



SOUTHERN CALIFORNIA
EDISON

An EDISON INTERNATIONALSM Company

Harold B. Ray
Executive Vice President

February 26, 2004

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

Mr. Stephen Sciortino
Power Resources Manager
Anaheim Public Utilities Department
201 S. Anaheim Blvd., Suite 802
Anaheim, CA 92805

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

SUBJECT: Southern California Edison Company ("SCE") Response to Letter dated
February 24, 2004 from SDG&E

Dear BOR Members:

By letter dated February 24, 2004, Jim Avery of San Diego Gas & Electric Company ("SDG&E") has requested that a special meeting of the Board of Review ("BOR") be called "as soon as possible" to "consider whether the SGR steam generator replacement (SGR) project should proceed, and, if it does, whether an Operating Impairment has occurred that necessitates the SGR as Restoration Work." Mr. Avery requested that the previously scheduled meeting on February 26, 2004 not be used to discuss the pending budget dispute, but instead be devoted to this purpose.

As an initial matter, the meeting scheduled for February 26, 2004 is not a formal BOR meeting. It was set for the purpose of conducting an open discussion among the members of the BOR pursuant to the obligation of the BOR under section 6.2.5 of the Operating Agreement to use "best efforts" to resolve the dispute that arose from the failure of the BOR to approve the 2004 capital expenditure and operation and maintenance expenditure budgets at the January 23, 2004 BOR meeting. SCE believes that the parties should follow the well-defined dispute resolutions procedures agreed upon in the Operating Agreement and that the February 26 meeting should proceed as contemplated.

As to Mr. Avery's request for a special meeting regarding the issues framed in his letter, SCE believes such a meeting would be premature at this time. While we are commencing certain preparatory activities that we believe are necessary if SGR is to be timely completed, we are not proceeding with SGR now. Our principal activity now is preparing to make a filing at the CPUC seeking a determination that it is reasonable for SCE to invest in its share of SGR. The filing will make plain that co-owner approval is necessary to proceed with SGR and that we currently do not have such approval. We believe that a CPUC filing is necessary at this time, and that we have the right and the

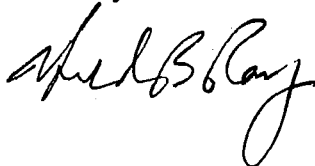
P. O. Box 800
8631 Rush St.
Rosemead, CA 91770
626-302-1695
Fax 626-302-2782

Mr. Thomas P. Evans
Mr. James Avery
Mr. Stephen Sciortino
February 26, 2004
Page 2

obligation to make such a filing when we deem necessary. Our decision as to whether to ultimately make a material investment in SGR will be subject to a number of conditions. When we are prepared to proceed with SGR and include the costs in the annual capital budget, we will address the relevant issues with the BOR, with ample time for preparation and full discussion.

We look forward to a productive discussion today.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael B. Ray". The signature is fluid and cursive, with the first name "Michael" and last name "Ray" being more prominent than the middle initial "B".

cc: L. Lorenz/SDG&E
C. Byrom/City of Anaheim
G. Nolff/City of Riverside