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SENT VIA FACSMILE AND MAIL COURIER

Mr. Harold Ray  
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Mr. Gary L. Nolff  
Power Projects/Contracts Mgr.  
Riverside Public Utilities  
2911 Adams St.  
Riverside, CA 92504

Mr. Steve Sciortino  
Integrated Resources Manager  
City of Anaheim  
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Gentlemen:

I request the BOR, through a special meeting to be called as soon as possible, to consider whether the steam generator replacement ("SGR") project should proceed, and, if it does, whether an Operating Impairment has occurred that necessitates the SGR as Restoration Work.

Both in SCE's Statement of Dispute and during the February 20 meeting of the BOR's designees regarding the outstanding budget dispute, SCE's representatives stated that because SCE has not proposed any amounts for SGR in the 2004 O&M and Capital budgets, it is unreasonable for SDG&E to withhold approval of these budgets. SDG&E strongly disagrees with that assessment. However, without conceding SDG&E's position stated in its Statement of Dispute, in order to place the SGR project, including the question whether this project is Restoration Work in response to an Operating Impairment, squarely before the BOR I request that the BOR consider as a policy issue whether SGR project should go forward at all and, if it does, whether it is Restoration Work.

Section 6.1 of the Operating Agreement gives the BOR responsibility to "jointly make policy determinations ... concerning ... Capital Improvements for, SONGS." Specifically, Section 6.1.18 permits the BOR to assume responsibility over additional matters, not specifically addressed elsewhere in the agreement, "in order to accommodate changed circumstances or other matters not contemplated by the Parties at the time of execution of this Agreement." This provision further provides that the BOR "shall act upon any proposal made by any member to establish any such other policy matter".

Section 6.1 provides that "[t]he chairman shall promptly call a meeting...at the request of any of the other members." Since a special BOR meeting has been scheduled for February 26, 2004 at 1:30, I request that this meeting not be used to discuss the pending 2004 SONGS budget disputes but instead be devoted for the BOR to consider and vote on two proposals. First, I request that the BOR vote to determine whether the SGR project should proceed. Second, if the BOR votes for the SGR project to go ahead, I request that the BOR vote to determine whether this project is Restoration Work in response to an Operating Impairment. After these matters are concluded, we can then combine the dispute(s), if any, resulting from this meeting with the outstanding budget dispute for treatment pursuant to Sections 6.2.4 and 6.2.5 of the Operating Agreement. We should also consider an expeditious timeline for the meeting of our designees and the BOR to discuss any pending disputes.

Sincerely,



James P. Avery  
Sr. Vice President, Electric Transmission

JPA/rn