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 12 PACIFIC GAS AND ELECTRIC COMPANY

13 UNITED STATES BANKRUPTCY COURT
 14 NORTHERN DISTRICT OF CALIFORNIA
 15 SAN FRANCISCO DIVISION

16 In re

17 PACIFIC GAS AND ELECTRIC
 18 COMPANY, a California corporation,

19 Debtor.

20 Federal I.D. No. 94-0742640

21 No. 01-30923 DM

22 Chapter 11 Case

23 Date: June 18, 2001

24 Time: 10:00 a.m.

25 Place: 235 Pine St., 22nd Floor
 26 San Francisco, California

27 Judge: Hon. Dennis Montali

28
 HOWARD
 RICE
 NEMEROVSKI
 CANADY
 FALK
 & RABKIN
 A Professional Corporation

29 DECLARATION OF RUSSELL M. JACKSON IN SUPPORT OF
 30 DEBTOR'S MOTION FOR ORDER AUTHORIZING
 31 ASSUMPTION OF COLLECTIVE BARGAINING AGREEMENTS

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I, Russell M. Jackson, declare as follows:

1. I am the Vice President of Human Resources of Pacific Gas and Electric Company ("Debtor" or "PG&E"), a position I have held since June 1999. I make this Declaration in support of Debtor's Motion for Order Authorizing Assumption of Collective Bargaining Agreements. This Declaration is based on my personal knowledge of PG&E's operations and financial position. If called as a witness, I could and would competently testify to the facts stated herein.

2. PG&E is currently party to four collective bargaining agreements (the "collective bargaining agreements")—two with the International Brotherhood of Electrical Workers, Local 1245, AFL-CIO ("IBEW"); and one each with the Engineers and Scientists of California, IFPTE Local 20, AFL-CIO and CLC ("ESC"); and the International Union of Security Officers ("IUSO"). The IBEW and ESC collective bargaining agreements went into effect on January 1, 2000 and will expire on December 31, 2002. The collective bargaining agreement with the IUSO went into effect on January 1, 2000 and will expire on February 28, 2003. The PG&E has been a party to collective bargaining agreements with the IBEW and ESC for almost half a century. It has been a party to the IUSO collective bargaining agreement for almost 15 years. The IBEW collective bargaining agreements (consisting of two agreements), ESC and IUSO collective bargaining agreements to which PG&E is a party are attached hereto as Exhibits A, B and C, respectively.

3. The four collective bargaining agreements to which PG&E is a party govern the wages, hours and working conditions of approximately 13,830 employees, which constitute over 69% of PG&E's workforce. The agreements include provisions specifying employee wages and benefits, bidding and transfer rights, overtime work allocation protocol, and displacement and severance procedures.

4. PG&E employs approximately 19,950 workers.

5. The collective bargaining agreements also contain a multi-step grievance process

1 for the resolution of disputes that arise under the agreements. The final step of the respective
2 grievance processes is arbitration before a neutral fact finder. The majority of disputes are
3 settled at a grievance step below arbitration. Typically, cases that reach the arbitration level
4 for resolution involve employee termination or disputes over the interpretation of key
5 provisions of the collective bargaining agreements.

6 6. Approximately 12,200 PG&E employees are represented by the IBEW under two
7 separate agreements. These employees provide a wide variety of essential services to PG&E
8 and its customers. The majority of IBEW-represented employees are highly skilled craft
9 personnel, many of whom have completed at least one 36-month training program to perfect
10 their trade. The IBEW represents employees in key areas such as electric and gas
11 transmission and distribution, electric operations, steam and nuclear power generation,
12 general capital construction, meter reading and maintenance, customer service, materials and
13 fleet. IBEW classifications include lineman, gas service representative, electric crew
14 foreman, materials handler, heavy equipment operator, water system repairman, radiation
15 technician, welder, meter reader, computer operator and customer service representative.

16 7. The ESC represents approximately 1,530 engineers and technical employees of
17 PG&E. These employees perform various functions such as engineering design and other
18 estimating, planning, drafting, and technology positions. Typical ESC job classifications
19 include design engineers, engineering estimators, distribution engineers, engineering
20 technicians and land agents. Many of the ESC engineering positions require an engineering
21 degree, and in some cases professional registration. Technologists and land positions require
22 college degrees (AA or BA/BS) in the appropriate area. The positions typically require two
23 to five years of experience before the employees are able to perform the full duties of the job.

24 8. The IUSO represents approximately 100 employees who provide physical
25 security to PG&E's Diablo Canyon Nuclear Power Plant. These employees must meet all
26 PG&E and Nuclear Regulatory Commission requirements and background checks.

27 9. PG&E currently has numerous outstanding grievance settlement payments due to
28 union members for matters that occurred prior to April 6, 2001, the date PG&E filed its
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1 voluntary petition under Chapter 11 of the Bankruptcy Code commencing this case. The
2 majority of the grievance settlements relate to compensation issues, such as the allocation of
3 overtime and backpay (less interim earnings) for reinstated union employees, and temporary
4 classification upgrade pay. PG&E estimates that approximately \$158,410 is owed to 202
5 unionized employees (\$784 per grievant, on average) for pre-petition settlements based on
6 overtime awards. PG&E further estimates that approximately 12 unionized employees are or
7 will be owed approximately \$781,800 for backpay awards related to reinstatement of their
8 positions, including estimated arbitration awards for those discharged prior to PG&E's
9 Chapter 11 filing. These wage related grievances total approximately \$1,087,442, with an
10 average payment of \$3,305 per grievant. In addition to these amounts, there are
11 approximately 115 employees owed approximately \$147,200 in miscellaneous payments for
12 moving expenses, scheduling violations, upgrade pay and benefit reinstatement.

13 10. PG&E also has outstanding severance/displacement payments due to 276 IBEW-
14 represented employees totaling \$19.7 million. These employees are entitled to such
15 payments because they fulfilled their contractual obligations to complete up to three years of
16 operations and maintenance work at former PG&E plants that were sold to third parties. The
17 final payments to these employees became due shortly after the date that PG&E filed its
18 Chapter 11 petition.

19 11. In August 1996, the California Legislature enacted Assembly Bill 1890 ("AB
20 1890"), which restructured the state electric industry by mandating that electric services be
21 unbundled, and that wholesale markets be opened up to competition by January 1, 1998. AB
22 1890 generally codified a market structure prescribed by the CPUC in its December 1995
23 Preferred Policy Decision (the "1995 Policy Decision"). In its 1995 Policy Decision, the
24 CPUC provided PG&E strong financial disincentives for remaining in the power generation
25 business. Pursuant to those disincentives, and after CPUC approval, PG&E divested many
26 of its electric generation power plants over time.

27 12. AB 1890 requires that utilities that sell any electricity generating facility continue
28 to operate and maintain such facility for a period of two years following the sale, and that

1 reasonable costs associated with "voluntary severance, retraining, early retirement,
2 outplacement, and related benefits due to plants sales are to be recovered through
3 Competitive Transition Charges."

4 13. Recognizing that the sale of its fossil-fueled generation plants could take several
5 years, and that it needed to retain highly skilled personnel who were knowledgeable about
6 the operation of these plants, PG&E negotiated an employee severance and displacement
7 program with the IBEW. The purpose of the program was to ensure that highly skilled union
8 employees who worked at the plants would not leave their jobs, thus preventing PG&E from
9 fulfilling its statutory obligation under AB 1890 to provide operating and maintenance
10 services to the plants' buyers. The program provided for lump sum payments during the
11 three year sale period and a \$50,000 payment when the two year operations and maintenance
12 obligation was completed, or if the employee was displaced from his/her position at the sold
13 facility.

14 14. PG&E and the IBEW entered into a letter agreement (known as LA R3-97-53-
15 PGE) which outlined the severance and displacement program, pursuant to provisions of the
16 PG&E/IBEW collective bargaining agreements which permit the parties to enter into binding
17 letter agreements during the term of the agreement. This letter agreement was signed by
18 PG&E and the IBEW on April 14, 1997. During general negotiations over the January 1,
19 2000 to December 31, 2002 collective bargaining agreement, the parties formally affirmed
20 Letter Agreement LA R3-97-53-PGE, incorporating the severance and displacement program
21 as part of the collective bargaining agreement. A true and correct copy of Letter Agreement
22 LA R3-97-53-PGE is attached hereto as Exhibit D.

23 15. It is undisputed that the union employees eligible for the severance displacement
24 payment pursuant to Letter Agreement LA R3-97-53-PGE fulfilled all of their obligations
25 under the collective bargaining agreement. The IBEW filed a grievance regarding the
26 Company's failure to honor its obligations under the collective bargaining agreement to pay
27 the severance/displacement payments to its union members.

28 16. PG&E's skilled union workforce performs the functions that are critical to
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1 PG&E's ability to fulfill its legal duty to deliver safe and reliable service to its customers.
2 The post-petition revenues PG&E collects from its customers are directly tied to the work
3 performance of its unionized workforce. Assumption of the collective bargaining
4 agreements is crucial to PG&E's success during the post-petition period. The continued
5 administration of the collective bargaining agreements, including the processing of
6 grievances, is crucial to the continued smooth operation of PG&E's business both during and
7 after the Chapter 11 period.

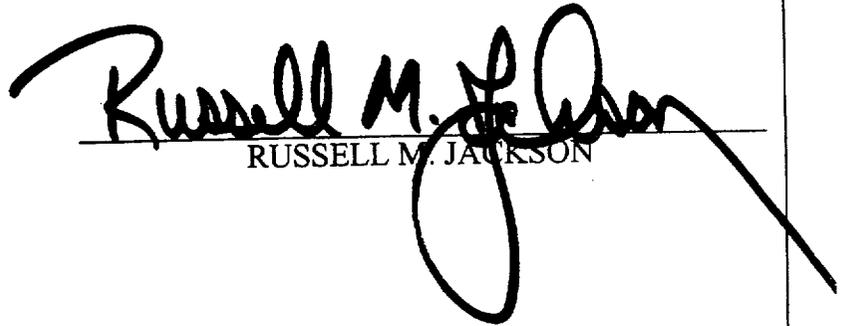
8 17. PG&E has more than adequate cash reserves to cure its defaults under the
9 collective bargaining agreements. The arrearages under the collective bargaining agreements
10 total approximately \$20.9 million. I am informed and believe and thereupon allege that
11 PG&E's cash reserves are in excess of \$2.5 billion. Further, PG&E also has sufficient
12 operating revenue to provide assurance of future performance under the collective bargaining
13 agreements. In addition, under AB 1890, the amounts payable with respect to the
14 severance/displacement of the IBEW members described above are recoverable by PG&E
15 through its rates.

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1 I declare under penalty of perjury under the laws of the United States of America and
2 the State of California that the foregoing is true and correct. Executed this 18th day of May,
3 2001, at San Francisco, California.

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6 RUSSELL M. JACKSON

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