



Memorandum from the Office of the Inspector General

June 23, 2026

Michael K. Bottorff

REQUEST FOR FINAL ACTION – EVALUATION 2026-17610 – CONDITION OF COAL PLANT ASSETS

The Tennessee Valley Authority (TVA) has four coal plants that include 24 units with a combined net capacity of 5,815 megawatts. These coal plants have operated well beyond their original book life and are among the oldest still in operation in the nation. Due to the performance and cost risks of operating an aging coal fleet, we performed an evaluation of coal plant asset condition to determine if TVA had assessed the condition of assets and had plans in place to address degradation.

We determined that TVA did not assess the condition of some assets annually, as required. We also determined that some assets were not properly classified as “Tier 1”¹ in Maximo² and/or tracked in the Generation Asset Health dashboard. In addition, while TVA has plans to address some asset degradation, there are several assets in poor condition without a plan for remediation. We recommend TVA take steps to address issues related to (1) annual asset condition assessments, (2) classifying and tracking of Tier 1 assets, and (3) assets in poor condition without a plan to address degradation. In response to our draft report, TVA management agreed with our recommendations and provided planned actions to address the recommendations. In addition, TVA management provided informal comments that have been incorporated into the final report as appropriate. See the Appendix for TVA’s complete response.

BACKGROUND

TVA Power Operations (PO) Standard Programs and Processes (SPP) 09.005, *Power Operations Asset Health*, establishes requirements for monitoring Tier 1 asset health. The SPP requires assets to be assessed annually and scored at the component level. The scores result in an Asset Health Index (AHI) that ranges from 0-10 and are tracked in TVA’s Generation Asset Health dashboard. Assets with an AHI below 3 are considered to be in poor condition. According to PO-SPP-09.005, any asset not designated as Tier 1 will be managed by the system health process. According to TVA management, the system health is tracked in the PO System Health dashboard.³

TVA’s Asset Planning and Performance organization optimizes fleet reliability by delivering comprehensive asset management services. Asset Planning analyzes risk levels based on updated health scores and establishes asset failure consequences. The accepted risk tolerance is evaluated at least annually based on current business plans

¹ Tier 1 assets are critical assets such as turbines and generators that are determined to have a higher consequence due to failure.

² Maximo is TVA’s asset management system.

³ According to TVA management, there is not a specific SPP for system health.

and objectives. It also uses AHI to evaluate optimum replacement dates for assets in the Asset Management Plan.

Kingston Fossil Plant (Kingston) and Cumberland Fossil Plant (Cumberland) were approved for retirement in calendar years 2027 and 2028, respectively, due to aging infrastructure, high fixed costs, and environmental regulations. However, in February 2026, TVA's Board of Directors voted to take steps toward continued operations at the two coal plants.

Due to the performance and cost risks of operating an aging coal fleet, we performed an evaluation of coal plant asset degradation.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our review was to determine if TVA had assessed the condition of assets and had plans in place to address degradation. The scope of our review included the condition of active Tier 1 assets at Cumberland, Kingston, Gallatin Fossil Plant (Gallatin), and Shawnee Fossil Plant (Shawnee). To achieve our objective, we reviewed:

- Data in the Generation Asset Health dashboard and Maximo and conducted interviews to determine if the assets were properly classified and tracked.
- Data in the Generation Asset Health dashboard to determine if the condition of coal plant assets had been assessed since calendar year 2024.
- Documentation, conducted interviews and site visits, and compared planned projects to assets listed in poor condition to determine if there were plans in place to address degradation.

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

FINDINGS

We determined that TVA did not assess the condition of some assets annually as required. We also determined that some assets were not properly classified as Tier 1 in Maximo and/or tracked in the Generation Asset Health dashboard. In addition, while TVA has plans to address some asset degradation, there are several assets in poor condition without a plan for remediation.

SOME ASSET CONDITIONS WERE NOT ASSESSED ANNUALLY

PO-SPP-09.005, *Power Operations Asset Health*, requires that Tier 1 assets' health be assessed annually. However, several assets had not been assessed at the frequency required. This included 187 of the 812 (23 percent) assets at Shawnee and Gallatin and 771 of the 945 (81 percent) assets at Kingston and Cumberland that did not have the AHI updated within the past year. Table 1 on the following page shows how many assets were last assessed each year in the Generation Asset Health dashboard.

Number of Assets Last Assessed Per Year				
Year	Gallatin	Shawnee	Kingston	Cumberland
2024	7	56	20	13
2023	16	0	437	2
2022	0	0	0	1
2021	98	9	120	174
2020	1	0	0	4
Total	122	65	577	194

Table 1

According to TVA management, Kingston and Cumberland have not regularly updated the AHI to reflect current asset condition due to the retirement plans for each plant. Management noted that asset condition did continue to be updated in the PO System Health dashboard. However, as of February 2026, 11 of the 31 systems at Kingston and Cumberland had not had their system health updated in the PO dashboard since 2024 and 6 systems had no status. Outdated asset conditions could result in inaccurate information utilized for asset management planning.

SOME ASSETS WERE NOT PROPERLY CLASSIFIED AND TRACKED

According to PO-SPP-09.005, critical assets should be classified in Maximo as Tier 1, and their health should be scored and tracked in the Generation Asset Health dashboard. However, while performing a comparison of the assets in Maximo and the Generation Asset Health dashboard, we determined that some assets were not properly classified and/or tracked. Specifically:

- Twenty-three assets noted as Tier 1 in Maximo that TVA management did not consider to be critical assets.
- One asset that was not classified as Tier 1 in Maximo or tracked in the Generation Asset Health dashboard that TVA management confirmed should have been.
- Eight assets classified as Tier 1 in Maximo that were not tracked in the Generation Asset Health dashboard.

Without properly classifying and tracking critical assets, there is an increased risk to reliability of the equipment.

SOME ASSET DEGRADATION NOT ADDRESSED

While TVA has plans to address some asset degradation, there are several assets in poor condition without a plan for remediation. As of January 2026, the Shawnee and Gallatin plants had 60 assets listed in poor condition, but 35 of the 60 assets did not have a planned project to address degradation. According to TVA management, meetings are held throughout the year to discuss the disposition of assets in poor condition without an associated project. During the meetings AHI is one of many factors considered and projects must compete for funding in TVA.

As previously discussed, in February 2026, TVA's Board of Directors voted to extend operations at Kingston and Cumberland. According to TVA management, Kingston and Cumberland had been addressing selected degradation due to their planned retirement. TVA management is developing a list of suggested projects to extend operations, including 192 projects with an expected investment of approximately \$963 million between fiscal years 2026 and 2031. However, with the focus shifting to improving the condition of assets at Kingston and Cumberland, there could be an increased risk that degradation of assets at Shawnee and Gallatin are not addressed.

RECOMMENDATIONS

We recommend the Vice President, Coal Operations:

- Take steps to ensure asset condition of Tier 1 assets are assessed annually.
TVA Management's Comments – TVA management agreed with the recommendation and will take steps to ensure assets are being evaluated consistent with PO-SPP-09.005. See the Appendix for TVA's complete response.
Auditor's Response – We agree with TVA management's planned action.
- Take steps to ensure assets are accurately classified and tracked as required.
TVA Management's Comments – TVA management agreed with the recommendation. See the Appendix for TVA's complete response.
Auditor's Response – We agree with TVA management's planned action.
- Evaluate assets in poor condition at Shawnee and Gallatin without a planned project to determine if near-term actions are needed to address degradation.
TVA Management's Comments – TVA management agreed with the recommendation noting that it is not an expectation that all equipment in poor condition have an associated project planned. Driven by operational and maintenance strategies among other factors, the default plan in some cases is to run the associated equipment until failure and then replace or repair at that time. See the Appendix for TVA's complete response.
Auditor's Response – We agree with TVA management's planned action.
- Verify the completed project plans for Kingston and Cumberland properly address assets in poor condition.
TVA Management's Comments – TVA management agreed with the recommendation and will take steps to ensure assets are being evaluated consistent with PO-SPP-09.005. Management also stated that Cumberland and Kingston will be reinstated into their annual business planning and asset management processes to assess equipment health, analyze risks, and plan associated projects/replacements based on risk-based financial decision-making practices. See the Appendix for TVA's complete response.
Auditor's Response – We agree with TVA management's planned action.

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This report is 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 observations, please contact Lindsay J. Denny, Director, Evaluations - Operations at (865) 633-7349. We appreciate the courtesy and cooperation received from your staff during the evaluation.



Greg Stinson
Assistant Inspector General
(Audits and Evaluations)

HRK/FAJ

cc: TVA Board of Directors
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Jessica E. Dufner
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OIG File No. 2026-17610

June 15, 2026

Greg Stinson, WT 2C-K

REQUEST FOR COMMENTS – DRAFT EVALUATION 2026-17610 – CONDITION OF COAL
PLANT ASSETS

Coal Operations would like to thank Heather R. Kulisek and Lindsay J. Denny for their diligence and support in identifying opportunities for the improvement of the condition of our coal plant assets.

In response to the recommendations provided in your draft report dated, May 18, 2026, we provide the following comments and responses.

Recommendations:

We recommend the Vice President, Coal Operations:

1. Take steps to ensure asset condition of Tier 1 assets are assessed annually.

Response

Coal Operations agrees to take steps to ensure assets are being evaluated consistent with PO-SPP-09.005.

2. Take steps to ensure assets are accurately classified and tracked as required.

Response

Coal Operations agrees with the recommendation.

3. Evaluate assets in poor condition at Shawnee and Gallatin without a planned project to determine if near-term actions are needed to address degradation.

Response

Coal Operations agrees with the recommendation, noting that some assets will not have a proactive plan, such as a capital project, to address the condition. Driven by operational and maintenance strategies among other factors, the default plan in some cases is to run the associated equipment till failure and then replace or repair at that time. It is not an expectation that all equipment in poor condition have an associated project planned.

4. Verify the completed project plans for Kingston and Cumberland properly address assets in poor condition.

Response

Coal Operations agrees to take steps to ensure assets are being evaluated consistent with PO-SPP-09.005. Even though these Transitional Units were not required to follow the procedure, multiple reviews with plant staff, stakeholders, and subject matter experts have been recently completed to compile and verify the initial prioritized plans for Cumberland and Kingston investments and scopes needed to support continued operation. Since the TVA Board steps taken in February 2026, Cumberland and

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Kingston will be reinstated into our annual business planning and asset management processes to assess equipment health, analyze risks, and plan associated projects/replacements based on risk-based financial decision-making practices, aligning with Recommendation 1 above.

Thank you for allowing us to provide these comments. Please contact us if you have any questions.



Michael K. Bottorff
Vice President
Generation Coal Operations

TDL:MJR

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OIG File No. 2026-17610