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Dwight E. Nunn
Vice President

June 16, 2005

Mr. Akira Sawa
General Manager
Mitsubishi Heavy Industries, Ltd.
1-1, Wadasaki-Cho 1-Chome, Hyogo-Ku
Kobe, Japan

Dear Mr. Sawa:

Thank you very much for your time and hospitality during my recent visit to Kobe. We had a successful Executive Meeting, which was followed by the design review/technical discussion meeting conducted by the MHI and Edison technical teams. I am pleased to apprise you that Edison recognizes and appreciates MHI's efforts to supply robust and reliable, state-of-the-art Replacement Steam Generators (RSGs) for our San Onofre Nuclear Generating Station (SONGS). At this stage of the RSG Project, Edison concludes that a satisfactory effort has been put into development of the Seismic Qualification Program, and is being put into addressing the Reactor Coolant System (RCS) flow rate issue. The latter includes scale model flow testing and development of a complete RCS loop hydraulic analytical model, and is viewed as MHI taking an extra step to satisfy Edison's expectations.

As we have discussed with your personnel, Industry's experience with tube wear in the U-bend region of the large steam generators is not encouraging, as evidenced by the recent tube inspections at the Calvert Cliffs and Palo Verde plants. In general, all plants with large steam generators (except for ANO-2, so far) report significant number of wear indications after as little as one cycle of operation. This is of a great concern to Edison, because our steam generators are one of the largest in the Industry. Therefore, I have asked for a special joint MHI/SCE team to be formed. The team's charter is to perform a systematic review of the industry experience related to tube wear, identify all factors that may cause such wear, and identify all design and fabrication parameters which can be controlled to prevent wear from occurring. Edison views this team's task as critical for the success of the Project.

We are also concerned about post-weld heat treatment (PWHT) of the channel head-to-tubesheet weld. If not properly performed, this mandatory fabrication step has a potential to cause tube denting and tube-to-tubesheet joint relaxation. Concerning this matter, Edison requests that MHI launch a diligent effort to incorporate this fact in the RSG design and arrive at a PWHT implementation methodology, which will mitigate any negative consequences of this process.

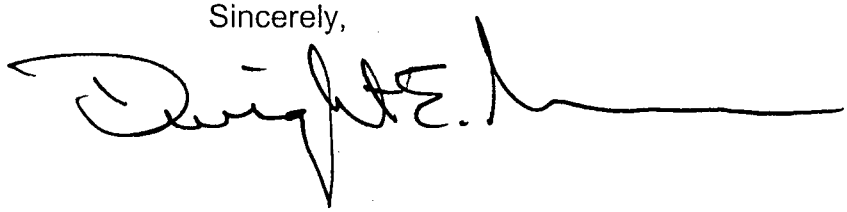
P.O. Box 128
San Clemente, CA 92674-0128
949-368-1480
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Recently, we learned that MHI had problems with tubesheet drilling on another project utilizing tubes of the same diameter as those in the SONGS RSGs. As you know, the SONGS RSG tubesheet is the thickest tubesheet MHI has ever drilled. We are very concerned that no remedy for the problems with tubesheet drilling has been presented to Edison to date. We urge MHI to aggressively pursue a solution to these problems prior to commencing drilling the SONGS tubesheets.

In our joint technical meeting, we also learned more about certain thermal-hydraulic aspects (void fraction) of the RSG design. Void fraction is an important thermal-hydraulic parameter, related to the probability of tube dry out occurring during power operation (the higher the void fraction, the higher the probability of dry out). Tube dry out is an undesirable phenomenon as it may eventually result in tube cracking. The information presented to Edison in the most recent Technical Meeting, indicated that for the SONGS RSG the expected void fraction is very high. Consequently, Edison requests that MHI launch a consolidated effort aimed at addressing high void fraction in the RSG.

Please let me know if you have any comments or questions on the conclusions offered in this letter.

Sincerely,



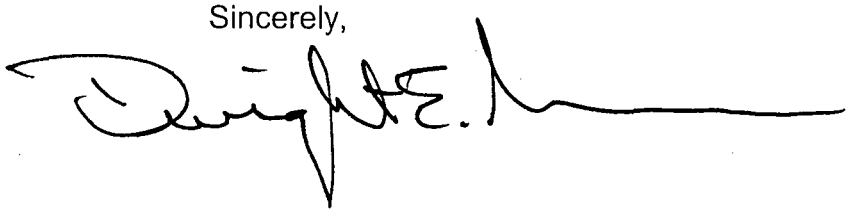
cc: M. Wharton
M. Mihalik
M. Hojati
C. Harberts
J. Hedrick
J. McGaw

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cc: M. Wharton
M. Mihalik
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C. Harberts
J. Hedrick
J. McGaw

bcc: J. Reilly