



August 06, 2012

MKT-NSL-120041

Mr. Edward Avella
Director – Steam Generator Repair
P.O. Box 128 San Clemente, CA, 92672

Subject: Project Hierarchy for MNES Subcontracting Plan including QA Responsibility

Reference: Action #56 SONGS - SGR Action Item List

Gentlemen,

Further to our July 25, 2012 discussions, we request your approval of the following MNES project structure for executing our repair plans under Phase 1.

It is MNES's intention to provide SONGS steam generator repair services to SCE for Phase 1 in compliance with our Warranty obligations under our contract. As prime contractor and leader of the repair effort, MNES will issue a series of Purchase Orders to key subcontractors including MHI, Babcock & Wilcox, potentially AREVA, and others as required. MHI, through their Purchase Order with MNES, will maintain design authority and will provide all technical oversight related to the repair. MHI's Kobe, Japan, QA Program, which has been audited by SCE, will apply for the entire scope of work assigned to MHI which will include this technical authority. Other subcontractors to MNES will be required to perform their scope of work in accordance with their respective MNES-approved QA Programs.

MNES proposes a contract structure that applies the MNES 10CFR50 Appendix B Quality Assurance Program for project management and procurement services while maintaining MHI as the design authority and provider of technical oversight, elements which are beyond the scope of MNES's Program. Please refer to the attached diagram showing our subcontracting structure.

Together, the team of MNES and MHI can offer the project management and technical expertise necessary to complete this very important repair with the efficiency and quality that SCE expects.

If you have any questions regarding our contracting plan, please don't hesitate to contact the writer at PAX 89478.

Yours very truly,

A handwritten signature in black ink that reads "Hitoshi Kaguchi".

Hitoshi Kaguchi, Ph.D., P.E.
Leader
MHI SGR Site Team

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