

Proposal Number :

Scope Change Number : 5A

WO/JO Number :

Letter Number : PP-7538-PR-C

**TENNESSEE VALLEY AUTHORITY
TASK ASSIGNMENT ORDER (TAO)**

CONTRACT NUMBER : 99998970

LEAD : Theodor Stammler

CONTRACTOR : Parsons

TECHNICAL MGR. : Ron Purkey

TASK NUMBER : Par_ - 0637 - 439

EFFECTIVE BEGIN DATE : 12/13/02

REVISION NUMBER : 06

CURRENT END DATE : 1/30/04

PHASE : 1A

PLANT : Kingston Fossil Plant

PROJECT : KIF Scrubber addition gypsum stack

TASK DESCRIPTION : Determine feasibility of locating gypsum stack on the KIF reservation.

DESCRIPTION OF REVISION: Provide 2 senior eng consultants (Tom Ingra & Dr. Anwar Wissa).

FEE TYPE APPLICABLE TO THIS TAO :

Performance Award Fee

Fixed Price Fee - Managed

Fixed Percentage Type

Fixed-Percentage Fee =====> Staff Augmentation Field Support

No fee applies to this task

TASK SUMMARY

	Previous Revision		Net Change		Total task Authorization
Negotiated Estimated Cost	\$150,576	+	\$14,366	=	\$164,942
Fixed Fee	\$8,273	+	\$412	=	\$8,685
Earned Award Fee To Date	\$0	+	\$0	=	\$0
Available Award Fee	\$0	+	\$0	=	\$0
Total Estimated Price	\$158,849	+	\$14,778	=	\$173,627

TVA SHORT CODE **001BRG4** PCN **FOS052**

LOCATION CODE _____ PERFORMING
UNIT

APPROVED BY:

TVA Contract Administrator

Date

DISTRIBUTION:

Partner (cc)
Lead Eng.

12/7/2003

December 5, 2003

Those listed

PROGRAM REVIEWS

Attached is an update to employees on the status of the program review process. Because of employee interest in this topic and its importance to TVA, please cascade this information throughout your organization this afternoon if possible.

Please capture any comments you may receive from your employees and forward them to Phil Reynolds at LP 3A-C.



O. J. Zeringue
President and Chief Operating Officer
ET 12A-K

J. A. Bailey, MR 3K-C
W. T. Boston, MR 3H-C
A. T. Burns, MR 2X-C
J. R. Bynum, LP 3K-C
K J. Jackson, WT 11A-K
R. A. Loving, LP 6A-C
A. A. Ray, SP 6D-C
P. L. Reynolds, LP 3A-C
J. A. Scalice, LP 6A-C

OJZ:JM
Attachment

TVA'S PLAN FOR MEETING ITS FINANCIAL CHALLENGES

I would like to take this opportunity to update you on how TVA management is dealing with the financial challenges we're facing and to let you know about the reviews of programs and functions, and staffing levels, that are under way throughout TVA.

As you know, the draft TVA Strategic Plan was issued October 1. The plan addresses the fact that TVA's business environment is changing. Competition that has already come to other industries, such as telecommunications and banking, is now closer to us. Our customers are telling us they want choice in who they buy their electricity from. And customer choice means that TVA will not be able to count on the stable revenues we've enjoyed for so long. To weather these conditions, TVA must have greater financial flexibility, and that means we must reduce our debt and other fixed costs.

It is important to note that we expect a substantial portion of the necessary budget reductions to come from (1) reductions in capital projects, with resulting reductions in spending for materials and contractors; (2) reductions in contractors supporting ongoing work; and (3) a methodical review of all TVA programs and functions, including staffing levels.

As we've said previously, no involuntary reductions in force (RIFs) will take place until after February 2004, by which time the program reviews will be complete. There is one caveat: Because the scope of some reviews is very broad, a limited number of reviews will require additional time beyond February to complete. We will provide information on the results of those reviews to the respective organizations as soon as it becomes available. In areas where the reviews show that surplus staffing exists, we will ask for volunteers before conducting an involuntary RIF. Employees who are approved for voluntary RIFs will receive standard severance pay.

QUICK SAVINGS OPPORTUNITIES

All organizations are reducing their reliance on overtime, eliminating the use of certain contractors, and renegotiating rates where contractors are a critical need. We must cut back everywhere we can – on travel, training, cell phones, assigned cars, etc. Therefore, throughout TVA, we are instructing managers and employees to:

- Eliminate TVA-funded catering and food for internal meetings and functions, including holiday events.
- Eliminate TVA-funded gifts (caps, shirts, mugs, etc.), including those for personal events.
- Restrict travel to core business needs and eliminate foreign travel and nonessential conference attendance.
- Re-evaluate travel for internal meetings and make more use of teleconferencing and video conferencing.
- Reduce cell phones, pagers, and personal electronic devices.
- Re-evaluate the use of leased vehicles (e.g., individual assigned vehicles for staff "pool" use).
- Scrutinize all recruiting efforts to ensure that all employment decisions are based on the safe and reliable operation of TVA's core functions.

PROGRAM REVIEWS

For FY 2005 and beyond, we must do all we can to create a more efficient way of doing business and managing TVA's physical assets and people.

To do that, every organization is conducting reviews to evaluate its programs, functions, and staffing levels, including supervisory ratios. In these reviews, we are ranking the things we do in order of their importance to TVA's basic mission, and we will be eliminating some activities. Many of these reviews are being done by cross-functional peer teams, and the reviews include updated benchmark data on work methods and staffing. Our goal is to complete this effort by February 2004, with the understanding that the more comprehensive reviews will take longer.

TVA organizations are using a basic four-step process for the reviews:

- Create an inventory of programs and functions being reviewed, group the programs into like-kind categories, and determine the appropriate review method for each program category.
- Complete the review process for each program category.
- Report the program review findings and recommendations to the appropriate panel of TVA executives for approval.
- Implement the review recommendations and keep employees and stakeholders informed.

This evaluation of the work we do will give us information for deciding whether (1) we should keep, eliminate, or outsource programs and functions, and (2) if we have surplus staffing situations. In areas that are identified for possible outsourcing, we will use the contract Decision Model to determine whether outsourcing would be cost-effective. As mentioned, in areas where the reviews show that surplus staffing exists, we will ask for volunteers before conducting an involuntary RIF. Employees who are approved for voluntary RIFs will receive standard severance pay.

And as we look forward, we must remember that benchmark data gives us information on current best practices; it does not forecast what our competition will look like. As our industry moves closer to competition, we will continually ask ourselves what TVA must do to be a winning competitor in the future.

Each major organization has identified the categories into which its activities are grouped for review:

Chief Operating Officer - The COO is reviewing cross-functional programs, including the Power Service Shops, Heavy Equipment Department, Laboratory Services, Research, Public Power Institute, and certain stewardship activities. Also, several functions have been identified as having the potential for cost savings through consolidation or some form of workforce sharing. Those are Business Services, Operations Support, Environmental, and Engineering (specifically engineering contractor levels). In addition, reductions in capital O&M spending are currently under review.

Chief Financial Officer - Program reviews are underway in all areas of responsibility reporting to the CFO.

Customer Service & Marketing - Program reviews are examining Core Products & Services, Non-core Products & Services, and Support Services.

Economic Development - Program reviews are evaluating Industrial Development & Recruiting, Community Development, Small Business Development, and Existing Industry.

Administration - Program reviews are under way for Facilities Management, Information Services, Procurement, and TVA Police with a focus on developing Service Level Agreements with our customers/partner groups. Also, several non-core programs and/or functions have been identified as having the potential for cost savings through elimination, consolidation, or shared services.

Human Resources - Program review categories are Staffing and Recruiting, including Reinvestment Program; TVA University System, including Education Outreach; HR Information Services, including Technology Solutions, Policy and Planning, and Shared Services; Employee Benefits and Compensation, including Workers Compensation and Live Well; Health and Safety, including Fitness for Duty and Fire Protection; Organizational Effectiveness, including STAR 7 and Cultural Health Index; Employee Relations including Special Emphasis Programs and Labor Relations; and HR programs and services provided to distributors.

Communications & Government Relations - Programs review categories are Government Relations, Communications Leadership & Strategy Development, External Outreach, and Communications Products & Services.

The newly formed TVA Program Review Oversight Team includes a representative from each of these organizations. The team is charged with ensuring a consistent review process across organizations and facilitating multi-organizational reviews. This includes coordinating how program and functions are defined and reviewed, ensuring TVA-wide review where appropriate, and preventing duplicated efforts.

The program reviews support TVA's commitment to Winning Behaviors, including playing on the bigger TVA team, seeking to improve work processes, and finding solutions.

NEXT STEPS

Managers in each organization will be sharing information with employees about how the process is working in that organization. We will share this information with union representatives, as well. Later this winter, by February, we will announce the results of the reviews, including which programs are eliminated and where surpluses exist.

No employee staffing reductions will occur until after February 2004. Again, reductions will be based on the results of the program and staffing reviews, and we will first ask for volunteers from areas with surpluses. We do not expect to issue a general, TVA-wide notice for volunteers because we still have to operate the TVA system in a safe and reliable manner, and we must maintain appropriate resources to do that. Be assured that this process will take care to preserve the safe and reliable operation of TVA's core functions.

We believe these actions are the necessary and appropriate response to the challenge of competition in our industry. Our vision is that TVA will continue to be a winning competitor for the people of the Tennessee Valley. TVA will continue to carry out its mission of providing affordable and reliable electric power; integrated management of the Tennessee River system; and the promotion of economic development for the region.

Thank you for your support in helping to ensure TVA's continued success.