



MITSUBISHI NUCLEAR ENERGY SYSTEMS, INC.  
1001 19<sup>th</sup> Street North, Suite 2000  
Arlington, VA 22209

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MKT-NSL-1300012

Via E-mail Attachment and Post  
February 21, 2013  
Peter Dietrich  
Senior Vice President & Chief Nuclear Officer  
Southern California Edison  
P.O. Box 128  
San Clemente, CA 92672

Subject: SONGS Replacement Steam Generators

Dear Mr. Dietrich:

This letter responds to your February 11, 2013 letter addressing the repair or replacement of the replacement steam generators for SONGS Units 2 and 3. As you indicate, the senior management of Mitsubishi and SCE intend to meet to discuss these matters in person, therefore our response to the statements made in your letter will be summary in the expectation that the relevant issues will be thoroughly discussed at the meeting currently scheduled to take place in California on March 8, 2013.

We must, however, correct the depiction in your letter that Mitsubishi and SCE "have jointly developed" repair criteria. In SCE's letter SGR-L-M-MHI-111312124234 of November 13, 2012, SCE provided its own acceptance criteria for evaluating the steam generator repair or replacement options. Mitsubishi explained its position in its December 14, 2012 letter (MKT-NSL-1200060). Mitsubishi still holds the view that Option #1 is technically viable. As Mitsubishi explained in its December 2012 correspondence, the recommendation to pursue another repair option was preceded by SCE's request for a single recommended course of action and was premised on numerous considerations beyond technical viability.

Mitsubishi must also strongly disagree with SCE's allegation that the limitation of liability provisions in the Purchase Order are inapplicable and unenforceable. SCE's announcement that it believes it can unilaterally disregard the allocation of risk agreed to by the parties is contrary to the Purchase Order and contractual norms of the nuclear industry.

Finally, on the subject of SCE's audit rights, Mitsubishi disagrees with SCE's assertion regarding the scope of Section 1.9.6 of the Purchase Order in its letter dated January 25, 2012 (MKT-NSL-130002). Section 1.9.6 was intended to provide SCE with a mechanism to examine and copy records, primarily of a financial nature, necessary to verify amounts to be paid by SCE pursuant to the Purchase Order. Moreover, SCE has failed to consider narrowing its eighteen exceptionally broad requests and has failed to



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even attempt to demonstrate that it has a genuine contractual need for the information at issue.

Mitsubishi looks forward to discussing these and other issues with SCE at our in-person meeting. Rest assured that Mitsubishi is committed to work with SCE to find a satisfactory path forward in accordance with our contractual obligations. We look forward to meeting with you and your colleagues on March 8.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Kiyoshi Yamauchi".

Kiyoshi Yamauchi  
President and CEO  
Mitsubishi Nuclear Energy Systems, Inc.

cc: Ei Kadokami