

From: ted craver/sce/eix;nsf;ted.craver@edisonintl.com;smtp
Sent: Tue Nov 19 2013 20:32:09 PST
To: mp1@cpuc.ca.gov
CC:
Subject: Congressional and Senate letters regarding Mitsubishi Heavy Industries
Attachments: 111913 SONGS CA Letter.pdf;DF to kennedy re songs 111813.pdf;Letter to USTR cc to DOE.pdf

Importance: Low
Priority: Normal
Sensitivity: None

Dear President Peevey,

Attached are the letters that I spoke of during our dinner Friday night. I personally asked each of these members of the California Delegation to support us with these letters. One is from Senator Feinstein to Ambassador Kennedy, with copies to Secretary Kerry, Secretary Moniz, and Ambassador Froman US Trade Representative. Another is from Congressman Waxman to Ambassador Froman US Trade Representative, with copy to Secretary Moniz. The third is from Chairman Royce, Chairman McKeon, Chairman Issa, Chairman Calvert, and House Majority Whip McCarthy to Ambassador Froman US Trade Representative, with copies to Secretary Kerry and Secretary Moniz.

We believe all of these letters help make the point clearly that this is much larger than a simple dispute between commercial parties and that it affects millions of California ratepayers. As I emphasized with you during our dinner, we are pulling out all the stops to bring MHI to the table and hold them accountable for their failed steam generator design.

Ted.

Congress of the United States
Washington, DC 20515

November 19, 2013

The Honorable Michael Froman
United States Trade Representative
600 17th Street, NW
Washington, D.C. 20508

Dear Ambassador Froman:

We are writing to request that your office engage with the Government of Japan to help resolve an issue of great importance to our constituents in southern California.

On September 23rd, the Nuclear Regulatory Commission issued a Notice of Nonconformance to Mitsubishi Heavy Industries (MHI) for a proprietary computer model it used to design and produce steam generators that caused a radioactive leak at the San Onofre Nuclear Generating Station (SONGS), located near San Clemente, California. Following the detection of the leak, the SONGS plant was permanently closed.

SONGS produced 2,200 megawatts of power serving nearly 16 million businesses and residential customers of Southern California Edison, San Diego Gas and Electric, and the City of Riverside in an area of over 50,000 square miles. This disruption has caused considerable economic damage.

Southern California Edison asserts that MHI has not taken responsibility for this failure and the resulting economic costs. This dispute is heading towards arbitration – a lengthy process. It is imperative that consequent the uncertainty for Californian residential and business customers, regulators, and utility owners and operators is ended as soon as possible.

We encourage you to raise this issue with the Japanese government and urge it to encourage MHI's prompt resolution of this issue in a transparent manner that would work for southern California.

Sincerely,



EDWARD R. ROYCE
Chairman
Committee on Foreign Affairs



KEVIN McCARTHY
House Majority Whip



DARRELL E. ISSA
Chairman
Committee on Oversight &
Government Reform



BUCK McKEON
Chairman
Committee on Armed Services



KEN CALVERT
Chairman
Committee on Appropriations
Subcommittee on Interior, Environment,
And Related Agencies

Cc: The Honorable John Kerry
Secretary
U.S. Department of State

The Honorable Ernest Moniz
Secretary
U.S. Department of Energy



United States Senate

WASHINGTON, DC 20510-0504

<http://feinstein.senate.gov>

SELECT COMMITTEE ON INTELLIGENCE - CHAIRMAN
COMMITTEE ON APPROPRIATIONS
COMMITTEE ON THE JUDICIARY
COMMITTEE ON RULES AND ADMINISTRATION

November 14, 2013

The Honorable Caroline Kennedy
Ambassador to Japan
Embassy of the United States
1-10-5 Akasaka
Minato-ku, Tokyo, Japan

Dear Madam Ambassador:

Congratulations on your appointment as Ambassador. I was very pleased to support your Senate confirmation, and I look forward to working with you on many important matters.

I am writing to bring one such matter to your attention. Specifically, I would appreciate it if you would engage with the Government of Japan to urge Mitsubishi Heavy Industries (MHI) to compensate California's electricity ratepayers for the costs associated with the premature shutdown of San Onofre Nuclear Generating Station (SONGS) in Southern California.

In January 2012, a radioactive leak at SONGS led to the discovery that newly installed steam generators, designed and built by MHI, were fundamentally flawed. Steam generators are used to convert water into steam using the heat generated by the nuclear reactor core. The design errors by MHI, which could not be repaired, lead directly to the permanent shutdown of SONGS.

California ratepayers and utilities are now bearing enormous additional costs — measured in the billions of dollars — associated with purchasing replacement electricity, adding additional transmission grid infrastructure, managing an idle nuclear power plant, and building new power generation facilities. MHI has not contributed financially to address these costs.

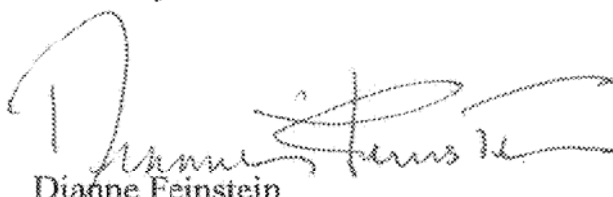
SONGS produced 2,200 megawatts of power serving customers of Southern California Edison, San Diego Gas and Electric, and the City of Riverside. The three utilities serve nearly 16 million businesses and residential customers over an area exceeding 50,000 square miles. Since the leak was discovered in 2012, California's transmission grid operators have had to take extraordinary measures to maintain the stability of the electric grid and prevent blackouts.

On September 23rd, the Nuclear Regulatory Commission (NRC) issued a Notice of Nonconformance to MHI for a faulty proprietary computer model that it utilized in its design and production of steam generators which caused a leak at SONGS. Despite this finding by NRC, Mitsubishi has not taken responsibility for the direct or indirect costs associated with its product's failure or its impact on California ratepayers. Initial arbitration proceedings between SONGS' owners and MHI have begun, but this process is unlikely to provide timely relief to California ratepayers.

I respectfully request that you convey these concerns to the Government of Japan and ask for its assistance in reaching a resolution that is fair to the residential customers and businesses of California. If you would be willing to raise this during substantive talks with the Japanese, including the Trans Pacific Partnership negotiations and other discussions regarding Japan's nuclear energy future, I would very much appreciate it.

If you have any questions or concerns regarding this matter, please do not hesitate to contact me.

Sincerely,



Dianne Feinstein
United States Senator

Cc: Ambassador Michael Froman, United States Trade Representative
The Honorable John F. Kerry, Secretary of State
The Honorable Ernest Moniz, Secretary of Energy

DF/mbn

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115
Majority (202) 225-2927
Minority (202) 225-3841

October 24, 2013

The Honorable Michael Froman
United States Trade Representative
600 17th Street, NW
Washington, D.C. 20508

Dear Ambassador Froman:

In 2009 and 2010, Southern California Edison purchased four new steam generators from Mitsubishi for the San Onofre Nuclear Generating Station. The generators were defective, resulting in the release of radioactive steam and the permanent shut down of the San Onofre reactors. California ratepayers should not be stuck with the bill for this faulty equipment. I am writing to urge that in your conversations with the government of Japan, you communicate the importance of Mitsubishi being a constructive part of the solution.

The \$769-million steam generators were expected to operate for 40 years and had a 20-year warranty from Mitsubishi. However, after operating for just 11 months, the Unit 3 steam generators were removed from service after a radioactive coolant leak on January 31, 2012. The Unit 2 generators, which had been operating for just 22 months, also remained shut down after that date. Nuclear Regulatory Commission inspectors concluded that Mitsubishi's modeling errors and design defects led to the failure of the steam generators. On June 7, 2013, Southern California Edison announced that the San Onofre reactors would be permanently retired.

In July, Southern California Edison filed a notice of dispute pursuant to its contract with Mitsubishi, arguing that Mitsubishi breached the warranty and contract by providing defective equipment and failing to repair or replace the equipment in a timely manner. According to Southern California Edison, Mitsubishi's proposed repair did not address the root cause of the tube wear, "would expose repair personnel to high levels of radiation," and "required the invention of new technology to be implementable."¹ Southern California Edison also claims that Mitsubishi has refused its requests to provide information regarding the design, manufacture, and proposed repair of the steam generators, as required by the contract.

¹ Letter from Latham & Watkins to Mitsubishi (Jul. 18, 2013).

The Honorable Michael Froman

October 24, 2013

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If the question of who should bear the substantial costs of the defective steam generators is not resolved, the two companies will enter binding arbitration later this month. The arbitration process could take years, resulting in prolonged uncertainty for California ratepayers, regulators, and utilities.

This matter is not simply a commercial dispute. It affects millions of California residents. My priority is protecting California ratepayers, who should not bear the cost of faulty steam generators that lasted only a year or two.

It is important for the Japanese government to understand that it is not in Mitsubishi's best interest to delay resolution of these matters or obscure information from the public. I therefore request that you raise this matter with your Japanese counterparts and urge them to work with Mitsubishi to resolve these issues in a timely and transparent fashion.

Thank you for your assistance. If you would like to discuss this request, please contact me or have your staff contact Jeff Baran with the Committee on Energy and Commerce staff at 202-225-4407.

Sincerely,

A handwritten signature in black ink, appearing to read "Henry A. Waxman", with a long horizontal flourish extending to the right.

Henry A. Waxman
Ranking Member

cc: The Honorable Ernest Moniz
Secretary
U.S. Department of Energy

Appendix D