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Mr. Peter Dietrich
Senior Vice President & Chief Nuclear Officer
Southern California Edison
P.O. Box 128
San Clemente, CA 92672

Date: December 27, 2012
RZGF-298

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Dear Mr. Dietrich,

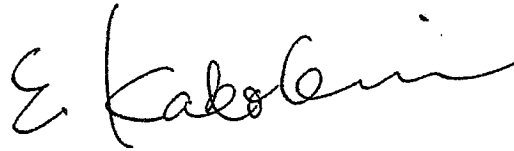
Subject: Repairs of the SONGS Units 2 and 3 Steam Generators

This letter officially responds to your letter to our Mr. Yamauchi dated November 28 requesting that Mitsubishi provide SCE a repair and/or replacement plan and schedule by December 28. On December 14 and December 20 Mitsubishi provided SCE an evaluation, plans and schedules for three technically viable repair and/or replacement options in accordance with SCE's requests on November 13 and November 28. On December 21, in a letter addressed to Mr. Avella, Mitsubishi provided its recommendation of Option #3 (replacement of the steam generator tube bundles) as the technical basis for a mutually agreeable remedy in accordance with the Purchase Order and subject to negotiation and agreement of acceptable terms and conditions. Per your request, this letter confirms that our December 21 letter to Mr. Avella provides Mitsubishi's technical recommendation for a mutually agreeable remedy.

Additionally, I would like to take this opportunity to address the general concerns expressed in your November 28 letter and your letter of December 19, on which I was copied, regarding Mitsubishi's diligence in pursuing a repair and/or replacement remedy for the SONGS steam generators. The attachment to this letter summarizes Mitsubishi's diligent efforts to work with SCE from the outset to fully explore and resolve the unforeseen technical issues and to develop a mutually acceptable repair plan.

Finally, as stated in Mr. Avella's and your letters, both dated December 19, I share SCE's view that time is of the essence. I believe now is the appropriate time for the parties to shift from formal communications and engage in in-depth discussions regarding Option #3 and work toward an agreement on the technical and commercial terms and conditions for the implementation of the mutually agreeable remedy. To this end Mr. Yamauchi and I will make ourselves available for further discussions.

Sincerely,



Ei Kadokami

Senior Vice President

Deputy Head of Nuclear Energy Systems

Head of Kobe Shipyard & Machinery Works

Mitsubishi Heavy Industries, Ltd.

Encl. Attachment to RZGF-298

cc: K. Yamauchi

Attachment to RZGF-298

As representatives of SCE have acknowledged, Mitsubishi has worked diligently with SCE to explore a mutually acceptable repair plan and Mitsubishi has kept SCE informed of the progress and status throughout. This document highlights some of the joint efforts that SCE and Mitsubishi have made so far to develop viable repair and/or replacement options for the SONGS, Units 2 and 3 steam generators. This is not intended to be a comprehensive description of all the activities.

- In addition to support from Kobe after the discovery of the unexpected tube wear, from February 7, 2012, Mitsubishi dispatched an engineering team to the SONGS site that has been working with SCE's engineers continuously for the past 11 months,.
- Beginning on February 22, 2012, regular meetings have been held between SCE and Mitsubishi senior management, which now total 30 (6 in person and 24 by video conference).
- On May 7, 2012, Mitsubishi submitted to SCE a first version of a draft repair plan (specifically the insertion of thicker AVBs, which is conceptually the same as the current Option #1), as well as a proposed schedule associated with that repair option. Mitsubishi also evaluated other AVB repair methods.
- Mitsubishi started fabrication of a mock-up test facility in Kobe in May, 2012, and tested different AVB repair options from September through November, 2012. The NRC performed an inspection of the tests in October, which SCE observed. During these seven months, Mitsubishi diligently worked and communicated with SCE to evaluate the feasibility of the different repair options. The following is a partial list of the repair activities jointly conducted by SCE and Mitsubishi.
 - On May 31, Mitsubishi presented to SCE various repair methods including the thicker AVB installation method. Also, Mitsubishi participated in the meetings with AREVA, B&W and WEC held by SCE on June 5 and 6 to discuss other possible repair options.
 - On July 2, Mitsubishi presented its study on the improvement of thermal hydraulic conditions and other ideas of additional AVB repair methods, including the 30^g AVB solution originally proposed by B&W.
 - On August 3, Mitsubishi presented the results of its further study on the improvement of thermal hydraulic conditions.

- o On August 9 and 10, SCE together with Mitsubishi visited the AECL Chalk River Laboratory (CRL) to discuss with B&W Canada about potential utilization of the CRL test facilities.
- In addition to the above efforts, Mitsubishi initiated studies of replacement options – both tube bundles (Option #3) and the entire steam generators (Option #4) – and presented its preliminary evaluation to SCE regarding replacement on September 21.
- On October 11, 2012, Mr. Kadokami met with SCE's Chief Nuclear Officer, Mr. Dietrich, and the SGR Project Director, Mr. Avella, in person and outlined Mitsubishi's proposed repair strategies, which included both repair and replacement options. With respect to the timeline, final assessment of options and final agreement of the selected option was expected to occur around the 2nd to 3rd quarter of 2013.
- Through the mock-up tests, Mitsubishi confirmed the effectiveness of the thicker AVB option in terms of both insertability and contact force. Mitsubishi also confirmed the 30^a AVB and comb AVB options were not feasible due to implementation difficulties. Mitsubishi reported these results to SCE on November 16.
- Subsequently, Mitsubishi worked extensively on the evaluation and analyses of FEI and random vibration until the end of November, in order to assess the effectiveness of the repair for 40 years of operation.
- On November 13, 2012, Mitsubishi received SCE's formal written request to make a final proposal for a permanent repair by November 30, 2012. Mitsubishi agreed to submit technical presentation materials by November 30, 2012, and to make a presentation on December 4, 2012. The submission of the letter and the presentation were postponed to allow the parties to establish the appropriate framework for discussions. In the same timeframe, on November 28, 2012, Mitsubishi received SCE's request for a "repair and/or replacement plan and schedule for both the Unit 2 and Unit 3 steam generators" by December 28, 2012.
- On December 14, 2012 Mitsubishi submitted a letter to SCE, with three attachments, providing a repair and/or replacement evaluation, plan and schedule in accordance with SCE's requests on November 13 and November 28. The evaluation, plan and schedule submitted to SCE concluded that three options for long-term repair and/or replacement of SONGS Units 2 and 3 are technically viable – Options #1, #3 and #4. On the same date, Dr. Kaguchi and his staff met with the SGR Project Director and the SCE SGR team to

explain the contents of the letter and attachments containing the repair and/or replacement evaluation, plan and schedule.

- On December 19, 2012, Mitsubishi received the SGR Project Director's letter requesting a single repair or replace recommendation by December 23, 2012.
- On December 20, Mitsubishi submitted a letter in response to the SGR Project Director, proposing that the parties proceed with the replacement option as the technical basis for a mutually agreed warranty remedy in accordance with the Purchase Order. This proposed course of action was based on Mitsubishi's understanding of the discussions at the December 14, 2012 meeting between the SGR Project Director and Mitsubishi.
- Further to a December 20 follow-up discussion between the SGR Project Director and Mitsubishi, on December 21 Mitsubishi provided a letter to SCE recommending Option #3 (replacement of the steam generator tube bundles) as the technical basis for proceeding with a mutually agreeable remedy as stated in the letter. Also on this date Mitsubishi provided the SGR Project Director a separate letter with an accompanying attachment providing the summary evaluation and the plan and schedule for replacement (Options #3 and #4).