



SOUTHERN CALIFORNIA  
**EDISON**

An EDISON INTERNATIONAL<sup>SM</sup> Company

**Harold B. Ray**  
Executive Vice President

June 22, 2004

James Avery  
Senior Vice President-Fuel & Power  
San Diego Gas & Electric  
P.O. Box 1831  
San Diego, CA 92112-4150

Thomas P. Evans  
Public Utilities Director  
Riverside Public Utilities Department  
3900 Main Street  
Riverside, CA 92522

Stephen J. Sciortino  
Power Resources Manager  
201 S. Anaheim Blvd., Suite 802  
Anaheim, CA 92805

Re: Written Notice Of Operating Impairment Associated With  
Steam Generator Degradation

Gentlemen:

The purpose of this letter is to advise you, pursuant to Section 16.1 of the Second Amended San Onofre Operating Agreement (Operating Agreement), that an Operating Impairment exists at SONGS Unit 2 and Unit 3.<sup>1</sup>

The nature of the Operating Impairment, our best estimate of the Net Cost of Restoration Work, a schedule for the completion of the Restoration Work, and a plan for completing the Restoration Work, as required by Sections 16.1, 16.2, and 16.5, are each set forth in our application for replacement of the steam generators filed with the CPUC on February 27, 2004, Docket No. A.04-02-026 ("Application"). Our estimate of variable Ve, as required by Section 16.2, is set forth in our Augmented Testimony filed on June 1, 2004. To avoid unnecessary duplication and distribution costs, these items are hereby submitted to the Board of Review by reference to the Application.

The estimated Net Cost of Restoration Work is greater than the applicable amounts determined in accordance with Section 16.4. Thus, you have the right to elect one of three alternatives under Section 16.5. Please provide the notice required under Section 16.5 within 120 days of the date of this letter. In addition,

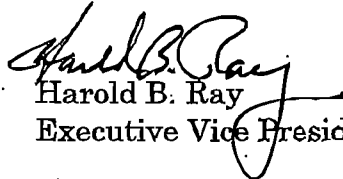
---

<sup>1</sup> Capitalized terms in this letter are used as defined in the Operating Agreement, unless otherwise defined herein. All section references in this letter refer to sections of the Operating Agreement.

please submit an estimate of your variable Vop to the Board of Review pursuant to Section 16.2 within 120 days of the date of this letter.

We look forward to hearing from you.

Very truly yours,

  
Harold B. Ray  
Executive Vice President

BEM:jje:HBRletter.doc

cc: EOB members  
Lucina Moses  
Eileen Teichert  
Jim Walsh

**SOUTHERN CALIFORNIA  
EDISON**

An EDISON INTERNATIONAL Company

**Facsimile Cover Letter**

This cover sheet and the attached information is intended only for the use of the addressee(s) named below. If the reader of this message is not the intended recipient(s), or the employee or agent responsible for delivering this message to the intended recipient(s), please note that dissemination, distribution, or copying of this information is strictly prohibited. Anyone who receives this communication in error should notify the sender immediately by telephone and return the original message to the sender at the indicated address via first-class mail.

**To:** ✓ Mike Olson, SDG&E      **FAX:** 858-650-6190  
Charles Byrom, Anaheim      714-765-4140  
Robert Delgado, Riverside      909-351-6328

**CC:** \_\_\_\_\_ **FAX:** \_\_\_\_\_

☐ Urgent   ☐ For Action   ☐ For Review   ☐ Please Comment   ☐ Please Reply

**Re:** Letter dated June 22, 2004 from Harold B. Pages: 3  
Ray, SCE

**Date/Time:** 6/22/2004 at 11:10 AM

**From:** Barbara E. Mathews      **Telephone No.** (626) 302-1130

**FAX NUMBER:** (626) 302-4106

**Contact:** Jeanette J. Eversole      **Telephone No.** (626) 302-4763

**E-mail:** barbara.mathews@sce.com      **Dept.** Law

**Comments:**