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June 15, 2001

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VIA UPS

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Attn: PG&E Administrator
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Re: United States Bankruptcy Court
Northern District of California
San Francisco Division
In re: Pacific Gas & Electric Company, a California corporation, Debtor
Court Case No. 01-30923 DM

Enclosed are the following documents (the "Motion"): (1) the original Notice of Motion and Amended and Supplemental Motion for Relief from Stay; (2) the original Supplemental Declaration of Richard C. Josephson in Support of Amended and Supplemental Motion for Relief from Stay; (3) the original Proof of Service; and (4) a copy of the signed Supplemental Declaration of Jared Carter in Support of Amended and Supplemental Motion for Relief from Stay. The original Supplemental Declaration of Jared Carter in Support of Amended and Supplemental Motion will be filed under separate cover. This Motion amends, supplements, and replaces in its entirety the Notice of Motion and Motion for Relief from Stay (the "Original Motion") which was filed by Pacific Lumber with this Court on May 9, 2001 (Docket No. 474). No additional fees have been included because the required fees were paid at the time the Original Motion was filed.

Sincerely,

Richard C. Josephson

RCJ:ps
Enclosures
cc: Service List, Attached

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Attorneys for Pacific Lumber Company, a California corporation

HON. DENNIS MONTALI

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

In re: PACIFIC GAS & ELECTRIC COMPANY, a California corporation, Debtor. Federal I.D. No. 94-0742640	NO. 01-30923 DM Chapter 11 Case Date: June 20, 2001 Time: 1:30 p.m. Place: 235 Pine Street, 22nd Floor San Francisco, California

NOTICE OF MOTION AND AMENDED AND SUPPLEMENTAL MOTION FOR RELIEF FROM STAY

PLEASE TAKE NOTICE that on June 20, 2001, at 1:30 p.m. or as soon thereafter as the matter may be heard, in the Courtroom of the Honorable Dennis Montali, located at 235 Pine Street, 22nd Floor, San Francisco, California, Pacific Lumber Company, a California corporation ("Pacific Lumber"), will and hereby does move (the "Motion"), pursuant to sections 362(d)(1) and 553 of Title 11 of the United States Code (the "Bankruptcy Code") and Rule 4001(a) of the Federal Rules of Bankruptcy Procedure, for entry of an order granting

Pacific Lumber relief from the automatic stay, and other equitable and legal relief. This Motion is based on this Notice of Motion and Amended and Supplemental Motion, the Declarations and Supplemental Declarations of Jared Carter and Richard C. Josephson, the records and files in this case, and any admissible evidence presented to the Court at or before the hearing on this Motion. This Motion amends, supplements, and replaces in its entirety the Notice of Motion and Motion for Relief from Stay which was filed by Pacific Lumber with this Court on May 9, 2001 (Docket No. 474).

By this Motion, Pacific Lumber moves the Court for relief from the automatic stay and alleges:

Jurisdiction and Venue

1. On April 6, 2001 (the "Petition Date"), Pacific Gas and Electric Company ("PG&E" or the "Debtor") filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtor has been operating its business as a debtor in possession, pursuant to sections 1107 and 1108 of the Bankruptcy Code.

2. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. § 1334 and 157(a) and United States District Court for the Northern District of California Local Rule 4001-1. Venue is proper in this Court under 28 U.S.C. § 1409. This is a core matter within the meaning of 28 U.S.C. § 157(b)(2)(A) and (G). The substantive basis for the relief requested is sections 362(d)(1) and 553 of the Bankruptcy Code. Rule 4001(a) of the Federal Rules of Bankruptcy Procedure is applicable.

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Facts

3. Pacific Lumber and PG&E are parties to that certain Standard Offer #1 contract ("SO-1"), As-Delivered Capacity and Energy Power Purchase Agreement dated January 17, 1986, as amended (the "PPA"). The PPA provides generally that (i) Pacific Lumber will meet qualifying facility ("QF") requirements under the federal Public Utility Regulatory Policies Act of 1978 ("PURPA") and (ii) Pacific Lumber will sell and PG&E will purchase as-delivered capacity and energy.

4. Under the terms of the PPA, Pacific Lumber agrees to produce energy from biomass wood and sell the energy to PG&E, and PG&E agrees to pay Pacific Lumber on a monthly basis for as-delivered capacity and energy at rates authorized from time to time by the California Public Utilities Commission ("CPUC") and which are derived from PG&E's avoided costs as approved by the CPUC. Pacific Lumber, in turn, purchases energy from PG&E for which PG&E bills Pacific Lumber monthly and Pacific Lumber pays PG&E monthly.

5. Under the PPA, PG&E is required to send Pacific Lumber, not later than 30 days after the end of each billing period, a monthly account statement showing the amount of kilowatt hours of electricity delivered by Pacific Lumber to PG&E, PG&E's calculation of the amount owed to Pacific Lumber, and PG&E's check in payment of the amount owed for capacity and energy. For example, for capacity and energy delivered in the month of January, PG&E would ordinarily send the billing statement and payment at the end of February, and Pacific Lumber would ordinarily receive them in the first week of March.

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6. Payments for PG&E's sales of energy and services to Pacific Lumber are also based on PG&E's measurements and statements. PG&E ordinarily sends Pacific Lumber its bills for utility services during the first half of the month following the month of the deliveries, with payment due within 15 days. For example, for January deliveries, Pacific Lumber would ordinarily receive PG&E's bills in the first half of February and would pay PG&E by the end of February.

7. Thus, Pacific Lumber relies on PG&E's account statements both for what it owes PG&E for utility services and what PG&E owes Pacific Lumber for capacity and energy under the PPA. Because of the different billing cycles, however, PG&E pays Pacific Lumber one month later than Pacific Lumber pays PG&E for deliveries for each month.

8. Since the filing of the original Notice of Motion and Motion for Relief from Stay with this Court on May 9, 2001, Pacific Lumber has received additional invoices from PG&E for service through the Petition Date, which have the effect of increasing the prepetition obligation of Pacific Lumber to PG&E by $2,458.74, as reflected in attached Exhibits A, B, and C. Pacific Lumber has also received PG&E's calculations of the amount due from PG&E to Pacific Lumber under its QF contract for the months of December 2000, and January, February, and April 2001; Pacific Lumber has not yet received PG&E's calculation of the amount due for March 2001.

9. Thus, as of the Petition Date, PG&E was indebted to Pacific Lumber under the PPA in the aggregate amount of $5,483,166.00 for energy delivered by Pacific Lumber

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pursuant to the PPA before 9 a.m. on April 6, 2001, subject to adjustment for March activity. As of the date of this Motion, this full amount remains due and owing by PG&E.

10. As of the Petition Date, Pacific Lumber was indebted to PG&E in the aggregate amount of $131,059.35 for delivery of energy by PG&E to Pacific Lumber's facilities pursuant to PG&E's tariffs, as detailed on attached Exhibits A, B, and C. As of the date of this Motion, this amount remains due and owing by Pacific Lumber.[1]

Argument

11. Section 362 of the Bankruptcy Code provides for the termination, modification or annulment of the automatic stay under certain circumstances. Section 362(d) provides, in relevant part, as follows:

> (d) On request of a party in interest and after notice and a hearing, the court shall grant relief from the stay provided under subsection (a) of this section, such as by terminating, annulling, modifying, or conditioning such stay –
>
> > (1) for cause, including the lack of adequate protection of an interest in property of such party in interest; or
> >
> > (2) with respect to a stay of an act against property under subsection (a) of this section, if –

[1] To preserve its right of setoff, Pacific Lumber has temporarily withheld payment of the amount due pursuant to its rights under *Citizens Bank of Maryland v. Strumpf*, 516 U.S. 16, 18-19, 116 S.Ct. 286, 288-89 (1995). Pacific Lumber promptly notified PG&E and its counsel that while it was not effecting a setoff, it is temporarily withholding payment to preserve its right of setoff pending the resolution of a motion for relief from stay. *See* letters dated April 30, 2001 from John A. Campbell, President & Chief Executive Officer of Pacific Lumber received by Ivan Marruffo, Senior Major Account Representative of PG&E attached to the Declaration of Gary Clark and letter dated May 1, 2001 from Stoel Rives LLP to James Lopes, Esq. of Howard, Rice, Nemerovski, Canady, Falk & Rabkin, P.C. attached to the Declaration of Richard C. Josephson.

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(A) the debtor does not have an equity in such property; and

(B) such property is not necessary to an effective reorganization[.]

Section 553 of the Bankruptcy Code provides that the Bankruptcy Code does not alter the right of a creditor to offset prepetition amounts owing to it by a debtor against prepetition amounts owing by it to the debtor, except in certain limited circumstances, none of which apply here.[2] Setoff is allowed where the following conditions are met: (i) the creditor has a prepetition claim against the estate, (ii) the debtor owes a prepetition debt to the creditor, (iii) the claim and the debt are mutual, i.e. owing to the same parties in the same capacity, and (iv) both the claim and the debt are valid and enforceable.

Under the Bankruptcy Code, Pacific Lumber is entitled to relief from the automatic stay to effect a setoff of the amounts owing by it to PG&E for delivery of energy pursuant to

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[2] Section 553 of the Bankruptcy Code provides:

> (a) Except as otherwise provided in this section and in section 362 and 363 of this title, this title does not affect any right of a creditor to offset a mutual debt owing by such creditor to the debtor that arose before the commencement of the case under this title against a claim of such creditor against the debtor that arose before the commencement of the case, except to the extent that –
>
> (1) the claim of such creditor against the debtor is disallowed;
>
> (2) such claim was transferred, by an entity other than the debtor, to such creditor –
>
> (A) after the commencement of the case; or
> (B)(i) after 90 days before the date of the filing of the petition and
> (ii) while the debtor was insolvent; or
>
> (3) the debt owed to the debtor by such creditor was incurred by such creditor –
>
> (A) after 90 days before the date of the filing of the petition;
> (B) while the debtor was insolvent; and

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PG&E's tariff against the amounts owing to it from PG&E under the PPA. All conditions of Section 553 are met here. First, the debts are mutual: Pacific Lumber has a prepetition claim against the Debtor and owes a prepetition debt to the Debtor. Second, both claims are valid and enforceable.

California law establishes Pacific Lumber's equitable right to setoff its debts against those of PG&E,[3] while the Bankruptcy Code preserves whatever right exists in a nonbankruptcy context.[4] In California, "it is well settled that a court of equity will compel a setoff when mutual demands are held under such circumstances that one of them should be applied against the other and only the balances recovered."[5]

Pacific Lumber's right to setoff has also been codified by section 431.70 of the California Code of Civil Procedure, which states:

> Where cross-demands for money have existed between persons at any point in time when neither demand was barred by the statute of limitations, and an action is thereafter commenced by one such person, the other person may assert in the answer the defense of payment in that the two demands are compensated for so far as they equal each other.[6]

Because the PPA does not restrict setoffs and because California law, like the Bankruptcy Code, provides for the setoff of mutual obligations between two parties in the same

---

(C) for the purpose of obtaining a right of setoff against the debtor.

[3] *See Hawaiian Airlines Inc. v. United States (In re HAL, Inc),* 122 F.3d 851, 853 (9th Cir. 1997); *Pieri v. Lysenko (In re Pieri),* 86 B.R. 208, 210 (9th Cir. BAP 1988).

[4] *Id.*

[5] *Plut v. Fireman's Fund Inc. Co.,* 85 Cal.App.4th 98, 106 (2000) (quoting *Harrison v. Adams,* 20 Cal.2d 646, 648 (1942); *see also Kruger v. Wells Fargo Bank,* 11 Cal.3d 352, 360 (1974); *Granberry v. Islay Inv.,* 9 Cal.4th 738, 743-44 (1995)).

[6] Cal. Civ. Pro. §431.70.

capacity, Pacific Lumber is entitled to a setoff of its prepetition debt to PG&E of $131,059.35 against PG&E's prepetition debt to Pacific Lumber of $5,483,166.00

WHEREFORE, Pacific Lumber respectfully requests that this Court enter an order (i) lifting the automatic stay to allow Pacific Lumber to set off the amounts owing from it to the Debtor, as described in Exhibits A, B, and C, against the Debtor's prepetition obligations to Pacific Lumber and (ii) granting such other relief as the Court deems proper.

DATED: June 15, 2001.

STOEL RIVES LLP

Richard C. Josephson, OSB No. 73374
Attorneys for Pacific Lumber Company

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EXHIBIT A

	Acct. #	P.G. & E.	
FORTUNA			
Log Deck-3/7 to 4/5/01	FLJ-47-10651-1	17.32	
Boiler(Gas)-3/7 to 4/5/01	FLJ-47-10601-2	16,697.78	
Lumber Mill(Gas)-3/7 to 4/5/01	FLJ-46-08911-3	684.41	
Outdoor light-3/7 to 4/5/01	FLJ-46-09002-0	8.00	
Scales-3/7 to 4/5/01	FLJ-47-11301-3	88.94	
Dry Kilns-1/4 to 4/5/01	FLJ-47-10461-1	34,041.97	
Mill-3/15 to 4/13/01	MLJ-T3-24601-5	43,129.20	
SCOTIA			
By-Products Office(Gas)-3/7 to 4/5/01	FLJ-33-17323-3	47.76	
Sales office-108 Main St.(Gas)-3/7 to 4/5/01	FLJ-33-82561-0	150.33	
Cogen-3/2 to 4/2/01	BLJ-N1-11001-3	2,694.21	
Machine Shop(Gas)-3/7 to 4/5/01	FLJ-33-43641-8	6,194.54	
CARLOTTA			
Mill -3/15 to 4/13/01	MLJT460062-8	23,614.94	
BY-PRODUCTS			
Hwy 101 & Van Duzen-3/7 to 4/5/01	FLJ-44-47502-0	7.29	
Van Duzen-Storage-3/7 to 4/5/01	FLJ-44-74805-4	8.72	
Hwy 101 & Van Duzen(Office)-3/7 to 4/5/01	FLJ-44-47602-9	56.18	
KNEELAND			
3 Mile S/Kneeland-3/21 to 4/19/01	RLF-23-19805-8	2.51	
FORTUNA PURCH. PROP.			
3825 Dyerville Loop Rd-3/16 to 4/18/01	NLM-84-68920-8	3.25	
CARETAKER-MIRANDA			
Residence-3/2 to 4/2/01	BLM-67-47602-0	107.74	
Ranch House-3/2 to 4/2/01	BLM-67-47802-8	36.18	
Barnum Rd.-3/2 to 4/2/01	BLM-67-47812-8	9.03	
Barnum Rd. 3M-3/2 to 4/2/01	BLM-67-47902-7	4.81	
MT. PIERCE			
Mt. Pierce-3/23 to 4/23/01	TLJ-51-79241-8	68.83	
Non-Energy Collection Unit-4/1 to 4/30/01 (Monthly fee for hooking our system up to PG & E's system)	ULF-6204921-7	749.15	Monthly fee 3,745.74
TOTAL OF BILLS FROM PG & E CURRENTLY HOLDING		$128,422.86	

EXHIBIT B

P.G. & E.

	Acct. #	TOTAL OWING	FOR SERVICES PROVIDED THRU 4/5/01	FOR SERVICES PROVIDED AFTER 4/5/01
FORTUNA				
Log Deck-4/5 to 5/7/01	FLJ-47-10651-1	19.68	1.17	17.51
Boiler(Gas)-4/5 to 5/7/01	FLJ-47-10601-2	15,162.88	947.68	14,215.20
Lumber Mill(Gas)-4/5 to 5/7/01	FLJ-46-08811-3	186.93	11.68	175.25
Outdoor light-4/5 to 5/7/01	FLJ-46-09002-0	8.00	0.50	7.50
Scales-4/5 to 5/7/01	FLJ-47-11301-3	91.20	5.70	85.50
Dry Kilns-4/5 to 5/7/01	FLJ-47-10451-1	11,514.44	719.65	10,794.79
Mill-3/15 to 4/13/01	MLJ-T3-24601-5	0.00	0.00	0.00
SCOTIA				
By-Products Office(Gas)-4/5 to 5/7/01	FLJ-33-17323-3	59.31	3.71	55.60
Sales office-108 Main St.(Gas)-4/5 to 5/7/01	FLJ-33-82581-0	138.79	8.67	130.12
Cogen-4/2 to 5/1/01	SLJ-N1-11001-3	2,684.58	464.58	2,220.01
Machine Shop(Gas)-4/5 to 5/7/01	FLJ-33-43641-6	4,225.54	264.10	3,961.54
CARLOTTA				
Mill -3/15 to 4/13/01	MLJT460062-6	0.00	0.00	0.00
BY-PRODUCTS				
Hwy 101 & Van Duzen-4/5 to 5/7/01	FLJ-44-47502-0	7.29	0.46	6.83
Van Duzen-Storage-4/5 to 5/7/01	FLJ-44-74805-4	15.65	0.98	14.66
Hwy 101 & Van Duzen(Office)-4/5 to 5/7/01	FLJ-44-47802-9	80.60	5.04	75.56
KNEELAND				
3 Mile S/Kneeland-3/21 to 4/18/01	RLF-23-19805-8	0.00	0.00	0.00
FORTUNA PURCH. PROP.				
3825 Dyerville Loop Rd-3/16 to 4/16/01	NLM-84-88920-8	0.00	0.00	0.00
CARETAKER-MIRANDA				
Residence-4/2 to 5/1/01	BLM-67-47602-0	90.53	16.64	73.89
Ranch House-4/2 to 5/1/01	BLM-67-47603-8	34.01	5.86	28.15
Barnum Rd.-4/2 to 5/1/01	BLM-67-47612-5	9.03	1.56	7.47
Barnum Rd. 3M-4/2 to 5/1/01	BLM-67-47902-7	4.28	0.74	3.54
MT. PIERCE				
Mt. Pierce-3/23 to 4/23/01	TLJ-51-79241-6	0.00	0.00	0.00
Mt. Pierce(Microwave)-3/23 to 4/23/01	TLJ-51-82724-5	0.00	0.00	0.00
Non-Energy Collection Unit-4/1 to 4/30/01 (Monthly fee for hooking our system up to PG & E's system)	ULF-8204821-7	0.00	0.00	0.00
TOTAL OF BILLS FROM PG & E CURRENTLY HOLDING		**$34,348.88**	**$2,468.74**	**$31,839.31**

EXHIBIT C

PG & E

DATE	AMOUNT OWED TO PALCO
DECEMBER 2000	$1,352,059.08
JANUARY 2001	1,817,715.70
FEBRUARY 2001	1,074,247.32
MARCH 2001	1,117,487.68
APRIL 1ST THRU 6TH	121,656.30
TOTAL AMOUNT OWED BY PG&E TO PALCO	**$5,483,166.08**
TOTAL AMOUNT REQUESTED AS AN OFFSET TO DATE *	(131,059.35)
NET AMOUNT OWED TO PALCO	**$5,352,106.73**

***Excludes bill for Special Facilities charge of $3,745.74 for the month of May.**

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Attorneys for Pacific Lumber Company, a California corporation

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

In re: PACIFIC GAS & ELECTRIC COMPANY, a California corporation, Debtor. Federal I.D. No. 94-0742640	NO. 01-30923 DM Chapter 11 Case Date: June 20, 2001 Time: 1:30 p.m. Place: 235 Pine Street, 22nd Floor San Francisco, California

SUPPLEMENTAL DECLARATION OF RICHARD C. JOSEPHSON IN SUPPORT OF AMENDED AND SUPPLEMENTAL MOTION FOR RELIEF FROM STAY

I, Richard Josephson, hereby declare:

1. I am a member of Stoel Rives LLP, counsel for Pacific Lumber Company ("Pacific Lumber") in this case. I have personal knowledge of the matters set forth herein and am competent to testify thereto. I make this declaration in support of the Motion for Relief from Stay filed by Pacific Lumber in this case.

2. Attached is a true copy of a letter dated June 5, 2001 from me to Gary M. Kaplan, Esq.

I declare under penalty of perjury under the laws of the United States of America and the State of California that the foregoing is true and correct.

DATED: June 15, 2001.

Richard C. Josephson
Of Attorneys for Pacific Lumber Company

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June 5, 2001

RICHARD C. JOSEPHSON
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email rcjosephson@stoel.com

FACSIMILE AND FIRST CLASS MAIL

Gary M. Kaplan, Esq.
Howard, Rice, Nemerovski, Canady, Falk & Rabkin, P.C.
Seventh Floor, Three Embarcadero Center
San Francisco, CA 94111

Re: In re Pacific Gas and Electric Company - United States Bankruptcy Court No. 01-30923 DM

Dear Mr. Kaplan:

I wrote you on May 9 enclosing a copy of the motion for relief from stay filed by Pacific Lumber in this case and responding to the proposed stipulation with respect to Pacific Lumber's setoff rights. As indicated in that letter, Pacific Lumber is willing to enter into an appropriate stipulation allowing the setoff, and we would hope that by now you would have been able to confirm the facts contained in the motion with your client.

Since filing the motion Pacific Lumber has received additional invoices from PG&E for service through April 6, 2001, which have the effect of increasing the pre-petition obligation of Pacific Lumber to PG&E by $2,458.74, as reflected on the enclosed schedule. The aggregate amount owing from Pacific Lumber to PG&E as of the petition date for tariff service and the NECU monthly fee for the first six days of April is $131,059.35. Pacific Lumber has also received PG&E's calculations of the amounts due from PG&E to Pacific Lumber under its QF contract for the months of December, 2000 and January, February and April (but not March), 2001. The total due through April 6, 2001, subject to adjustment for the March, 2001 true up, is $5,483,166.00.

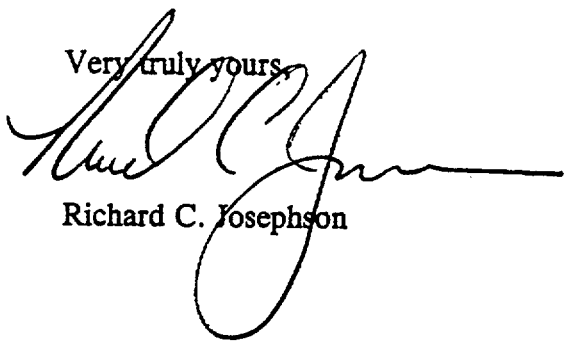
As you know, the motion for relief from stay is set for hearing on June 20. We are unaware of any basis for PG&E to dispute either the amounts due or the right of offset, and would prefer to resolve the matter without further burdening the Bankruptcy Court. However, in light of the additional amounts which Pacific Lumber has identified as being subject to

setoff, if we are unable to resolve this matter by June 8, 2001 we intend to file an amended motion for relief from stay including the additional amounts identified in this letter.

You should also be aware that Pacific Lumber and PG&E are parties to an Agreement for Installation or Allocation of Special Facilities for Parallel Operation of Nonutility-Owned Generation and/or Utility Standby Service (Electric Rules Nos. 2 and 21) dated August 3, 1987 (the "Agreement"). Under the Agreement Pacific Lumber pays a monthly cost of ownership charge, which is currently $3,745.74. Included in the $131,059.35 figure set forth earlier in this letter is the sum of $749.15, representing the allocable portion of the monthly charge for the first six days of April; Pacific Lumber has paid the balance of the April charge and the May charge. We have now determined, however, that because the monthly charge arises under a pre-petition contract between Pacific Lumber and PG&E, Pacific Lumber has the right to set off the monthly charges against the pre-petition amounts owing from PG&E to it until such time as the full amount of PG&E's payable to Pacific Lumber has been paid in full or recouped through setoff. We would therefore also ask that PG&E enter into a stipulation with Pacific Lumber confirming this setoff right. Pacific Lumber intends to withhold payment of further monthly payments under the Agreement to preserve its right of set off pending a response from PG&E. If we are unable to agree on an appropriate stipulation by June 11, 2001, Pacific Lumber intends to file an additional motion for relief from stay.

Please feel free to call me if you have any questions. I look forward to hearing from you at your early convenience.

Very truly yours,



Richard C. Josephson

RCJ:ra
cc: Mr. Gary Clark

P.G. & E.

	Acct. #	TOTAL OWING	FOR SERVICES PROVIDED THRU 4/6/01	FOR SERVICES PROVIDED AFTER 4/6/01
FORTUNA				
Log Deck-4/5 to 5/7/01	FLJ-47-10651-1	18.68	1.17	17.51
Boiler(Gas)-4/5 to 5/7/01	FLJ-47-10601-2	15,162.86	947.66	14,215.20
Lumber Mill(Gas)-4/5 to 5/7/01	FLJ-48-08911-3	186.93	11.68	175.25
Outdoor light-4/5 to 5/7/01	FLJ-48-09002-0	8.00	0.50	7.50
Scales-4/5 to 5/7/01	FLJ-47-11301-3	91.20	5.70	85.50
Dry Kilns-4/5 to 5/7/01	FLJ-47-10451-1	11,514.44	719.65	10,794.79
Mill-3/15 to 4/13/01	MLJ-T3-24601-5	0.00	0.00	0.00
SCOTIA				
By-Products Office(Gas)-4/5 to 5/7/01	FLJ-33-17325-3	59.31	3.71	55.60
Sales office-108 Main St.(Gas)-4/5 to 5/7/01	FLJ-33-82561-0	138.79	8.67	130.12
Cogen-4/2 to 5/1/01	BLJ-N1-11001-3	2,694.56	464.56	2,230.01
Machine Shop(Gas)-4/5 to 5/7/01	FLJ-33-43641-8	4,225.84	264.10	3,961.54
CARLOTTA				
Mill -3/15 to 4/13/01	MLJT460062-8	0.00	0.00	0.00
BY-PRODUCTS				
Hwy 101 & Van Duzen-4/5 to 5/7/01	FLJ-44-47502-0	7.29	0.46	6.83
Van Duzen-Storage-4/5 to 5/7/01	FLJ-44-74905-4	15.85	0.99	14.86
Hwy 101 & Van Duzen(Office)-4/5 to 5/7/01	FLJ-44-47602-9	80.60	5.04	75.56
KNEELAND				
3 Mile S/Kneeland-3/21 to 4/19/01	RLF-23-19805-8	0.00	0.00	0.00
FORTUNA PURCH. PROP.				
3825 Dyerville Loop Rd-3/16 to 4/16/01	NLM-84-88920-9	0.00	0.00	0.00
CARETAKER-MIRANDA				
Residence-4/2 to 5/1/01	BLM-67-47602-0	96.53	18.64	78.89
Ranch House-4/2 to 5/1/01	BLM-67-47602-8	34.01	5.86	28.15
Barnum Rd.-4/2 to 5/1/01	BLM-67-47812-6	9.03	1.56	7.47
Barnum Rd. 3M-4/2 to 5/1/01	BLM-67-47902-7	4.28	0.74	3.54
MT. PIERCE				
Mt. Pierce-3/23 to 4/23/01	TLJ-51-79241-8	0.00	0.00	0.00
Mt. Pierce(Microwave)-3/23 to 4/23/01	TLJ-51-82724-5	0.00	0.00	0.00
Non-Energy Collection Unit-4/1 to 4/30/01 (Monthly fee for hooking our system up to PG & E's system)	ULF-8204921-7	0.00	0.00	0.00
TOTAL OF BILLS FROM PG & E CURRENTLY HOLDING		**$34,348.05**	**$2,488.74**	**$31,859.31**

ORIGINAL

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Attorneys for Pacific Lumber Company, a California corporation

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

In re: PACIFIC GAS & ELECTRIC COMPANY, a California corporation, Debtor. Federal I.D. No. 94-0742640	NO. 01-30923 DM Chapter 11 Case Date: June 20, 2001 Time: 1:30 p.m. Place: 235 Pine Street, 22nd Floor San Francisco, California

SUPPLEMENTAL DECLARATION OF JARED CARTER IN SUPPORT OF AMENDED AND SUPPLEMENTAL MOTION FOR RELIEF FROM STAY

Jared Carter declares as follows:

1. I am the Vice President and General Counsel of Pacific Lumber Company, a California corporation ("Pacific Lumber"). I have personal knowledge of the matters set forth herein and am competent to testify thereto. I make this declaration in support of the Amended Motion for Relief from Stay (the "Motion") filed by Pacific Lumber in this case.

2. Pacific Lumber and PG&E are parties to that certain Standard Offer #1 contract ("SO-1"), As-Delivered Capacity and Energy Power Purchase Agreement dated January 17, 1986, as amended (the "PPA"). The PPA provides generally that (i) Pacific Lumber will meet qualifying facility ("QF") requirements under the federal Public Utility Regulatory Policies Act of 1978 ("PURPA") and (ii) Pacific Lumber will sell and PG&E will purchase as-delivered capacity and energy.

3. Under the terms of the PPA, Pacific Lumber agrees to produce energy from biomass wood and sell the energy to PG&E, and PG&E agrees to pay Pacific Lumber on a monthly basis for as-delivered capacity and energy at rates authorized from time to time by the California Public Utilities Commission ("CPUC") and which are derived from PG&E's avoided costs as approved by the CPUC. Pacific Lumber, in turn, purchases energy from PG&E for which PG&E bills Pacific Lumber monthly and Pacific Lumber pays PG&E monthly.

4. Under the PPA, PG&E is required to send Pacific Lumber, not later than 30 days after the end of each billing period, a monthly account statement showing the amount of kilowatt hours of electricity delivered by Pacific Lumber to PG&E, PG&E's calculation of the amount owed to Pacific Lumber, and PG&E's check in payment of the amount owed for capacity and energy. For example, for capacity and energy delivered in the month of January, PG&E would ordinarily send the billing statement and payment at the end of February, and Pacific Lumber would ordinarily receive them in the first week of March.

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5. Payments for PG&E's sales of energy and services to Pacific Lumber are also based on PG&E's measurements and statements. PG&E ordinarily sends Pacific Lumber its bills for utility services during the first half of the month following the month of the deliveries, with payment due within 15 days. For example, for January deliveries, Pacific Lumber would ordinarily receive PG&E's bills in the first half of February and would pay PG&E by the end of February.

6. Thus, Pacific Lumber relies on PG&E's account statements both for what it owes PG&E for utility services and what PG&E owes Pacific Lumber for capacity and energy under the PPA. Because of the different billing cycles, however, PG&E pays Pacific Lumber one month later than Pacific Lumber pays PG&E for deliveries for each month.

7. Since the filing of the original Notice of Motion and Motion for Relief from Stay with this Court on May 9, 2001, Pacific Lumber has received additional invoices from PG&E for service through April 6, 2001, which have the effect of increasing the pre-petition obligation of Pacific Lumber to PG&E by $2,458.74, as reflected in attached Exhibits A, B, and C. Pacific Lumber has also received PG&E's calculations of the amount due from PG&E to Pacific Lumber under its QF contract for the months of December 2000, and January, February, and April 2001; Pacific Lumber has not yet received PG&E's calculation of the amount due for March 2001.

8. Thus, as of April 6, 2001, PG&E was indebted to Pacific Lumber under the PPA in the aggregate amount of $5,483,166.00 for energy delivered by Pacific Lumber

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pursuant to the PPA before 9 a.m. on April 6, 2001, subject to adjustment for March activity. As of the date of this Motion, this full amount remains due and owing by PG&E.

9. As of April 6, 2001, Pacific Lumber was indebted to PG&E in the aggregate amount of $131,059.35 for delivery of energy by PG&E to Pacific Lumber's facilities pursuant to PG&E's tariffs, as detailed on attached Exhibits A, B, and C. As of the date of this Motion, this amount remains due and owing by Pacific Lumber.

10. Attached are true copies of Exhibits A, B, and C.

I declare under penalty of perjury under the laws of the United States of America and the State of California that the foregoing is true and correct.

DATED: June 15, 2001.

Jared Carter
Vice President and General Counsel
Pacific Lumber Company

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	Acct. #	P.G. & E.	
FORTUNA			
Log Deck-3/7 to 4/5/01	FLJ-47-10851-1	17.32	
Boiler(Gas)-3/7 to 4/5/01	FLJ-47-10801-2	18,697.75	
Lumber Mill(Gas)-3/7 to 4/5/01	FLJ-46-09911-3	884.41	
Outdoor light-3/7 to 4/5/01	FLJ-48-09002-0	8.00	
Scales-3/7 to 4/5/01	FLJ-47-11301-3	38.94	
Dry Kilns-1/4 to 4/5/01	FLJ-47-10481-1	34,041.97	
Mill-3/15 to 4/13/01	MLJ-T3-24801-5	43,129.20	
SCOTIA			
By-Products Office(Gas)-3/7 to 4/5/01	FLJ-33-17323-3	47.75	
Sales office-108 Main St(Gas)-3/7 to 4/5/01	FLJ-33-82581-0	150.33	
Cogen-3/2 to 4/2/01	BLJ-N1-11801-9	2,884.21	
Machine Shop(Gas)-3/7 to 4/5/01	FLJ-33-43641-8	5,194.54	
CARLOTTA			
Mill -3/15 to 4/13/01	MLJT480082-8	23,614.94	
BY-PRODUCTS			
Hwy 101 & Van Duzen-3/7 to 4/5/01	FLJ-44-47602-0	7.29	
Van Duzen-Storage-3/7 to 4/5/01	FLJ-44-74805-4	8.72	
Hwy 101 & Van Duzen(Office)-3/7 to 4/5/01	FLJ-44-47602-8	58.18	
KNEELAND			
3 Mile S/Kneeland-3/21 to 4/19/01	RLF-23-19805-8	2.51	
FORTUNA PURCH. PROP.			
3825 Dyerville Loop Rd-3/15 to 4/13/01	NLM-84-88820-8	3.25	
CARETAKER-MIRANDA			
Residence-3/2 to 4/2/01	BLM-87-47802-0	107.74	
Ranch House-3/2 to 4/2/01	BLM-87-47802-8	38.18	
Barnum Rd.-3/2 to 4/2/01	BLM-87-47812-9	8.03	
Barnum Rd. SM-3/2 to 4/2/01	BLM-87-47802-7	4.81	
MT. PIERCE			
Mt Pierce-3/29 to 4/27/01	TLJ-51-79241-8	68.83	
Non-Energy Collection Unit-4/1 to 4/30/01 (Monthly fee for hooking our system up to PG & E's system)	ULF-6204921-7	748.15	Monthly fee 3,745.74

TOTAL OF BILLS FROM PG & E CURRENTLY HOLDING $128,422.86

P.G. & E.

	Acct. #	TOTAL OWING	FOR SERVICES PROVIDED THRU 4/6/01	FOR SERVICES PROVIDED AFTER 4/6/01
FORTUNA				
Log Deck-4/5 to 5/7/01	FLJ-47-10551-1	19.88	1.17	17.51
Boiler(Gas)-4/5 to 5/7/01	FLJ-47-10501-2	15,182.88	947.68	14,215.20
Lumber Mill(Gas)-4/5 to 5/7/01	FLJ-46-08811-3	186.93	11.68	175.25
Outdoor light-4/5 to 5/7/01	FLJ-46-09002-0	8.00	0.50	7.50
Scales-4/5 to 5/7/01	FLJ-47-11501-3	91.20	5.70	85.50
Dry Kilns-4/5 to 5/7/01	FLJ-47-10481-1	11,514.44	719.65	10,794.79
Mill-3/15 to 4/13/01	MLJ-T3-24801-5	0.00	0.00	0.00
SCOTIA				
By-Products Office(Gas)-4/5 to 5/7/01	FLJ-33-17323-3	59.51	3.71	55.60
Sales office-108 Main St.(Gas)-4/5 to 5/7/01	FLJ-33-32561-0	138.79	8.67	130.12
Cogen-4/2 to 5/1/01	BLJ-N1-11001-3	2,694.69	484.58	2,230.01
Machine Shop(Gas)-4/5 to 5/7/01	FLJ-33-43561-8	4,226.64	264.10	3,961.54
CARLOTTA				
Mill -3/15 to 4/13/01	MLJT460083-8	0.00	0.00	0.00
BY-PRODUCTS				
Hwy 101 & Van Duzen-4/5 to 5/7/01	FLJ-44-47502-0	7.29	0.45	6.83
Van Duzen-Storage-4/5 to 5/7/01	FLJ-44-74805-4	15.85	0.99	14.86
Hwy 101 & Van Duzen(Office)-4/5 to 5/7/01	FLJ-44-47602-9	80.60	5.04	75.56
KNEELAND				
3 Mile S/Kneeland-3/21 to 4/18/01	RLF-23-19803-8	0.00	0.00	0.00
FORTUNA PURCH. PROP.				
3020 Dyerville Loop Rd-3/19 to 4/18/01	NLM-64-88920-8	0.00	0.00	0.00
CARETAKER-MIRANDA				
Residence-4/2 to 5/1/01	BLM-67-47502-0	96.03	18.64	78.09
Ranch House-4/2 to 5/1/01	BLM-67-47803-8	34.01	5.86	28.15
Barnum Rd.-4/2 to 5/1/01	BLM-67-47812-8	9.03	1.56	7.47
Barnum Rd. 3M-4/2 to 5/1/01	BLM-67-47902-7	4.28	0.74	3.54
MT. PIERCE				
Mt. Pierce-3/23 to 4/23/01	TLJ-51-79241-8	0.00	0.00	0.00
Mt. Pierce(Microwave)-3/23 to 4/23/01	TLJ-51-82724-6	0.00	0.00	0.00
Non-Energy Collection Unit-4/1 to 4/30/01 (Monthly fee for hooking our system up to PG & E's system)	ULF-5204821-7	0.00	0.00	0.00
TOTAL OF BILLS FROM PG & E CURRENTLY HOLDING		$34,348.05	$2,468.74	$31,489.31

EXHIBIT C

PG & E

DATE	AMOUNT OWED TO PALCO
DECEMBER 2000	$1,352,059.08
JANUARY 2001	1,817,715.70
FEBRUARY 2001	1,074,247.32
MARCH 2001	1,117,487.68
APRIL 1ST THRU 6TH	121,656.30
TOTAL AMOUNT OWED BY PG&E TO PALCO	**$5,483,166.08**

TOTAL AMOUNT REQUESTED AS AN OFFSET TO DATE *	(131,059.35)
NET AMOUNT OWED TO PALCO	**$5,352,106.73**

***Excludes bill for Special Facilities charge of $5,745.74 for the month of May.**

CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing **SUPPLEMENTAL DECLARATION OF JARED CARTER IN SUPPORT OF AMENDED AND SUPPLEMENTAL MOTION FOR RELIEF FROM STAY** on:

The United States Bankruptcy Court
Attn: PG&E Administrator
PO Box 7722
San Francisco, CA 94120-7722

[X] mailing with postage prepaid
[ ] hand delivery
[ ] facsimile transmission
[ ] overnight delivery

contained in a sealed envelope at the last-known addresses indicated above.

DATED: June 15, 2001.

MICHELE BOUDREAU

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Attorneys for Pacific Lumber Company, a California corporation

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

In re: PACIFIC GAS & ELECTRIC COMPANY, a California corporation, Debtor. Federal I.D. No. 94-0742640	NO. 01-30923 DM Chapter 11 Case Date: June 20, 2001 Time: 1:30 p.m. Place: 235 Pine Street, 22nd Floor San Francisco, California

PROOF OF SERVICE

I hereby certify that I served the foregoing Notice of Motion and Amended and Supplemental Motion for Relief from Stay, Supplemental Declaration of Jared Carter in Support of Amended and Supplemental Motion for Relief from Stay, and Supplemental Declaration of Richard C. Josephson in Support of Amended and Supplemental Motion for Relief from Stay via messenger to the United States Bankruptcy Court, Attn: PG&E Administrator, 235 Pine Street,

Nineteenth Floor San Francisco, CA 94104 on June 15, 2001 and via first class mail to said persons listed on the attached service list on June 15, 2001.

DATED: June 15, 2001.

Richard C. Josephson
Of Attorneys for Pacific Lumber Company

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