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Attorneys for Issuing Agents

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION

In re  
PACIFIC GAS AND ELECTRIC  
COMPANY,  
  
Debtor.

Case No. 01-30923 DM

CHAPTER 11

**DECLARATION OF STEVEN A. COHEN  
IN SUPPORT OF DEBTOR'S NOTICE  
OF MOTION AND MOTION FOR  
ORDER APPROVING STIPULATION  
REGARDING CREDIT ENHANCEMENT  
OF POLLUTION CONTROL REVENUE  
BONDS**

Date: September 7, 2001  
Time: 1:00 p.m.  
Place: 235 Pine Street, 22<sup>nd</sup> Floor  
San Francisco, California

I, STEVEN A. COHEN, declare:

1. I am a Director of Deutsche Bank AG, New York Branch ("Deutsche Bank")  
and I am the individual at Deutsche Bank primarily responsible for the Pacific Gas and Electric  
Company ("PG&E") matter.

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Declaration of Steven A. Cohen in  
Support of Debtor's Notice of  
Motion and Motion for Order  
Approving Stipulation Regarding  
Crc

1           2.       I make this declaration in support of PG&E's "Notice of Motion and Motion for  
2 Order Approving Stipulation Regarding Credit Enhancement of Pollution Control Revenue  
3 Bonds" (the "Motion"). Unless otherwise stated, the facts herein are known to me of my own  
4 personal knowledge and if called upon to do so, I could and would testify thereto.

5           3.       Deutsche Bank is the issuer of irrevocable, direct pay transferable letter of credit  
6 number 839-54377 dated September 16, 1997 (the "DB Letter of Credit"), which provides  
7 credit and liquidity support for \$148,550,000 aggregate principal amount of California  
8 Pollution Control Financing Authority Pollution Control Refunding Revenue Bonds (Pacific  
9 Gas and Electric Company) 1997 Series B (the "DB Bonds").

10          4.       In connection with the issuance of the Letter of Credit, PG&E, Deutsche Bank,  
11 as issuing agent and as administrative agent, and certain banks party thereto (the "Banks")  
12 entered into a Reimbursement Agreement, dated as of September 1, 1997 (the "Reimbursement  
13 Agreement") pursuant to which, *inter alia*, PG&E has agreed to reimburse Deutsche Bank, as  
14 issuing agent, and the Banks for drawings under the Letter of Credit in accordance with the  
15 terms of thereof.

16          5.       In addition to the DB Bonds, there are four other series of California Pollution  
17 Control Financing Authority Pollution Control Refunding Revenue Bonds (Pacific Gas and  
18 Electric Company) subject to similar structures (the "Other Bonds" and, collectively with the  
19 DB Bonds, the "Bonds"). Three series of the Other Bonds are supported by letters of credit  
20 (the "Other Letters of Credit" and, collectively with the DB Letter of Credit, the "Letters of  
21 Credit") and one series of Other Bonds is supported by a financial insurance guaranty  
22 insurance policy (the "Insurance").

23          6.       Since April 6, 2001 (the "Petition Date"), Deutsche Bank, as issuing agent, has  
24 honored drawings under the DB Letter of Credit on account of scheduled interest payments on  
25 the DB Bonds. Deutsche Bank, as issuing agent, has not been reimbursed by PG&E for such  
26 drawings. The issuers of the Other Letters of Credit (the "Other Issuing Agents" and,  
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1 collectively with Deutsche Bank, as issuing agent, the "Issuing Agents") and the issuer of the  
2 Insurance (the "Insurer" and, collectively with the Issuing Agents, the "Issuers") have also  
3 honored drawings in respect of interest payments on account of the applicable series of Other  
4 Bonds and have not been reimbursed for such payments.

5 7. PG&E has requested that Deutsche Bank, as issuing agent, continue to maintain  
6 the DB Letter of Credit and continue to reinstate the DB Letter of Credit after each drawing  
7 thereon in accordance with the terms thereof, to pay future scheduled interest on the DB  
8 Bonds. I understand that PG&E has made similar requests of the Other Issuing Agents and the  
9 Insurer.

10 8. PG&E has advised the Issuers that it does not intend to reimburse any post-  
11 petition drawings on account of scheduled interest on the Bonds except in connection with a  
12 confirmed plan of reorganization in its chapter 11 bankruptcy case.

13 9. Over the past few months, I, on behalf of Deutsche Bank, have been in regular  
14 contact with representatives of each of the Other Issuing Agents and the Insurer regarding the  
15 desirability of continuing to honor draws on account of scheduled interest on the Bonds in the  
16 absence of immediate repayment by PG&E.

17 10. Based on such conversations, the Issuers determined that the uncertainty  
18 regarding the status and allowability of any post-petition payments made on account of draws  
19 for interest on the Bonds make it necessary to receive some level of comfort regarding the  
20 allowability of such claims and that absent such comfort certain of the Issuers will in all  
21 likelihood exercise their rights under the applicable documentation and decline to allow the  
22 reinstatement of the applicable Letter of Credit or Insurance.

23 11. Accordingly, Deutsche Bank, on behalf of itself, the Other Issuing Agents and  
24 the Insurer, approached PG&E regarding entering into the proposed stipulation (the  
25 "Stipulation"). In particular, we indicated to PG&E that the Issuers required comfort as to the  
26 allowability of our claims for any payments made on account of interest draws on the Bonds

1 and that absent such comfort certain of the Issuers will likely exercise their rights under the  
2 documentation and decline to allow the Letters of Credit or Insurance to reinstate.

3 12. Finally, I have carefully reviewed the Motion and, in particular, section III  
4 thereof and I believe that the explanations of the terms of the stipulation contained in section  
5 III of the Motion are accurate in their description of the stipulation.

6 I declare under penalty of perjury that the foregoing is true and correct. Executed this  
7 10<sup>th</sup> day of August 2001, at New York, New York.

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10 STEVEN A. COHEN

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