECTIVES**

In January 1999, the TVA Board of Directors issued a new statement of Vision and corporate goals.

### **Vision**

#### **Generating Prosperity in the Valley**

### **Goals**

*TVA employees will set the standard for . . .*

#### **Supplying low-cost, reliable power**

Meet the changing needs of power distributors and directly served customers for energy products and services in changing markets.

#### **Supporting a thriving river system**

Minimize flood damage, maintain navigation, support power production, improve water quality, protect public health and the environment, and support recreational uses.

#### **Stimulating economic growth**

Provide services based on core expertise to solve regional problems, protect natural resources, create jobs, and build partnerships for the public benefit.

*. . . to improve the quality of every life.*

## STRATEGIES TO ACHIEVE GOALS

### **Goal 1: Supplying low-cost, reliable power**

Meet the changing needs of power distributors and directly served customers for energy products and services in changing markets.

#### ***Objective 1.A. Reduce the delivered cost of power.***

Strategy 1.A.1. Improve TVA's Cost Structure while making prudent investments.

Performance Goal: • Delivered Cost of Power  
Debt / MW Capacity  
Bond Rating

#### Relationship between the General Goal, Strategy, and Performance Goals

TVA will remain the energy supplier of choice in a deregulated environment by selling electricity competitive with the market price. A major component (about 27%) of TVA's total cost of power is interest expense. As TVA reduces and manages its outstanding debt it will reduce interest costs thereby shifting its cost structure to one that is better able to adjust to the volatility of a deregulated energy market.

However, this need to reduce debt must be balanced against the need to invest in existing facilities and new generation to ensure a reliable supply of power for the Valley. In addition, TVA must make investments to comply with increasingly restrictive environmental regulations.

Achievement of this objective will require continued reductions in interest costs through close scrutiny of capital expenditures, maintaining an excellent bond rating, and developing innovative financing options. Debt reduction will depend on TVA's ability to maximize cash flow through limiting capital spending, controlling costs, and continued improvement in operation and maintenance processes which is dependent on a highly skilled workforce.

#### ***Objective 1.B. Retain customers and grow stakeholder support.***

Strategy 1.B.1 Maintain revenue.

Performance Goal: • Wholesale Customers with Continuing Contracts

#### Relationship between the General Goal, Strategy, and Performance Goal

TVA's wholesale customers, themselves public power providers, must also prepare for the coming deregulated energy market. TVA must be proactive in developing contractual arrangements that provide needed flexibility while ensuring that cost

obligations are fairly allocated. TVA's relationships with its customers must benefit

all parties in order for TVA to maintain its position as the Valley's energy supplier of choice. The selected performance goal will monitor TVA's performance in developing and maintaining these win-win relationships.

Achievement of this objective will require developing innovative pricing structures that provide opportunities for customers to control their costs and modifying contracting arrangements to provide customers with increased flexibility.

Strategy 1.B.2 Provide competitive products and services.

Performance Goal: • *Wholesale Customers with Continuing Contracts*

Relationship between the General Goal, Strategy, and Performance Goal

Strategy 1.B.3. Achieve excellence in the customer value and relationship process.

Performance Goal: • *TBD*

Relationship between the General Goal, Strategy, and Performance Goal

Strategy 1.B.4. Achieve excellence in stakeholder relations and communications processes.

Performance Goal: • *TBD*

Relationship between the General Goal, Strategy, and Performance Goal

***Objective 1.C. Optimize the use of assets and ensure reliability.***

Strategy 1.C.1. Maintain power reliability to meet customer requirements.

Performance Goal: • System Reliability (Load Not Served)

Relationship between the General Goal, Strategy, and Performance Goal

As restructuring is implemented, the focus by some suppliers on maximizing profits may have detrimental effects on service reliability. Based on input from customers, TVA will continue to emphasize high reliability while meeting market price.

Achievement of this objective will require continued improvements in operating and maintenance processes and the ability to acquire new technologies that improve

system performance, such as those identified in TVA's Integrated Resource Plan. A highly skilled, flexible workforce will also be required to provide demanded levels of service at reduced costs.

Strategy 1.C.2. Manage the environmental and safety impacts of TVA's operations on employees and the region.

- Performance Goal:
- Reportable Environmental Events
  - Sulfur Dioxide Emissions
  - Nitrogen Oxide Emissions
  - Environmental Research Center Resource Conservation and Recovery Act Cleanup (Percent Complete)

Relationship between the General Goal, Strategy, and Performance Goal

A reportable environmental event (REE) is any occurrence violating regulatory requirements at any TVA facility that triggers a notification to or enforcement action by a regulatory agency. It is TVA's key outcome measurement of environmental compliance. The combustion of fossil fuels results in the production of sulfur dioxide (SO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>). TVA has made multi-million dollar investments resulting in significant reductions in the emissions of these pollutants. Additional reductions in emissions will occur in the future as TVA continues to invest in emissions controls at its fossil facilities.

TVA is mandated by Federal law to complete the cleanup of contaminated sites at the Environmental Research Center (ERC) reservation in Muscle Shoals, Alabama. The Resource Conservation and Recovery Act (RCRA) Corrective Action Program supports the safe cleanup of contamination caused by decades of federally-funded munitions and fertilizer research and development activities at the ERC.

Achievement of this objective requires that TVA maintain a current understanding of applicable regulations, that investments in emissions control equipment be made and operating procedures ensuring regulatory compliance be developed and implemented, that personnel be trained to carry out these procedures, and that a mechanism be in place to verify compliance.

Strategy 1.C.3. Achieve excellence in asset optimization and production processes.

- Performance Goal:
- Fossil Plant Equivalent Availability Factor
  - Hydro Plant Equivalent Availability Factor
  - Nuclear Plant Net Capacity Factor

Relationship between the General Goal, Strategy, and Performance Goal

Strong economic growth and the uncertainty caused by the expected transition to a restructured electric market have resulted in increased price volatility and shortages of capacity throughout much of the United States. Developing and managing processes to have existing assets available when they are needed most will be critical to ensuring sufficient energy supply. In addition, forecasting changes in load growth and making optimal decisions on acquiring new generation and transmission assets is essential to having power available when it is needed at the lowest possible cost.

Achievement of this objective will require continued improvements in operating and maintenance processes and the ability to acquire new technologies that improve system performance. Continued investment in existing assets will be required, as will continued availability of a highly skilled, flexible workforce to provide demanded levels of service at reduced costs.

## **Goal 2 Supporting a thriving river system**

Minimize flood damage, maintain navigation, support power production, improve water quality, protect public health and the environment, and support recreational uses.

### ***Objective 2.A. Manage the competing demands on the river system.***

Strategy 2.A.1. Minimize flood damage by operating the river system according to best management practices with flood control as a priority.

Performance Goal: • Flood Storage Availability

#### Relationship between the General Goal, Strategy, and Performance Goal

Flood storage availability indicates TVA's readiness to control damaging floods. The reservoir system is operated based on mandates of the TVA Act and broad policy last reviewed as part of the Lake Improvement Plan in 1991. Based on these guidelines, monthly flood storage availability targets were established. Operation of the system in accordance with these targets ensures that the priority placed on flood damage avoidance is maintained.

Achievement of this objective requires that TVA retain responsibility for integrated river operation, that existing world-class expertise be retained, and that investments in information technology be made as needed to maintain and improve data collection and modeling capabilities.

Strategy 2.A.2. Maintain a navigable commercial waterway from Knoxville to Paducah.

Performance Goal: • Days Navigable Waterway Is Available from  
Knoxville to Paducah

- Shipper Savings

Relationship between the General Goal, Strategy, and Performance Goal

Commercial shippers rely on TVA to maintain locks and other navigation system components in operable condition and to operate the river system to minimize disruptions to navigation. These performance goals monitor TVA's effectiveness in meeting customer expectations and document the transportation cost savings to shippers using the Tennessee River system.

Achievement of this objective requires that TVA retain responsibility for integrated river operation, that the existing cooperation between TVA and the US Army Corps of Engineers (USACE) be continued, and that resources be available to maintain locks and related facilities. The concrete growth problem at Chickamauga Dam Lock will make it necessary to complete the design and construction of a replacement lock prior to its projected forced closure by 2010. Otherwise, navigation above Chattanooga will be terminated, and the continuous Knoxville-to-Paducah navigable waterway authorized by the TVA Act and completed by TVA in the 1940's will no longer be provided.

Strategy 2.A.3. Provide acceptable water quality.

- Performance Goal:
  - Dissolved Oxygen Deficit Due to Forced Outages
  - Minimum Flow Achievement
  - Watershed Conditions Improved or Maintained

Relationship between the General Goal, Strategy, and Performance Goal

Ensuring that aeration systems are functioning and that minimum water flow rates are maintained helps TVA minimize adverse environmental impacts to aquatic habitats and potable water quality associated with dam operations.

There are 603 hydrologic units that make up the Tennessee River watershed. TVA leads cooperative efforts involving local and regional public and private partners to improve water quality by reducing nonpoint source pollution. Annual assessments identify hydrologic unit status by evaluating stream/reservoir ecological health, customer use, and customer satisfaction.

Achievement of this objective requires that TVA retain the responsibility for integrated river operation and that cooperative relationships between TVA, state and federal agencies, and various regional river system user groups be continue, that trained personnel be available to identify and implement correction and protection activities, and that TVA retains the capability to conduct hydrologic assessments.

Strategy 2.A.4. Optimize the value of hydro generation subject to flood control, navigation, and water quality constraints.

- Performance Goal: • Discretionary Zone Attainment

Relationship between the General Goal, Strategy, and Performance Goal

The discretionary operating zone is bounded by the flood guide and the minimum operation guide. Under TVA's river system operation methodology, power value is optimized by operating tributary storage reservoir levels within the discretionary operating zone whenever possible.

Achievement of this objective requires that TVA retains the responsibility for integrated river operation and maintains the human and information technology capabilities required to provide an integrated daily operating plan based on real-time hydrologic information. It also requires the capability to maintain the operability of TVA's aging hydro generation infrastructure.

Strategy 2.A.5. Support recreational uses of the river system and associated federal lands.

- Performance Goal: • Reservoirs with Completed Comprehensive Reservoir Land Plans  
• Summer Reservoir Level Attainment

Relationship between the General Goal, Strategy, and Performance Goal

TVA manages 293,000 acres of land around reservoir projects spanning seven states. The reservoir system is a nationally important recreation and tourism resource that attracts millions visitors per year, who enjoy water-based sports and contribute to a \$1 billion industry. Waterfront properties are highly valued and generate demands for growth that often conflict with the protection of public resources and wildlife habitat. TVA manages these potential conflicts with the use of comprehensive reservoir land plans that establish allowable uses for TVA property.

In its 1991 Lake Improvement Plan, TVA made commitments to the user public to maintain tributary reservoirs at specified levels during June and July to support recreational uses which have significant economic development impacts for the Tennessee Valley. This performance goal measures TVA's effectiveness in meeting the identified expectations of these user communities.

Achievement of this objective requires that TVA retain the human and financial resources to develop comprehensive reservoir land plans, establish and monitor land use agreements and maintain and operate recreation facilities, and that TVA retains the responsibility for integrated river operation and that resources are available to maintain and operate these facilities.

### Goal 3 **Stimulating economic growth**

Provide services based on core expertise to solve regional problems, protect natural resources, create jobs, and build partnerships for the public benefit.

#### *Strategy 3.A. Promote development through targeted smart growth initiatives.*

Performance Goal: • Capital Investment Leveraged  
• Jobs Created/Retained

#### Relationship between the General Goal, Strategy, and Performance Goal

TVA's power revenue-financed economic development initiatives focus on expanding and attracting industrial and commercial development based on TVA's low-cost, reliable electric power. These performance goals measure TVA effectiveness in attracting capital investment by key public and private partners and the number of new jobs created by firms receiving assistance from TVA or Regional Industrial Development Associations.

Achievement of this objective will require continuing to supply low-cost, reliable electric power, developing partnerships with community and business leaders, providing technical and business services, and marketing the Tennessee Valley power service area.

## RELATIONSHIP OF TVA’S GENERAL GOALS AND STRATEGIES TO THE PERFORMANCE GOALS

Performance goals are selected to support attainment of the General Goals and Strategies and are expressed as performance indicators and annual targets. The following table summarizes information from the previous section and demonstrates the linkages between TVA’s General Goals, Strategies, and Performance Goals / Measures.

### TVA GENERAL GOALS, OBJECTIVES, STRATEGIES, AND PERFORMANCE MEASURES

Goals	Objectives	Strategies	Performance Measures
<b>1. Supplying low-cost, reliable power</b> Meet the changing needs of power distributors and directly served customers for energy products and services in changing markets.	1.A. Reduce the delivered cost of power.	1.A.1. Improve TVA’s cost structure while making prudent investments.	<ul style="list-style-type: none"> <li>Delivered Cost of Power</li> <li>Debt / MW of Capacity</li> <li>Bond Rating</li> </ul>
	1.B. Retain customers and grow stakeholder support.	1.B.1. Maintain revenue	Wholesale Customers with Continuing Contracts
		1.B.2. Provide competitive products and services.	TBD
		1.B.3. Achieve excellence in the customer value and relationship process.	TBD
		1.B.4. Achieve excellence in stakeholder relations and communications	TBD
	1.C. Optimize the use of assets and ensure reliability.	1.C.1. Maintain power reliability to meet customer requirements.	System Reliability (Load Not Served)

		1.C.2. Manage the environmental and safety impacts of TVA's operations on employees and the region.	<ul style="list-style-type: none"> <li>• Reportable Environmental Events</li> <li>• Sulfur Dioxide Emissions</li> <li>• Nitrogen Oxide Emissions</li> <li>• ERC RCRA Cleanup (Percent Complete)</li> </ul>
		1.C.3. Achieve excellence in asset optimization and production processes.	<ul style="list-style-type: none"> <li>• Fossil Plant Equivalent Availability Factor</li> <li>• Hydro Plant Equivalent Availability Factor</li> <li>• Nuclear Plant Net Capacity Factor</li> </ul>
<p><b>2. Supporting a thriving river system</b> Minimize flood damage, maintain navigation, support power production, improve water quality, protect public health and the environment, and support recreational uses.</p>	2.A. Manage the competing demands on the river system.	2.A.1. Minimize flood damage by operating the river system according to best management practices with flood control as a priority.	<ul style="list-style-type: none"> <li>• Flood Storage Availability</li> </ul>

		2.A.2. Maintain a navigable commercial waterway from Knoxville to Paducah.	<ul style="list-style-type: none"> <li>• Days Navigable Waterway Is Available from Knoxville to Paducah</li> <li>• Shipper Savings</li> </ul>
		2.A.3. Provide acceptable water quality.	<ul style="list-style-type: none"> <li>• Dissolved Oxygen Deficit Due to Forced Outages</li> <li>• Minimum Flow Achievement</li> <li>• Watershed Conditions Improved or Maintained</li> </ul>
		2.A.4. Optimize the value of hydro generation subject to flood control, navigation, and water quality constraints.	<ul style="list-style-type: none"> <li>• Discretionary Zone Attainment</li> </ul>
		2.A.5 Support recreational uses of the river system and associated federal lands.	<ul style="list-style-type: none"> <li>• Reservoirs with Completed Comprehensive Reservoir Land Plans</li> <li>• Summer Reservoir Level Attainment</li> </ul>
<p><b>3. Stimulating economic growth</b> Provide services based on core expertise to solve regional problems, protect natural resources, create jobs, and build partnerships for the public benefit.</p>	<p>3.A. Create and expand opportunities for targeted business growth.</p>	<p>3.A.1. Promote development through targeted smart growth initiatives.</p>	<ul style="list-style-type: none"> <li>• Capital Investment Leveraged</li> <li>• Jobs Created/Retained</li> </ul>