Talen Energy – Riverside Holdings, LLC Vulnerability-Threat Matrix

November 3, 2016
Reference: Docket ID NRC-2016-0187
Docket Nos. 50-387, 50-388 & 72-28-LT-2
In the Matter of:
Susquehanna Nuclear, LLC
Susquehanna Steam Electric Station, Units 1 and 2

To: E. Roy Hawkens
Chief Administrative Judge
ASLBP No. 16-949-01-LT-BD01
Atomic Safety and Licensing Board Panel
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555-0001

Cc: See Attachment 1

From: Sabatini Monatesti
President, ES Enterprises Inc.
919 Belair Drive
Berwick, PA 18603

Introduction:

In keeping with my analysis of the Riverstone Holdings, LLC indirect license transfer for Susquehanna Nuclear, LLC, and without access to SUNSI details available, I initiated a Vulnerability-Threat Assessment using the material provided by Talen Energy's, 2015 Securities and Exchange Commission filing.

I continue to be concerned. The attached Vulnerability-Threat Assessment confirms my suspicion that significant risks exist, that vulnerability and threat are real and measurable, and that these risks, to date I believe, Riverstone Holdings, LLC may not have addressed in the license transfer process. If so, the sustainability and survivability of Susquehanna and other Talen Energy facilities would be in doubt. The impact on the citizen and the employee significant, and continued success of power generation would be questionable.

I respectfully request that a risk mitigation strategy be made available. Only after review of this strategy would it be possible to assess, based on the proposed operational actions by Riverstone Holdings, LLC, if Riverstone Holdings will adequately mitigate the risks. I believe the identified risks would severely influence NPV, hence making continued investment in power generation suspect. Further, I contend that the Riverstone Holdings, LLC response to the complex risks noted in my Vulnerability-Threat Assessment is naïve and most likely only addresses "first order" affects, i.e., reference my earlier post focused on increasing cash flow, reducing cost and overhead, elimination of non-critical activities, sell off of non-core assets, reducing liquidity and debt, and reducing capital expenditures.

Situation:

The risks presented below have a major impact on revenue, cost of operations, profit margin, employee performance and the viability of management to meet NRC health and safety requirements.

Problem:

The information needed to complete a viable assessment is unavailable to the citizen.

Implication:

Adequate investigation and information transparency are undermined. Establishing a basis for "informed consent" requires information.

Need:

I respectfully request the opportunity to review the Vulnerability-Threat Matrix developed by Riverstone Holdings, LLC.

Regards:

Sabatini Monatesti
Sabatini J. Monatesti

Vulnerability - Threat Matrix

			High (3), Med (2), Low (1)			High (3), Med (2), Low (1)			Prod		High (3), Med (2), Low (1)				
			Description			Description					Description				
Item	**item #**	**Sort Phrase**	**Area of Vulnerability**	**V Value**	**% Cont1**	**Perceived Threat**	**T Value**	**% Cont2**	**V*T**	**% Cont3**	**Risk of Loss**	**R Value**	**% Cont4**	**Total Value**	**% Cont5**
1	4	accounting	methods of accounting and developments in or interpretations of accounting requirements that may impact reported results, including with respect to, but not limited to, hedging activity;	3	3%	Reporting errors, data role up inconsistencies, information technology shortcomings, administrative management failures	3	3%	9	3%	fined, imprisoned (10K failure), sued by shareholders, loss of job	3	3%	27	4%
2	2	commodity pric	changes in commodity prices and related costs;	3	3%	downward pressure on price continues, energy glut	3	3%	9	3%	contributes to operating losses	3	3%	27	4%
3	12	competition	competition in the power generation market, including in the expansion of alternative sources of electricity generation and in the development of new projects, markets and technologies;	3	3%	Renewable continue to expand and energy price continues to decline, due to glut	3	3%	9	3%	Loss of market share, declining revenues and profits	3	3%	27	4%
4	29	expenses	significant increases in operation and maintenance expenses, such as health care and pension costs, including as a result of changes in interest rates;	3	3%	currently seeing losses of $341 million, health care cost will be 20% of GDP by 2020, ACA is not working as planned	3	3%	9	3%	unable to provide health care to employees, labor unrest, poor performance, strikes, leading to disruptions in generation capacity	3	3%	27	4%
5	35	financial report	costs of complying with reporting requirements as a newly public company and any related risks of deficiencies in disclosure controls and internal control over financial reporting as a standalone entity;	3	3%	tax standing and tax rate impacted, reporting errors, data role up inconsistencies, information technology shortcomings, administrative management failures	3	3%	9	3%	unable to adjust business rules, hurdle rate increases and margins decrease	3	3%	27	4%
6	19	indebtedness	Talen Energy's level of indebtedness;	3	3%	currently incurring losses, pressure to meet on time payments, and meet interest requirements	3	3%	9	3%	contribute to foreclosure and hostile takeover or bankruptcy, loss of experienced workforce	3	3%	27	4%
7	20	indebtedness	the terms and conditions of debt instruments that may restrict Talen Energy's ability to operate its business;	3	3%	currently incurring losses, pressure to meet on time payments, and meet interest requirements	3	3%	9	3%	contribute to foreclosure and hostile takeover or bankruptcy, loss of experienced workforce, unable to invest in the future of the company	3	3%	27	4%
8	22	indebtedness	the risks inherent with variable rate indebtedness;	3	3%	currently incurring losses, pressure to meet on time payments, and meet interest requirements	3	3%	9	3%	contribute to foreclosure and hostile takeover or bankruptcy, loss of experienced workforce, unable to invest in the future of the company	3	3%	27	4%
9	5	market pressur	operational, price and credit risks in the wholesale and retail electricity markets;	3	3%	downward pressure on price continues, energy glut	3	3%	9	3%	lost revenue, excess capacity, reduced margin, potential loss of profit and devalued stock value	3	3%	27	4%
10	27	operations	any failure of Talen Energy's facilities to operate as planned, including the duration of and cost, including lost revenue, associated with scheduled and unscheduled outages at Talen Energy's generating facilities;	3	3%	10% of nuclear plants out of service at any time, impact noted: 05182016, 44% health and safety, 22% electrical power distribution, 22% component, 12% generation failures	3	3%	9	3%	inability to generate revenues	3	3%	27	4%
11	36	riverstone hold	the ability of the Riverstone Holders to exercise influence over matters requiring Board of Directors and/or stockholder approval.	3	3%	potential take over	3	3%	9	3%	lose your job and your benefits, increase threat to citizen	3	3%	27	4%
12	18	security and sa	security and safety risks associated with nuclear generation;	3	3%	10% of nuclear plants out of service at any time, impact noted: 05182016, 44% health and safety, 22% electrical power distribution, 22% component, 12% generation failures, employee performance suspect	3	3%	9	3%	lost generation capacity, lost revenue, increase in cost of operations	3	3%	27	4%
13	24	capital access	Talen Energy's ability to access capital markets;	2	2%	excess capacity, poor utilization	3	3%	6	2%	unable to upgrade technology	3	3%	18	2%
14	9	inventory	unforeseen circumstances may impact the levels of coal inventory that Talen Energy holds;	2	2%	coal goes on strike, regulation puts coal out of contention as a cheap energy source	3	3%	6	2%	conversion of all coal plants to gas, need capital improvement, without capital infusion, loosing proposition	3	3%	18	2%
15	30	personnel loss	the loss of key personnel, the ability to hire and retain qualified employees and the impact of collective labor bargaining negotiations;	2	2%	business practices, workflow integration at the management level, poor integration techniques, poor strategic planning, selecting the wrong initiatives, allocating resources effectively, non competitive in the market place	3	3%	6	2%	over time performance degrades, impacting generation capability, plant integrity, affecting health and safety	3	3%	18	2%
16	13	regulation	federal and state legislation and regulation, including costs to comply with governmental permits and approvals;	2	2%	cost of doing business, management unable to acquire and use knowledge personnel effectively to meet demand	3	3%	6	2%	unable to continue oversight of effective generation capability, ethics violations occur (Salem Twnp), people make mistakes	3	3%	18	2%
17	17	regulation	changes in legislative and regulatory policy, including the promotion of renewable energy, energy efficiency, conservation and self generation;	2	2%	cost of doing business, management unable to acquire and use knowledge personnel effectively to meet demand, renewable continue to expand, and downward pressure on energy prices will continue	3	3%	6	2%	downward pressure on revenue, and reduced margins, impact profitability	3	3%	18	2%
18	3	risk manageme	the effectiveness of Talen Energy's risk management techniques, including hedging, with respect to electricity and fuel prices, interest rates and counterparty credit and non performance risks;	2	2%	unreliable statistical analysis, sensitivity analysis, and poor simulation capability, need for IT, lack of strategic planning, initiative rationalization and acceleration, unable to perform basic vulnerability, threat analysis	3	3%	6	2%	caught with your proverbial "pants down," management looks foolish to the employee	3	3%	18	2%
19	31	attacks	war, armed conflicts or terrorist attacks, including cyber based attacks;	3	3%	Internet access is available and hackable	2	2%	6	2%	SCADA attack forces shut down	3	3%	18	2%
20	11	blackouts	blackouts due to disruptions in neighboring interconnected systems;	3	3%	Grid failure due to external forces	2	2%	6	2%	unable to deliver generated capacity	3	3%	18	2%
21	21	cash flow	the performance of Talen Energy's subsidiaries and affiliates, on which its cash flow and ability to meet its debt obligations largely depend;	3	3%	available capacity, poor utilization	2	2%	6	2%	unable to meet debt obligations	3	3%	18	2%
22	10	transmission	the performance of transmission facilities and any changes in the structure and operation of, or the pricing limitations imposed by, the RTOs and ISOs that operate those facilities;	2	2%	transmission lines continue to evolve, failures have occurred, renewable will require additional changes to transmission with time	2	2%	4	2%	power factor plays a role, contributes to waste, move to high voltage DC could undermine AC transmission	3	3%	12	2%
23	6	forecasting	Talen Energy's ability to forecast the actual load needed to perform full requirements sales contracts;	2	2%	unreliable statistical analysis, sensitivity analysis, and poor simulation capability, need for IT, lack of strategic planning, initiative rationalization and acceleration	2	2%	4	2%	unable to adjust to market fluctuations, and other conditions outside of Talen Energy control, unable to predict, impact on revenue and margin	3	3%	12	2%
24	34	generation	Talen Energy's ability to successfully integrate the RJS Power e(generating company) businesses and to achieve anticipated synergies and cost savings as a result of the spinoff transaction and combination with RJS Power;	2	2%	business practices, workflow integration at the management level, poor integration techniques	2	2%	4	2%	inefficient workflows and ineffective employees, contribute to poor performance, increase operating cost	3	3%	12	2%
25	28	optimization	Talen Energy's ability to optimize its competitive power generation operations and the costs associated with any capital expenditures;	2	2%	business practices, workflow integration at the management level, poor integration techniques, poor strategic planning, selecting the wrong initiatives	2	2%	4	2%	future planning suspect, contributes to poor decision making, affecting operations cost and revenue production	3	3%	12	2%
26	25	synergies	acquisition or divestiture activities, including Talen Energy's ability to realize expected synergies and other benefits from such business transactions;	2	2%	unreliable statistical analysis, sensitivity analysis, and poor simulation capability, need for IT, lack of strategic planning, initiative rationalization and acceleration, unable to perform basic vulnerability, threat analysis	2	2%	4	2%	caught with your proverbial "pants down," management looks foolish to the employee	3	3%	12	2%
27	26	technology	changes in technology;	2	2%	Renewable continue to expand and energy price continues to decline, due to glut, required technology upgrades unavailable due to lack of capital infusion	2	2%	4	2%	continuous degradation of capacity	3	3%	12	2%
28	15	climate	the impacts of climate change;	2	2%	Ambient temperatures increasing, contributing to greater demand in summer	3	3%	6	2%	unable to meet demand	2	2%	12	2%
29	16	allowances	the availability and cost of emission allowances;	2	2%	Do not meet gov standards	2	2%	4	2%	Impact on margin	2	2%	8	1%
30	1	economic	adverse economic conditions;	2	2%	Market crash, capital crunch	2	2%	4	2%	unable to invest in technology upgrades	2	2%	8	1%
31	23	financial marke	disruption in financial markets;	2	2%	Market crash, capital crunch	2	2%	4	2%	unable to invest in technology upgrades	2	2%	8	1%
32	32	regulation	risks associated with federal and state tax laws and regulations;	2	2%	cost of doing business, management unable to acquire and use knowledge personnel effectively to meet demand	2	2%	4	2%	unable to continue oversight of effective generation capability, ethics violations occur (Salem Twnp), people make mistakes	2	2%	8	1%
33	7	weather	weather conditions;	2	2%	Ambient temperatures increasing, contributing to greater demand in summer, increase flooding, more active hurricane activity	2	2%	4	2%	manageable given local fire, police and emergency management are in the loop, many cases these resources are suspect due to age of equipment and personnel	2	2%	8	1%
34	14	worker health a	costs of complying with environmental and related worker health and safety laws and regulations;	2	2%	government intervention, renewable are more environmentally friendly, laws will continue to demand more aggressive safety procedures	2	2%	4	2%	inability to meet regulations contributes to sanctions, possible shut down of operations	2	2%	8	1%
35	33	tax status	any determination that the transaction that formed Talen Energy does not qualify as a tax free distribution under the Internal Revenue Code;	2	2%	government intervention, inability to sell concept, law does not permit for profit, non utility to be tax exempt	2	2%	4	2%	impact on margin	2	2%	8	1%
36	8	disruptions	disruptions in fuel supply;	1	1%	coal, oil and nuclear rods available, transport readily available	1	1%	1	0%	generation capacity interrupted, impacts revenue and profit	3	3%	3	0%