

January 8, 2013

Kiyoshi Yamauchi
Mitsubishi Nuclear Energy Systems, Inc.
1001 19th Street North, Suite 2000
Arlington, Virginia 22209

Ei Kadokami
Mitsubishi Heavy Industries, Ltd.
1-1-1, Wadasaki-cho, Hyogo-ku
Kobe, Japan

Subject: SONGS Replacement Steam Generators

Dear Yamauchi-san and Kadokami-san:

Thank you for Kadokami-san's December 27th letter, representing Mitsubishi's official response to my November 28th letter to Yamauchi-san. Given the many letters SCE has received from several different Mitsubishi representatives since November 28th, I appreciate Kadokami-san's clarification that one of Kaguchi-san's two December 21st letters to Ed Avella at SCE represents Mitsubishi's technical recommendation to restore to full service the replacement steam generators ("RSGs") in SONGS Units 2 and 3. Based on these letters, SCE understands that Mitsubishi is recommending replacement of the entire lower assembly of each steam generator, including the tube bundles ("Option #3"), but acknowledges that it is still in the "conceptual" phases of developing a design for such replacement.

While we are happy to continue discussing Option #3 with Mitsubishi, we must remind you that our contract requires that Mitsubishi actually repair or replace the RSGs with "dispatch." Assuming Mitsubishi is able to meet the timeline set forth for Option #3, the Units will have been out of service for more than 18 months by the time Mitsubishi first presents a detailed proposal to SCE. SCE will then have to wait another five or more years for Mitsubishi's final design and fabrication of the new tube bundles – and substantial time beyond that for their transportation and installation. This schedule does not even take into consideration necessary regulatory reviews and approvals, and assumes of course that the replacement bundles function as expected.

An outage spanning at least seven years does not constitute a repair or replacement with "dispatch" and far exceeds any reasonable repair period that was contemplated in the contract. For these and other reasons, we believe it clear that any contractual limitations on liability are no

longer applicable. We will therefore be looking to Mitsubishi to make SCE and its customers whole for all resulting damages. While we remain willing to discuss with you the path forward for SONGS, we believe that Mitsubishi must bear all costs associated with developing and implementing any plan to restore the units to service. Moreover, as we have previously informed you, SCE must reserve all rights and remedies in connection with the contract.

We share your view that time is of the essence, and I am willing to participate in further discussions regarding these matters.

Sincerely,

A handwritten signature in black ink, appearing to be "T. A. D." or similar, written in a cursive style.