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Attorneys for Debtor and Debtor in Possession  
PACIFIC GAS AND ELECTRIC COMPANY

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION

In re  
PACIFIC GAS AND ELECTRIC  
COMPANY, a California corporation,  
  
Debtor.  
  
Federal I.D. No. 94-0742640

No. 01 30923 DM  
Chapter 11 Case  
Date: July 31, 2001  
Time: 9:30 a.m.  
Place: 235 Pine St., 22nd Floor  
San Francisco, California  
Judge: Hon. Dennis Montali

HOWARD  
RICE  
NEMEROVSKI  
CANADY  
FALK  
& RABKIN  
A Professional Corporation

DECLARATION OF RUSSELL JORGENSEN IN SUPPORT OF DEBTOR'S  
MOTION FOR ORDER AUTHORIZING ASSUMPTION  
OF FRANCHISE AGREEMENTS

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1 I, Russell Jorgensen, declare as follows:

2 1. I am employed by Pacific Gas and Electric Company ("PG&E") as the  
3 director of Billing and Revenue Operations. In such capacity, I am familiar with and  
4 knowledgeable about the franchise agreements between PG&E and various cities and  
5 counties in California. I make this Declaration in support of the Debtor's Motion For Order  
6 Authorizing Assumption of Franchise Agreements (the "Motion"). This Declaration is  
7 based upon my personal knowledge (except as to any matters stated on information and  
8 belief, and as to such matters I am informed and believe they are true), and, if called as a  
9 witness, I could and would testify competently to the facts stated herein.

10 2. PG&E is a party to approximately 510 franchise agreements with various  
11 cities and counties in California (collectively, the "Franchise Agreements"). The Franchise  
12 Agreements allow PG&E to install, operate and maintain its electric, gas, oil and water  
13 facilities in the public streets and roads owned by local governments. In exchange for the  
14 right to use public streets and roads, PG&E pays an annual fee. The Franchise Agreements  
15 include 238 gas franchises, 267 electric franchises, 4 oil pipe line franchises, and 1 water  
16 franchise. Detailed listings of the Franchise Agreements are attached hereto as Exhibit A.

17 3. PG&E's ability to operate its distribution business depends on the Franchise  
18 Agreements. If the Court does not authorize PG&E to assume the Franchise Agreements,  
19 the cities and counties could terminate the Franchise Agreements, could force PG&E to  
20 remove its facilities from the public streets, could force PG&E to file hundreds of eminent  
21 domain actions to preserve its facilities' locations, or could force PG&E to renegotiate for  
22 higher franchise fees or other franchisee-paid obligations. Such a result could significantly  
23 increase PG&E's operating costs.

24 4. Except with respect to charter cities, public utility franchises are granted  
25 either under the Broughton Act or the Franchise Act of 1937. The principal difference  
26 between the two Acts is the method used to calculate the annual franchise fee. Counties and  
27 general-law cities may not vary the terms and conditions of their franchises from the  
28 provisions of the Acts. Charter cities, however, are free to set fees of their own

DECLARATION OF RUSSELL JORGENSEN

1 determination. (About four-fifths of California cities are general-law cities; the remainder  
2 are charter cities.)

3 5. Under the Broughton Act, the fee is computed using a formula established  
4 by court decisions interpreting the Act. This formula takes into consideration a number of  
5 factors, such as the utility's gross receipts, investment in plant, and miles of lines along  
6 county roads or city streets. The formula computes a factor for gross receipts per mile,  
7 which is multiplied by the miles of line within the franchise area of a county or city to  
8 determine the total receipts attributable to the use of that franchise. The franchise payment  
9 is equal to two percent (2%) of these receipts. All of PG&E's county electric and gas  
10 franchises and some of its city franchises were granted under the provisions of the  
11 Broughton Act.

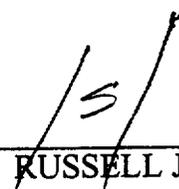
12 6. Under the Franchise Act of 1937, the fee is established as the higher of  
13 either the fee that would result under a Broughton Act calculation or a fixed percentage of  
14 gross receipts from the sale of electricity or gas within the city. When the fee is based on  
15 gross receipts from sales within a city, the utility pays either one-half of one percent (0.5%)  
16 or one percent (1%), depending on whether the utility also holds a constitutional franchise to  
17 use the city streets for lighting purposes. With a few exceptions, all of PG&E's gas and  
18 electric franchises with general-law cities were granted according to the provisions of the  
19 Franchise Act of 1937.

20 7. Charter cities can require a fee rate different from the rate set by either of  
21 the two Acts. For instance, San Jose, a charter city, has a franchise fee rate of two percent  
22 (2%) of the gross receipts from sales within the city for both the electric and gas franchises.

23 8. PG&E is not in default under any of the Franchise Agreements, and has  
24 made all of its annual franchise fee payments on a timely basis, according to the terms of  
25 each Franchise Agreement. PG&E's franchise fee payments to the cities and counties for  
26 the year 2000 were approximately \$76 million, in the aggregate, not including surcharges.  
27 These franchise fees are included as a component of the rates the California Public Utilities  
28 Commission authorizes PG&E to charge its customers.

HOWARD  
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CANADY  
BALK  
& RABKIN  
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1 I declare under penalty of perjury under the laws of the United States of America  
2 that the foregoing is true and correct. Executed this 3rd day of July, 2001, at San Francisco,  
3 California.

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15 A Professional Corporation