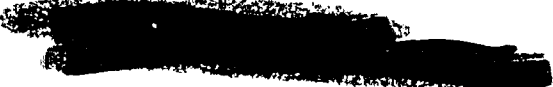


Tennessee Valley Authority, 1101 Market Street, Chattanooga, Tennessee 37402-2801

Phillip L. Reynolds  
Vice President  
Nuclear Support, TVA Nuclear

March 5, 2001

Mr. Ronald O. Grover  


Dear Mr. Grover:

#### NOTICE OF PROPOSED TERMINATION

This is to notify you that I am proposing that your TVA employment as a Senior Manager (Developmental/Rotational) be terminated not earlier than thirty (30) full calendar days after your receipt of this notice. You will continue in nonwork pay status during the notice period.

You have been in a nonwork pay status since October 6, 2000, pending TVA Nuclear management's review of the Office of Inspector General (OIG) final report of several misconduct charges against you. The draft report, of which you received a copy, documented your misuse of TVA property, conduct of personal business on TVA time, and violation of TVA policies. You provided, through your attorney, a response to the draft report which was considered by the OIG. The OIG's January 25, 2001 final report (a copy of which is enclosed hereto and the details of which are incorporated herein by reference) and the investigative file confirmed those preliminary findings. The OIG's investigation found that you exhibited a multi-year pattern of misuse of TVA time and property and violations of TVA policies, most often in support of your outside real estate business. This business, a real estate limited partnership, developed and managed low-income rental property in Kansas City, Missouri. The OIG's investigation shows that you actively managed the business and were extensively involved in construction and renovation of rental properties.

Specifically, based on the OIG investigation I find that you engaged in the following misconduct:

1. Misuse of TVA long distance calling card - From 1995 through 1999 you used your TVA long distance calling card to make over 3,000 personal and non-TVA related calls to numbers in Kansas, Missouri, Connecticut, and California, including calls to relatives, government-related entities, personal professional services, and construction-related businesses. The OIG found that there was a multi-year pattern

Template = SECY-028 TVA Exh 114

SECY-02

OFFICE OF THE SECRETARY  
RULEMAKINGS AND  
ADJUDICATIONS STAFF

Staff \_\_\_\_\_ IDENTIFIED ✓  
Applicant ✓ RECEIVED ✓  
Intervenor \_\_\_\_\_ REJECTED \_\_\_\_\_  
Other \_\_\_\_\_ WITHDRAWN \_\_\_\_\_  
DATE 9-13-02 Witness \_\_\_\_\_  
Clerk R. DAVIS

1949 11.15.1949 11.15.1949 11.15.1949

Mr. Ronald O. Grover

Page 2

March 5, 2001

of abuse: 3,233 personal calls lasting approximately 11,380 minutes, or nearly 190 hours. This constitutes a violation of TVA's Communications Practice 2, Authorized Telephone Use and Business Practice 3, Credit Cards. The OIG found that you owe TVA the amount of \$6,828 for these unauthorized long distance calls.

2. Misuse of TVA assigned telephones - From 1995 through 1999 you used your assigned TVA telephones to make over 2,500 personal and non-TVA related long distance calls to Kansas, Missouri, Connecticut, and California, again including calls to relatives, government and public entities, local utility and fuel distributors, financial and other personal professional services, and construction-related businesses. The OIG found that you made 2,535 personal calls that totaled 5,116 minutes, or more than 85 hours. This misuse also constitutes a violation of Communications Practice 2, Authorized Telephone Use. The OIG found that you owe TVA the amount of \$3,069.60 for these unauthorized long distance calls.
3. Conducted personal business during TVA time - The OIG found that from 1995 through 1999 you conducted personal business during work time. You made over 4,300 long distance calls using your TVA assigned telephones and long distance calling cards during work hours (8 a.m. to 5 p.m.) to businesses and relatives in Kansas, Missouri, Connecticut, and California, for a total of 178.3 hours. For illustrative purposes, the OIG found that during a 29-day period in 1998 when you were assigned to Browns Ferry Nuclear Plant, you made 677 calls of which 568 (84 percent) were to telephone numbers in these four states. This is a violation of the Standards of Ethical Conduct - Office of Government Ethics, which provides that "an employee shall use official time in an honest effort to perform official duties."
4. Leave abuse - The OIG found that from 1995 through 1999 you were away from your assigned TVA work location and at a location outside Tennessee, Georgia, or Alabama, more than 100 workdays. On those days, you were in pay status and were not in leave or travel status. Those days occurred before, during, and after your assignment to the Institute of Nuclear Power Operations (INPO), in Atlanta, Georgia, from September 1996 to December 1997. You did not request nor would you have been approved to take compensatory time for those days. This is a violation of TVA policy regarding annual leave and TVA Nuclear Business Practice 101, Employee Conduct and Disciplinary Action Guidelines.
5. Failed to report and obtain approval for outside employment (real estate partnerships/Midwest Associates) - The OIG found that you were extensively involved in your real estate business but failed to file a request for approval of outside employment. TVA ethics regulations require that employees who want to engage in outside employment or consulting in addition to their TVA position must seek prior approval from TVA. Outside employment means "any form of non-Federal employment or business relationship involving the provision of services

Mr. Ronald O. Grover

Page 3

March 5, 2001

by the employee" (5 CFR § 7901.102). According to TVA's Guidance for Review of Outside Employment by TVA Employees, the purpose of reviewing a request for outside employment "is to help determine whether proposed outside employment would (1) involve conduct prohibited by statute or regulation, including the Standards of Ethical Conduct, (2) create an appearance of such conduct, or (3) otherwise interfere with the employee's performance of TVA duties." Your conduct in this regard violated the Supplemental Standards of Ethical Conduct for Employees of the Tennessee Valley Authority and the Standards of Ethical Conduct - Office of Government Ethics.

6. Failed to fully disclose financial information required in Federal Financial Disclosure forms - Additionally, you failed to report the extent of your financial holdings related to your outside business on financial disclosure forms as required by § 102, 5 U.S.C.A. App. 4. The OIG found that you withheld information because you did not want TVA to know the full extent of your outside activities. This is a violation of the above cited federal statute and TVA's Standards of Ethical Conduct - Office of Government Ethics

In my review of the OIG's investigation, I considered your comments on the OIG's draft report. I have concluded that your conduct was neither approved nor excused, but rather that you knowingly violated policies and misused TVA property for your financial benefit. TVA must be able to rely on its employees to comply with TVA policies and not to misuse TVA property, equipment, and time. This is especially true for an employee at your high level. It is even more important for you as an employee in TVA Nuclear in light of TVA's responsibilities as a licensee of the Nuclear Regulatory Commission. As a result of your repeated, extended, and serious misuse of TVA property, equipment, and time, and your failure to comply with the most basic standards of honesty and integrity as outlined above, I no longer have confidence in you to perform any duties at TVA. Accordingly, I am proposing your termination.

You may reply to the reasons for your proposed termination either orally or in writing, or both orally and in writing. Additionally, you may submit affidavits or other support for your answer. Any reply you wish to make must be made to Jack A. Bailey, Vice President, Engineering & Technical Services, 1101 Market Street, 6A Lookout Place, Chattanooga, Tennessee 37402-2801 within fifteen (15) full calendar days from the date you receive this notice. If you wish to make an oral reply, please call me at (423) 751-3185, and I will arrange for a meeting between you and Mr. Bailey, who will be the deciding official and who will fully consider your reply, if any. In reaching his decision, he will also consider the nature and seriousness of your conduct, including whether it was intentional or not, your job level and type of employment, your past work and disciplinary records, the effect of your conduct in your manager's confidence in you to perform your assigned duties, the consistency of this penalty with that received by others for the same or similar conduct, your potential for rehabilitation, any mitigating factors, and the adequacy of other sanctions to deter such conduct by you or others. He will inform you of his decision in writing in a separate "Notice of Decision" letter.

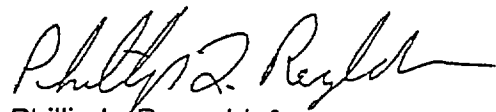
Mr. Ronald O. Grover

Page 4

March 5, 2001

You may examine the evidence on which I base my proposal in order to prepare a written reply, to make an oral reply, and/or to obtain affidavits in your behalf if you choose to do so. Please call James E. Boyles (423) 751-7059 to make arrangements for a time and place if you wish to examine the evidence. If you have any questions about the above time limits or otherwise, please call Mr. Boyles directly.

Sincerely,

A handwritten signature in cursive script, appearing to read "Phillip L. Reynolds", with a long horizontal flourish extending to the right.

Phillip L. Reynolds

Enclosures