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September 27, 2013

Mr. Itaru Kikuoka
Mitsubishi Nuclear Energy Systems, Inc.
1001 19th Street North, Suite 2000
Arlington, Virginia 22209

Re: Edison Invoices No. RSG 001 to 007
San Onofre Nuclear Generation Station, Units 2 and 3

Dear Kikuoka-san:

I write in response to your August 13, 2013, letter regarding the continued refusal of Mitsubishi Nuclear Energy Systems, Inc. and Mitsubishi Heavy Industries, Ltd. (together, "Mitsubishi") to acknowledge its contractual obligation to reimburse Southern California Edison Company ("Edison") for expenses incurred responding to fundamental defects in the SONGS replacement steam generators ("RSGs") that Mitsubishi designed and manufactured. Edison spent over $140 million investigating the cause of excessive tube wear in the RSGs following a tube leak in one of the Unit 3 RSGs, plugging damaged tubes in all four RSGs, and attempting to restart Unit 2 after both Units were shut down due to the RSG defects. It is simply incredible for Mitsubishi to assert that only $7.6 million of those expenses are Mitsubishi's responsibility.

Your letter makes clear that Mitsubishi has no intention of meeting its contractual obligations to reimburse expenses incurred as a result of the defective RSGs. Mitsubishi's complaint that it still has not received sufficient documentation to recognize its warranty obligations for over $55 million of the invoiced expenses makes no sense. Not only were Mitsubishi employees present at the plant and involved in much of the activity described in these invoices, Edison has provided Mitsubishi with several thousand pages of detailed back-up documents supporting the charges. As you know, Edison employees have spent hundreds of hours responding to Mitsubishi's ongoing demands for more information, including by creating specialized reports for Mitsubishi. The documentation Edison has provided far exceeds the level of detail that is customary in the industry – and far exceeds any back-up that Mitsubishi has ever provided Edison in support of any charges it is claiming.

Edison has gone well beyond its obligations to provide documentation supporting its costs. Mitsubishi has had, for some time, more than sufficient documentation to support our request that Mitsubishi pay the outstanding invoices in full. Mitsubishi's actions have made it clear that no reasonable level of documentation will ever be sufficient to support payment in its view. We are therefore unwilling to engage in yet another time-consuming effort, only to face continued stonewalling by Mitsubishi. It is disappointing that this basic issue of who is responsible for the investigation and repair expenses that Edison indisputably incurred as a result of the RSG defects apparently cannot be resolved short of arbitration. I urge Mitsubishi to reconsider its position.

Interest continues to accrue on the past due amounts at the rate of 10% per annum, in accordance with California law. Edison continues to reserve all rights as to any and all remedies that are or may be available to Edison under the Contract or otherwise, including the recovery of all damages that have been or will be incurred as a result of the defects in the RSGs.

Sincerely,

Paul J. Coughlin
Principal Manager, Purchasing

cc: Pete Dietrich
Tom Palmisano
Doug Bauder
Linda Sullivan
Edward Avella
Michael Wharton
Florence Pinigis
K. Yamauchi (MNES)
E. Kadokami (MHI)