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5 Accountants and Financial Advisors for Official
6 Committee of Unsecured Creditors

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10 **UNITED STATES BANKRUPTCY COURT**
11 **NORTHERN DISTRICT OF CALIFORNIA**
12 **SAN FRANCISCO DIVISION**

13
14 In re
15 PACIFIC GAS AND ELECTRIC
16 COMPANY, a California corporation,
17 Debtor.

Case No. SF 01-30923 DM
Chapter 11

**FIRST INTERIM APPLICATION OF
PRICEWATERHOUSECOOPERS LLP FOR
ALLOWANCE AND PAYMENT OF
COMPENSATION AND
REIMBURSEMENT OF EXPENSES
(APRIL 11, 2001 THROUGH JULY 31,
2001); DECLARATION OF THOMAS E.
LUMSDEN IN SUPPORT THEREOF**

Hearing:

Date: October 11, 2001
Time: 10:00 am
Place: 235 Pine Street, 22nd Floor
San Francisco, CA

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28 *add: Rids Dgc Mail Center*

ADD1

1 **TO THE HONORABLE DENNIS MONTALI, UNITED STATES BANKRUPTCY JUDGE,**
2 **THE OFFICE OF THE UNITED STATES TRUSTEE, THE DEBTOR, AND OTHER**
3 **PARTIES IN INTEREST:**

4 PricewaterhouseCoopers LLP ("PwC"), accountants and financial advisors to the Official
5 Committee of Unsecured Creditors ("Committee") in the Pacific Gas and Electric ("PG&E")
6 bankruptcy case, hereby submits its first interim application for allowance and payment of
7 compensation and reimbursement of costs and expenses (the "First Interim Application") covering
8 the period from April 11, 2001 through July 31, 2001 (the "First Application Period"). In support
9 of the First Interim Application, PwC respectfully represents as follows:

10 **I.**

11 **INTRODUCTION**

12
13 This is PwC's first long-form interim application for approval of compensation and
14 reimbursement of related expenses for services rendered on behalf of the Committee during
15 PG&E's chapter 11 case. PwC submits this First Interim Application in accordance with
16 Bankruptcy Code sections 330 and 331, Rule 2016 of the Federal Rules of Bankruptcy Procedure
17 (the "Bankruptcy Rules"), the Office of the United States Trustee for the Northern District of
18 California Guidelines (the "UST Guidelines"), and the United States Bankruptcy Court Northern
19 District of California Guidelines for Compensation and Expense Reimbursement of Professionals
20 and Trustee ("Court Guidelines"). Through this First Interim Application, PwC seeks (i) interim
21 approval and allowance of \$1,799,533 in fees accrued and \$62,541 in expenses incurred for
22 services rendered by PwC on behalf of the Committee during the period April 11, 2001 through
23 and including July 31, 2001.

24
25 During the First Application Period, PwC professionals spent a total of 4,544.9 hours
26 rendering services to the Committee in connection with the PG&E's bankruptcy case at a blended
27 hourly rate of \$396. PwC also incurred \$62,541 in costs and expenses in connection with those
28 services, for which PwC is requesting reimbursement. Accordingly, PwC seeks allowance and
payment of a total of \$1,862,074 for services rendered and reimbursement of costs and expenses

1 incurred during the First Application Period. PwC has received payment of fees in the amount of
2 \$866,236 and expenses in the amount of \$24,030 on account of the Monthly Cover Sheet
3 Application for the period of April 11, 2001 through May 31, 2001. The services and costs for the
4 First Application Period are described below and are detailed in the exhibits filed concurrently
5 herewith. The amount of fees shown in this First Interim Application reflect the correction of an
6 error in billing for travel time in the second monthly cover sheet application, for the period June 1
7 to July 31, 2001, in the amount of \$9,418.

8 PwC has voluntarily reduced its expenses by \$7,801 during the First Application Period.
9

10 II.

11 SUMMARY OF DEVELOPMENTS IN THE CASE

12 On April 6, 2001 (the "Petition Date"), Pacific Gas and Electric Company (the "Debtors")
13 filed voluntary petitions for reorganization under Chapter 11 of title 11 of the United States
14 Bankruptcy Code ("Bankruptcy Code"). The Debtors continue to operate their business and
15 manage their properties as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the
16 Bankruptcy Code. A US Trustee has been appointed in the case.
17

18 On July 2, 2001 this Court entered an order (the "Retention Order") authorizing, *nunc pro*
19 *tunc*, employment of PwC as of April 11, 2001, as Accountants and Financial Advisors for the
20 Committee.
21

22 The Retention Order authorized the retention of PwC to render to the Committee the
23 following essential services, which include but are not limited to the following:

24 (a) Assistance to the Committee in the review of financial related disclosures required
25 by the Court, including the Schedules of Assets and Liabilities, the Statement of Financial Affairs
26 and Monthly Operating Reports;

27 (b) Assistance with a review of the Debtor's short-term cash management practices;
28

1 (c) Advice and guidance to the Committee with respect to utility accounting and electric
2 and gas utility operating elements, including elements of rate making, cost recovery and the
3 financial impact of regulatory decisions;

4 (d) Assistance and advice to the Committee with respect to the value of the Debtor's
5 operating assets and make recommendations regarding the highest and best use, operation, and
6 ultimate disposition of such assets;

7 (e) Assistance in the review of financial information distributed by the Debtor to
8 creditors and others, including, but not limited to, cash flow projections and budgets, cash receipts
9 and disbursement analysis, analysis of various asset and liability accounts, and analysis of proposed
10 transactions for which Court approval is sought;

11 (f) Attendance at meetings and assistance in discussions with the Debtor, regulators,
12 State agencies, mortgage holders and other secured lenders in this chapter 11 case, the U.S.
13 Trustee, other parties in interest and professionals hired by the same, as requested;

14 (g) Assistance in the review and/or preparation of information and analysis necessary
15 for the confirmation of a Plan of Reorganization in this chapter 11 case;

16 (h) Assistance to the Committee and its counsel in the preparation and evaluation of
17 potential litigation;

18 (i) Assistance in the discharge of the Committee's duties and functions in this case,
19 including, but not limited to, compilation of material required for court testimony; and

20 (j) Render such other general business consulting or such other assistance as the
21 Committee or its counsel may deem necessary that are not duplicative of services provided by other
22 professionals in this proceeding.

23 PwC incorporates by reference the overview of case activity presented in Section II of the
24 First Interim Application of Milbank Tweed Hadley & McCloy LLP for Allowance and Payment of
25
26
27
28

1 Compensation and Reimbursement of Expenses. The Debtor continues to operate its business, and
2 cash flow appears to be neutral pending regulatory decisions by the California Public Utilities
3 Commission. A plan has not been filed in the case, although negotiations for a plan have been
4 active.

6 III.

7 SUMMARY OF PRICEWATERHOUSECOOPERS LLP'S EXPERIENCE

8 PwC, the world's largest professional services organization, provides accounting, auditing,
9 tax, litigation, information technology, bankruptcy and business recovery consulting services to
10 clients through offices in over 150 countries worldwide.

11 PwC has extensive experience in financial reorganizations, bankruptcy and litigation
12 consulting services. Our professionals have provided services to a wide variety of industries, and
13 as a result, PwC has accumulated a wealth of knowledge concerning the intricacies in these
14 matters.

15
16 In bankruptcy restructurings, PwC has accumulated over a quarter of a century of
17 experience servicing Debtors, Creditors, and Trustees in bankruptcy matters
18 PwC has assisted numerous Debtor and Debtor-In-Possession entities involving, successful
19 development of reorganization plans, numerous valuation projects sales of assets in Chapter 11,
20 extensive tax consulting, and other services related to reorganization.

21 IV.

22 SUMMARY OF SERVICES RENDERED BY PWC

23
24 During the First Application Period, PwC represented and advised the Committee with
25 respect to a wide range of issues and challenges. Due to the comprehensive nature of the services
26 rendered by PwC during the First Application Period, no attempt is made herein to detail the
27 totality of such services. The full scope of the services rendered by PwC is set forth in detail in the
28 billing reports filed concurrently herewith under captioned entitled "PricewaterhouseCoopers

1 LLP's Time Records Exhibit for the Period April 11, 2001 to July 31, 2001" (the "Billing
2 Reports"). However, in order to assist the Court, the United States Trustee, PG&E and other
3 parties in interest in reviewing this First Interim Application, a brief summary of PwC's billing
4 procedures and the services rendered by PwC during the First Application Period with regard to
5 each activity code category, including certain undertakings within each category, is set forth below.

6 **A. Summary Of PwC's Billing Procedures.**
7

8 It is PwC's normal business practice to charge its clients in full for services rendered and all
9 actual and necessary out-of-pocket costs and expenses incurred by PwC in providing those
10 services.

11 In the ordinary course of its practice, PwC maintains records of time expended by
12 professionals in rendering services to its clients. Time records are made substantially
13 contemporaneously with the rendition of these professional services and are prepared by the
14 professionals who have rendered the services. In matters such as this, time records are kept in 6
15 minute (.1 hour) increments.
16

17 This case, which has been described as the third largest bankruptcy case filed in the United
18 States, has involved significant interaction with outside agencies, including the Federal Energy
19 Regulatory Commission, the California Public Utility Commission ("CPUC"), the California
20 Energy Commission, the Department of Water & Power ("DWR"), the State Legislature, the
21 Governors Office, as well as taxing authorities and other reporting agencies. The activity in this
22 case has been likened to a fast-track environment as the Debtor and Creditors have moved swiftly
23 to grapple with the issues of a regulated utility in bankruptcy, and parties have sought to develop a
24 consensual plan of reorganization structure. During the course of this case, we have observed
25 unprecedented action by all of the parties noted above to address the underpinnings of the energy
26 crisis in California. These have included proceedings by the legislature and the CPUC to address
27 hardship by the QF generators, proceedings by the Governor, Legislature and FERC on price caps
28 and refunds for energy, action by the Legislature and Energy Commission to support development

1 of power plants, proceedings with the CPUC over the the DWR power purchases, negotiations and
2 legislative proceedings involving bailout measures for utilities in California, issues involving the
3 State Treasurers office, DWR, CPUC and the Governor over bond financing for the DWR power
4 purchases, and interplay among the utilities in California, the CPUC and DWR concerning
5 allocation of the costs of power and bond financing as it may affect each utility. The issues at stake
6 have been monumental with PG&E's reported debt and claims exceeding \$13 Billion, the range of
7 revenue at stake for their retained generation assets varying from \$4 Billion to over \$9 Billion per
8 year, the proposed allocation of DWR power and bond finance costs varying from \$2.5 Billion to
9 over \$3.2 Billion per year, and QF pre-petition claims on executory contracts exceeding \$1 Billion.
10 During the pendency of this case, we have observed electricity prices vary from hundreds of dollars
11 per Megawatt to power prices in the \$20-30 range. We have seen natural gas prices vary by a factor
12 of 10x the historic price average. Reported purchases of power by the DWR have varied from over
13 \$100 million per day to a "modest" \$25 million per day during this period.

14
15 The Committee organization structure has been unique for this case, with greater time
16 involvement by Committee members than in most any other case. The personal commitment of
17 Committee members to actively participate on a continuous basis has matched the activity level in
18 the case with over 1700 filings listed in the Court docket through July 31, 2001. The Committee
19 has participated in an unprecedented number of meetings of the Committee, advisors and the
20 Debtor. The Committee, in order to address the monumental workload and myriad of tasks at hand,
21 has created three distinct subcommittees: Financial, Legislative and Regulatory, and has assembled
22 a working group of representatives to participate in plan negotiations with the Debtor. PwC has
23 assembled sub-teams of professionals to address the issues and work assignments set forth by the
24 Committee, subcommittees and working group.

25 In the course of PwC's representation of the Committee in this matter, it has been necessary
26 and requested that more than one or two professionals participate in meetings and conferences with
27 the Committee representatives or with the Debtor. This is not normally the case for PwC in such
28 matters and has been dictated by the size of the case, the complex nature of the matters being

1 discussed, the speed with which matters are being addressed in the case, and requirement to have
2 various specialty skills represented and participating in certain key discussions. In many cases,
3 these have been high level meetings or key discussions with the Debtor representatives who are not
4 able to make themselves available for repetitive follow-up discussions. In many cases, the
5 participation of multiple professionals by PwC has been dictated by the specific specializations and
6 backgrounds such as those of the following key professionals:

7
8 Michael Hamilton is the Firm's senior Utility Specialist in Accounting and Restructurings.
9 He has participated in each of the restructurings that have involved a utility for the Firm over the
10 past 25 years. He has unique knowledge of the regulatory and business environment facing utilities.
11 Mr. Hamilton has coordinated the Committee work on plan structuring, regulatory matters, cash
12 flow projections and legislative matters.

13 Thomas Lumsden is one of the Firm's senior bankruptcy specialists, with specialization in
14 utilities and the California Market, having participated in development of the infrastructure for the
15 electricity deregulation in the State, and has operated and bought and sold electrical generation
16 facilities. Mr. Lumsden coordinated the Committee work on executory contracts for QF's, the net
17 short grid modeling, the DWR power purchases and revenue requirements, and the retained
18 generation filings with the CPUC.

19 M. Freddie Reiss is a senior bankruptcy specialist with expertise in serving Committees and
20 dealing with intercreditor matters. He has coordinated the Firm's negotiations in the areas of
21 employee retention issues, employment of Debtor professionals, ordinary course motions,
22 committee governance and plan negotiations with the Debtor.

23
24 James Drzemiecki is a Director in the Firm's Utilities consulting practice with direct
25 experience in utilities operations, regulatory proceedings, valuations, and natural gas pipeline
26 operations. He has participated in the top-side valuations of business segments, DWR contract
27 review, net short grid modeling, retained generation analysis, and gas system issues.

28

1 Rocky Ho is a Director in Business Recovery Services who has been responsible for
2 coordinating staff assignments and projects for the PwC team, review of work product, and quality
3 control, and has specialized in review and coordination of all Committee response to Debtor
4 motions and filings.

5 Allison Young is a Manager in Business Recovery Services who has specialized in the
6 financial modeling, the statewide grid modeling, and the cash flow analysis, and the assessment of
7 Debtor projections.
8

9 Margery Neis is a Utilities specialist in Business Recovery Services who has coordinated
10 the review and monitoring of all matters with the CPUC, the DWR power purchases and contract
11 database and QF contracts.

12 **B. Summary Of Exhibits Regarding Services Rendered By PwC.**
13

14 PwC has attached the following exhibits as support to its Application:

15 1. Attached to the Declaration of Thomas E. Lumsden ("Lumsden Declaration") is
16 Exhibit 1 - A summary schedule showing the professionals who performed the services, the
17 number of hours spent, the respective professional's billing rate, and the total fees for such services;
18

19 2. Exhibit 2 - Summary of Fees by Project Category and itemized time records, in
20 chronological order, of each specific service for which an award of compensation is sought. The
21 itemized record includes: (1) the date each service was rendered, (2) the professional(s) who
22 performed the service, (3) a description of the services rendered, and (4) the time spent performing
23 the service in increments of tenths of an hour for the First Interim Application;

24 3. Exhibit 3 - Expense Summary and Expense Detail reports by individual and
25 itemized total expenses for which reimbursement is sought. All expenses for which
26 reimbursements are sought are disclosed in detail by individual. It should be noted that any airfare
27 charges were incurred as a result of travel in coach class. PwC has not requested reimbursement
28 for certain out-of-pocket expenses when it would not be possible to assemble the billing details for

1 reimbursement under the Guidelines. These unbilled out-of-pocket expenses typically include
2 telephone charges for calls placed in its offices, postage costs including Federal Express charges
3 and copying and facsimile charges incurred at the Applicant's offices in connection with these
4 cases. These unbilled out-of-pocket expenses are real costs that have been incurred by PwC and
5 have benefited the Estate; and

6 4. Exhibit 4 - Brief Biographical Notes of Senior Members of the Engagement Team.
7

8 **C. Narrative Summary Of Services Provided By PwC.**

9 PwC has submitted detailed listing of time incurred by professional by task for the monthly
10 Cover Sheet Applications to the Debtor, Committee, the United States Trustee and the Court for the
11 period covered by this First Interim Application. PwC has not made any changes to the number of
12 hours submitted on the monthly applications, but has reclassified the detailed time into categories
13 that more appropriately reflect the work performed. This reclassification is to adjust for new
14 categories of tasks that were not utilized in earlier periods, and to harmonize the categorization
15 among professionals.
16

17 **1. Asset Sales/Valuation Issues (Category 01).**

18 During the First Application Period, PwC professionals spent a total of 336.5 hours
19 rendering services in this category, for which PwC seeks compensation of \$136,999. A summary
20 of the PwC professionals who rendered services in this category and the corresponding amount of
21 fees requested is included in Exhibit "2." The Billing Record for this category, which sets forth a
22 detailed description of the services rendered are filed concurrently herewith.
23

24 Services rendered by PwC professionals in this category included:

25 a) PwC prepared top level valuations of the Debtor's assets and business segments to
26 ascertain solvency of Debtor and ability of the assets to provide asset value coverage in a plan of
27 reorganization.
28

1 b) PwC performed a joint review with Saybrook Capital of the Debtor's improved and
2 unimproved real asset base to determine values and potential sale or finance opportunities.

3
4 The purpose for the work performed was to enable the Committee to assess the solvency of
5 the Debtor, assess opportunities for sale or refinance of particular assets, and to assess the ability of
6 the Debtor's assets, at market value, to provide adequate coverage for existing debt through a plan
7 of reorganization. The valuation of the Debtors business segments involved analysis of each
8 component of the Debtors operations, adjusting for the different cost structure, resources, market
9 pricing and regulatory environment in California. This information has enabled the Committee to
10 commence negotiations with the Debtor on a consensual plan and to identify sources of cash for
11 plan payments to creditors. In the process of developing the comparable company data which is
12 referenced in valuations, PwC has also utilized the information to assess the viability of the Debtors
13 financial projections for plan purposes.

14 **2. Bankruptcy Reporting (Category 02).**

15 During the First Application Period, PwC professionals spent a total of 285.6 hours
16 rendering services in this category, for which PwC seeks compensation of \$94,817. A summary of
17 the PwC professionals who rendered services in this category and the corresponding amount of fees
18 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
19 detailed description of the services rendered is filed concurrently herewith.

20
21 Services rendered by PwC professionals in this category included:

22 a) PwC reviewed and summarized the Debtor's Statement of Financial Affairs and
23 Schedule of Assets and Liabilities and other Operating Reports submitted to the United States
24 Trustee.

25
26 b) PwC reviewed and analyzed various motions and pleadings of the case, and provided
27 comment to the committee on the financial impact of these items.

28 c) PwC participated in the Section 341 meeting.

1 The effort involved in review of the Debtors Schedules of Assets and Liabilities and the
2 Statement of Financial Affairs was extensive due to the extremely large volume of data involved.
3 These documents comprised 30,000 pages of data and required extensive review and compilation to
4 evaluate the data. This information, which primarily summarized the real assets and creditor claims
5 of PG&E, has been utilized in several aspects of our work including the valuation of real assets and
6 in assessment of solvency and claim categorization. PwC has initiated preliminary steps to
7 reconcile the claim information provided in the Schedules with reported data for key categories of
8 claimants. There have been innumerable motions filed in the case by the Debtor and other parties
9 which required review and assessment by PwC to assist counsel to the Committee in determining
10 the necessary response. In many cases, the time associated with those motions has been posted to a
11 distinct task code, but in other more generic cases, the time has been posted to the Bankruptcy
12 Reporting task.

13 **3. Cash Flow Analysis (Category 03).**

14
15 During the First Application Period, PwC professionals spent a total of 119.4 hours
16 rendering services in this category, for which PwC seeks compensation of \$41,878. A summary of
17 the PwC professionals who rendered services in this category and the corresponding amount of fees
18 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
19 detailed description of the services rendered, is filed concurrently herewith.

20 Services rendered by PwC professionals in this category included:

21
22 a) PwC analyzed the Debtors' cash flow forecasts to develop an understanding of the
23 Debtors liquidity position and its ability generate positive cash flows in future periods.

24
25 b) PwC conducted interviews with members of management and their advisors to
26 understand the structure and underlying assumptions of financial projections. Specific analyses
27 focused on revenue, balance sheet, cash flow projections, working capital needs, capital
28

1 expenditure plans, and EBITDA margins. This analysis is necessary in to assess long-term
2 viability and potential recovery to the unsecured creditors.

3
4 The process was critical to understanding the financial projections, both cash based and
5 operating, to evaluate the solvency of the debtor, to assess the Committee position with respect to
6 motions related to ordinary course expenditures, capital expenditures, payments to DWR, payments
7 to ISO, and the relationship and sensitivity of the cash flows to changes in natural gas fuel prices.

8 4. Claims Analysis (Category 04).

9
10 During the First Application Period, PwC professionals spent a total of 51.7 hours rendering
11 services in this category, for which PwC seeks compensation of \$21,133. A summary of the PwC
12 professionals who rendered services in this category and the corresponding amount of fees
13 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
14 detailed description of the services rendered is filed concurrently herewith.

15 Services rendered by PwC professionals in this category included:

16
17 a) PwC coordinated with the Debtor to summarize and reconcile those claims filed against
18 the company to validate the value of potential allowed claims that the Estate is responsible for.

19
20 b) PwC reviewed various franchise agreements to determine potential claims of cities and
21 counties, and to assist the Committee in determining whether to support or reject Debtor's
22 proposed settlement agreements.

23 This work product has involved review of the extensive record of claims filed by the Debtor
24 totaling in excess of \$13 Billion of liabilities; reconciling these amounts reported in the schedules
25 to those presented in the public reports, and to information supplied by institutional creditors; and
26 evaluating those claims which are subject to estimation or adjustment through the ISO or PX, and
27 those subject to CPUC review. Work in this area has resulted in validation on behalf of the
28 Committee of a large segment of the claims in this case, evaluation of key claims including those
for QF's, cities, counties and other claimants where settlements have been proposed or discussed.

1 **5. Coordinating with Debtor (Category 05).**

2 During the First Application Period, PwC professionals spent a total of 117.7 hours
3 rendering services in this category, for which PwC seeks compensation of \$58,522. A summary of
4 the PwC professionals who rendered services in this category and the corresponding amount of fees
5 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
6 detailed description of the services rendered is filed concurrently herewith.
7

8 Services rendered by PwC professionals in this category included:

9 a) PwC spent notable time coordinating meetings or the exchange of information with the
10 debtor or its advisors. The time spent preparing for and participating in these meetings is recorded
11 in this task category.
12

13 This effort has resulted in a coordinated and smooth flow of information from the Debtor to
14 the Committee and has enabled the Committee to respond to requests of the Debtor and the Court
15 on a timely basis. PwC has also shared much of its analysis of various aspects of the Debtors
16 operations, including load and resource assessments, regulatory issues, and DWR contract and
17 revenue requirement estimations. This collaborative effort has enhanced the efficiency of exchange
18 of information and advanced activities in the progress of the case.
19

20 **6. CPUC Review (Category 06).**

21 During the First Application period, PwC professionals spent a total of 250.6 hours
22 rendering services in this category, for which PwC seeks compensation of \$104,638. A summary
23 of the PwC professionals who rendered services in this category and the corresponding amount of
24 fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
25 detailed description of the services rendered is filed concurrently herewith.
26
27
28

1 Services rendered by PwC professionals in this category included:

2 a) PwC reviewed and monitored CPUC proceedings to determine the potential financial
3 impact the proceedings could have on the Debtor.

4
5 b) PwC reviewed the Debtor's, SCE's, SDG&E's, DWR's and TURN's CPUC filings to
6 determine the potential financial impact on the Debtor's estate.

7
8 c) PwC analyzed the merits and rationale of each California utilities' URG filing. This
9 analysis was used to create a 4th or projected revenue requirement for the Debtor.

10 The work in this area is critical to the determination of future cash flow and funding of the
11 Debtor to complete a plan of reorganization. As an integrated utility, the Debtor is regulated by the
12 CPUC for all aspects of its owned generation (nuclear and hydro assets), intra-state gas
13 transmission and storage facilities, gas and electric procurement, and distribution of electricity and
14 gas to its wholesale and retail customers through its network of pipes and wires throughout
15 Northern California. The revenues associated with these aspects of its business are determined and
16 set by the CPUC in regulatory hearings. It has been critical to the Committee to understand the
17 position of PG&E and related utilities before the CPUC in assessing the possible outcomes for
18 development of a plan of reorganization. PG&E has been actively engaged with the CPUC during
19 this period with the setting of the revenue requirements for its nuclear and hydro generation assets
20 and with the revenue requirement for the DWR power purchases and bond financing. PwC has
21 monitored these developments and modeled the range of outcomes for the Committee.

22 **7. DWR Contracts Analysis (Category 07).**

23
24 During the First Application Period, PwC professionals spent a total of 237.2 hours
25 rendering services in this category, for which PwC seeks compensation of \$88,674. A summary of
26 the PwC professionals who rendered services in this category and the corresponding amount of fees
27 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
28 detailed description of the services rendered is filed concurrently herewith.

1 Services rendered by PwC professionals in this category included:

2 a) PwC analyzed and summarized the terms of the DWR power purchase contracts.

3
4 b) PwC calculated the amount of future payments that will be required to be remitted to the
5 DWR by the Debtor to pay for its long-term contracts and debt service requirements.

6
7 Approximately 40% of the electricity that PG&E supplies to its customers has been
8 provided by the DWR through spot and contract purchases under the program initiated by ABx1.
9 This program by DWR has provided the power to meet the net short load component of each utility
10 in California since February 2001. PwC has monitored the power purchases supplied by DWR to
11 PG&E, estimated the costs of that power, as well as future costs associated with contractual
12 commitments and spot purchases to meet PG&E's net short position, and developed estimates of
13 those future costs. These future power costs have been integrated with the DWR proposed bond
14 finance program to estimate the cash flow impact to PG&E. This information has been compared
15 with financial data supplied by consultants to the DWR and has also been shared with PG&E to
16 assist in efforts to influence the structure of the allocation of those costs among the utilities in
17 California. The impact of the cost of DWR power and finance charges is substantial, amounting to
18 proposed amounts of \$2.5 billion to over \$3 billion per year. PwC obtained copies of each of the
19 more than 45 contracts that have been completed by the DWR and developed a database model of
20 those contracts to enable the Committee and PG&E to estimate the volume and cost of that power
21 and its potential allocation to PG&E. We have shared the results of our database with PG&E and
22 cooperated with the Debtor in its developing strategies to rationally allocate these costs before the
23 CPUC.

24 **8. Employee Issues/Benefit/Retention (Category 08).**

25 During the First Application Period, PwC professionals spent a total of 13.7 hours rendering
26 services in this category, for which PwC seeks compensation of \$6,073. A summary of the PwC
27 professionals who rendered services in this category and the corresponding amount of fees
28

1 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
2 detailed description of the services rendered is filed concurrently herewith.

3 Services rendered by PwC professionals in this category included:
4

5 a) PwC reviewed and analyzed the proposed bonus retention plan of the Debtor.

6 b) PwC summarized the retention plan and prepared a recommended course of action for
7 the Committee to take on the Debtor's motion for approval of its bonus retention plan.
8

9 c) PwC professionals attended court hearings to monitor the Debtor's motion for a
10 management retention plan.

11 As with many large bankruptcy filings, the issue of impact on management and key
12 employees was a critical concern for the Committee. Working with the Debtor, PwC reviewed the
13 framework for a retention plan and developed incentives to retain and empower key employees to
14 achieve a plan of reorganization as quickly as possible. PwC reviewed the compensation and
15 incentive structure of existing and proposed employee benefit plans as part of this analysis and
16 support for the Committee.
17

18 **9. Executory Contracts Analysis (Category 09).**

19 During the First Application Period, PwC professionals spent a total of 426.4 hours
20 rendering services in this category, for which PwC seeks compensation of \$180,244. A summary
21 of the PwC professionals who rendered services in this category and the corresponding amount of
22 fees requested is included in Exhibit "2." The Billing Report for this category, which set forth a
23 detailed description of the services rendered are filed concurrently herewith.
24

25 Services rendered by PwC in this category included:

26 a) PwC performed in-depth financial analysis of various issues related to proceedings
27 brought by numerous Qualified Facility ("QF") creditors to compel PG&E to assume or reject the
28 power purchase agreements between PG&E and the QFs.

1 b) PwC analyzed QF hardship claims, and presented its findings on the matter to the court.

2 c) PwC analyzed various QF settlement scenarios to determine the impact on the Debtor's
3 projected cash position and cash flows.
4

5 This work involved review of QF contracts, pricing forecasts, production volumes,
6 comparison to historic levels, assessment of the potential for return to full production, evaluation of
7 the alternative cost of replacement power, assessment of financial hardship and impairments to
8 achieving full production by several QF's, and negotiations with the Debtor on structures for
9 assumption and modification of these executory contracts. The more than 300 QF generators
10 supply approximately 1/3 of the power PG&E delivers to its customers, and pre-petition claims
11 approximated \$1 Billion. PwC's work in this area was instrumental to the Court and QF's in
12 developing a payment program for QF's facing financial hardship, and in negotiating modifications
13 to the contracts which reduced the price risk to PG&E and retained the benefit of these QF
14 contracts for PG&E's customers.

15 **10. Extranet Web Site Development and Maintenance (Category 10).**
16

17 During the First Application Period, PwC professionals spent a total of 222.0 hours
18 rendering services in this category, for which PwC seeks compensation of \$64,278. A summary of
19 the PwC professionals who rendered services in this category and the corresponding amount of fees
20 requested is included in Exhibit "2." The Billing Report for this category, which set forth a
21 detailed description of the services rendered are filed concurrently herewith.

22 Services rendered by PwC in this category included:
23

24 a) PwC built and maintained an Extranet site for use by the Committee to allow for the
25 easier transfer of information related to the case. The web-site includes postings of relevant
26 documents, including counsel and financial advisor prepared documents, calendar of major case
27 events, a contact database, glossary of key industry terms, and links to relevant external websites.
28

1 This effort has provided a Committee with an efficient central repository of financial and
2 legal data, links to key internet sites, and a central communication channel for Committee
3 activities.

4 **11. Fee Application (Category 11).**

5
6 During the First Application Period, PwC professionals spent a total of 269.9 hours
7 rendering services in this category, for which PwC seeks compensation of \$63,849. A summary of
8 the PwC professionals who rendered services in this category and the corresponding amount of fees
9 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
10 detailed description of the services rendered are filed concurrently herewith.

11 Services rendered by PwC professionals in this category included:

12
13 a) Modification of database tools to adapt to the time and expense reporting requirements
14 for this case. This tool now integrates all professional time and expense reporting for this case for
15 continuous reporting.

16
17 b) Time spent preparing PwC's Cover Sheet Application for Allowance and Payment of
18 Interim Compensation and Reimbursement of Expenses in accordance with the requirements
19 established by the United States Bankruptcy Code, the Court and the U.S. Trustee. Time expended
20 preparing this First Interim Application will be reported in the next interim fee statement.

21 **12. FERC (Category 12).**

22
23 During the First Application Period, PwC professionals spent a total of 46.3 hours rendering
24 services in this category, for which PwC seeks compensation of \$18,725. A summary of the PwC
25 professionals who rendered services in this category and the corresponding amount of fees
26 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
27 detailed description of the services rendered is filed concurrently herewith.
28

1 Services rendered by PwC professionals in this category included:

2 a) PwC monitored FERC proceedings to determine the potential financial impact of
3 regulatory proceedings on the Debtor's Estate, including possible changes in rates and generator
4 refunds.

5
6 b) PwC reported findings and analysis on FERC proceedings to the Committee.

7 This analysis and monitoring, in concert with regulatory counsel for the Committee, has
8 been critical to assessment of potential refunds on claims which may be awarded to PG&E,
9 potentially reducing the pre-petition obligations, monitoring the developments of transmission
10 structures directed by FERC that may impact the value of PG&E's transmission system, and
11 monitoring the proceedings with respect to natural gas transmission which may result in refunds or
12 stabilization of the market in California. We have also advised the Committee with respect to the
13 impact of FERC market price caps and the impact of the retroactive application of those caps to the
14 PX, ISO and DWR purchases as they may affect the Debtor.

15
16 **13. Financial Grid Load Modeling (Category 13).**

17 During the First Application Period, PwC professionals spent a total of 622.8 hours
18 rendering services in this category, for which PwC seeks compensation of \$210,493. A summary
19 of the PwC professionals who rendered services in this category and the corresponding amount of
20 fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
21 detailed description of the services rendered is filed concurrently herewith.

22
23 Services rendered by PwC professionals in this category included:

24 a) PwC developed a model to simulate the load grid balance of electrical power across the
25 state to assess the feasibility of a state-wide restructuring plan, including the anticipated financing
26 needs of the State, anticipated net short requirements, and projected future prices of gas and
27 electricity for PG&E and for other utilities served by DWR.
28

1 b) PwC then analyzed the allocation of DWR costs across the state to determine the
2 financial impact on the Debtor and implications to the Debtor's ability to create a plan of
3 reorganization.

4
5 Since January 2001, the power procurement for the State of California has been performed
6 by DWR on a combined basis to meet the collective requirements of all three utilities in the State.
7 Because of the language of ABx1, it has been necessary to analyze the overall net short position
8 within the State to evaluate the potential net cost to the Debtor. The data collection and modeling
9 efforts in this area have benefited many other segments of our analysis, including the QF contract
10 assessment, DWR contracts, DWR spot purchases, load forecasting, retained generation revenue
11 proceedings, DWR cost allocations, natural gas price forecasts, capital expenditure for load growth
12 and relief of transmission constraints, and volatility of PG&E's future cash flows to interruptions in
13 any segment of the supply chain. This work has served as the backbone for the financial modeling
14 of the Debtors operations and cash flows in the financial statement modeling to assess various plan
15 alternatives. The outcome of our grid load modeling have been shared with the Debtor and
16 compared with the forecasts of the Debtor and DWR for their own segments of the system.

17 **14. Financial Statement Modeling (Category 14).**

18
19 During the First Application Period, PwC professionals spent a total of 207.1 hours
20 rendering services in this category, for which PwC seeks compensation of \$74,530. A summary of
21 the PwC professionals who rendered services in this category and the corresponding amount of fees
22 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
23 detailed description of the services rendered is filed concurrently herewith.

24 Services rendered by PwC professionals listed in this category included:

25 a) PwC created various financial models to project the operating results of the Debtor both
26 in and out of bankruptcy. Models were created that analyzed the company's performance both on a
27 cash-flow basis and an accrual basis.
28

1 b) PwC created an in-depth model that mimics the Debtor's preliminary plan of
2 reorganization and allows for the running of scenario analysis to test the financial impact of various
3 changes in the Debtor's operating assumptions.

4 This financial modeling effort has enabled the Committee to assess the feasibility of various
5 plan alternatives and the ability of the Debtor to generate cash flows to enable repayment of pre-
6 petition claims. This model has also been utilized as an integral tool in our top-level valuation
7 efforts to assess value of various segments of the Debtors business and operations.
8

9 **15. Financial Statements (Category 15).**

10 During the First Application Period, PwC professionals spent a total of 89.7 hours rendering
11 services in this category, for which PwC seeks compensation of \$33,636. A summary of the PwC
12 professionals who rendered services in this category and the corresponding amount of fees
13 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
14 detailed description of the services rendered is filed concurrently herewith.
15

16 Services rendered by PwC professionals in this category included:

17 a) PwC reviewed the Debtor's historical financial statements, including SEC and FERC
18 filings.
19

20 b) PwC used its research of the Debtor's historical performance in performing various
21 financial analyses on the Debtor's financial condition and ability to reorganize.
22

23 As a regulated utility, the Debtor's financial statement filings include submissions to the
24 SEC, FERC, and the CPUC that outline the accounting for GAAP (generally accepted accounting
25 principals) presentation and regulatory accounting purposes. These financial statements present
26 voluminous balancing accounts to address the normal cost recovery elements of a regulated utility
27 as well as special accounts set up for consumer programs and for the electric industry restructuring
28 that was mandated under AB 1890 in 1996. PwC reviewed all such filings and additional materials
from the Debtor to reconcile for the Committee the various components of regulatory balancing

1 accounts and the potential impact on cash flows, cost recovery and the interaction among these
2 accounts, regulatory decisions and various plans of reorganization.

3 **16. General Committee Matters (Category 16).**
4

5 During the First Application Period, PwC professionals spent a total of 469.6 hours
6 rendering services in this category, for which PwC seeks compensation of \$244,078. A summary
7 of the PwC professionals who rendered services in this category and the corresponding amount of
8 fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
9 detailed description of the services rendered is filed concurrently herewith.

10 Services rendered by PwC professionals listed in this category included:
11

12 a) PwC prepared for and attended numerous meetings and conference calls including the
13 full Committee on various issues, including general case administration, financial issues, regulatory
14 issues, litigation issues and Plan issues.

15 b) PwC personnel prepared for and participated in various formal and informal conference
16 calls between Committee members, Committee working group members, Committee advisors and
17 PG&E regarding the financial impact of various motions brought by PG&E and other issues
18 surrounding the Debtor's estate.

19 c) PwC prepared numerous presentations for distribution to the Committee regarding a the
20 financial impact of various matters affecting the Debtor's Estate.
21

22 As has been mentioned earlier, the Committee has participated in a significant number of
23 meetings and conferences to address the volume of issues facing the Debtor and to accelerate the
24 process of reorganization of this Debtor. PwC has structured its team into subgroups with partners
25 and staff splitting responsibility for various areas. This category captures the time spent associated
26 with the myriad of meetings and conferences that PwC has participated in which do not address any
27 one particular task code topic. PwC has attempted to minimize the participation of more than one
28 or two professionals in these meetings and conferences, but in many cases, the variety and

1 complexity of the issues addressed, the speed with which activities in the case have progressed, and
2 the particular specialties of the PwC professionals involved have dictated the need to have more
3 than one or two professionals in attendance.

4 **17. Legislative Review (Category 17).**

5
6 During the First Application Period, PwC professionals spent a total of 99.5 hours rendering
7 services in this category, for which PwC seeks compensation of \$41,177. A summary of the PwC
8 professionals who rendered services in this category and the corresponding amount of fees
9 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
10 detailed description of the services rendered is filed concurrently herewith.

11 Services rendered by PwC professionals listed in this category included:

12
13 a) PwC performed a general review and analysis of financial implications of potential and
14 passed legislation affecting the Debtor's estate.

15 This utility bankruptcy has involved not just the interplay of the Debtor, creditors and
16 regulators, but has also drawn in the legislative element as the governor and state legislators seek a
17 resolution to the crisis that affected the energy supply in California. PwC has monitored, in concert
18 with Saybrook Capital representatives, the various alternatives being presented by the governor and
19 legislators to assess if these may serve as a proxy for a plan of reorganization for PG&E, and to
20 determine if any of these proposals would have detrimental impact to the Debtor. PwC has
21 participated in discussions with the Debtor and legislators to present the Committee's position and
22 to provide expert advice on legislation that may benefit the plan process.

23
24 **18. Other (Category 18).**

25 During the First Application Period, PwC professionals spent a total of 51.0 hours rendering
26 services in this category, for which PwC seeks compensation of \$16,683. A summary of the PwC
27 professionals who rendered services in this category and the corresponding amount of fees
28

1 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
2 detailed description of the services rendered is filed concurrently herewith.

3 Services rendered by PwC professionals listed in this category included:
4

5 a) PwC performed other tasks inherent in the administration of the case. These tasks did
6 not consume sufficient time to warrant separate task classification. Other tasks include internal
7 PwC status meetings, ratepayer committee motion, project staffing, organizing document database,
8 and other tasks inherent in case administration.

9
10 **19. Plan of Reorganization/Negotiations (Category 19).**

11 During the First Application Period, PwC professionals spent a total of 190.4 hours
12 rendering services in this category, for which PwC seeks compensation of \$103,374. A summary
13 of the PwC professionals who rendered services in this category and the corresponding amount of
14 fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
15 detailed description of the services rendered is filed concurrently herewith.

16 Services rendered by PwC professionals listed in this category included:
17

18 a) PwC assisted the Committee in the development of structure for a plan of reorganization.

19 b) PwC assisted the Committee in negotiations with the Debtor surrounding its proposed
20 plan of reorganization.

21
22 c) PwC personnel prepared for and participated in numerous meetings with Committee
23 members, Committee Advisors, the Debtor, and the Debtor's advisors to obtain background
24 information and support of the Debtor's proposed plan of reorganization.

25 Despite the size and scale of this bankruptcy proceeding, the Committee and Debtor have
26 adopted a schedule to develop a range of plan alternatives and quickly move to implement the
27 optimal plan of reorganization for stakeholders. This has involved fast-track efforts that have
28 incorporated all elements of the work that PwC has performed on behalf of the Committee,

1 enabling a continuous engagement and review of underlying detail of all plan alternatives. This
2 effort has involved numerous senior resources of the PwC team in review and negotiation of plan
3 components. These efforts have been continuous since June 2001 and have involved a collaborative
4 sharing of confidential information and strategies.

5
6 **20. Professional Compensation Matters (Category 20).**

7 During the First Application Period, PwC professionals spent a total of 125.4 hours
8 rendering services in this category, for which PwC seeks compensation of \$55,587. A summary of
9 the PwC professionals who rendered services in this category and the corresponding amount of fees
10 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
11 detailed description of the services rendered is filed concurrently herewith.

12 Services rendered by PwC professionals listed in this category included:

13
14 a) PwC completed tasks inherent to the employment of PwC by the Committee, including
15 drafting and filing PwC's employment application and responding to issues on retention.

16 b) PwC performed a conflict check through the firm's internal database to ascertain
17 relationships the firm had with interested parties in the Debtor's bankruptcy case.

18
19 c) PwC monitored compliance with the ethical wall and confidentiality agreements in
20 place, and added additional security features to insure compliance.

21 PwC was required to screen a significant number of interested party names through our internal
22 database and assess the nature of the relationship for disclosure to the Court. The Firm also
23 screened the investments of professionals in the Firm to ensure compliance with Court
24 requirements.

25
26 **21. Subcommittee Matters (Category 21).**

27 During the First Application Period, PwC professionals spent a total of 180.4 hours
28 rendering services in this category, for which PwC seeks compensation of \$87,835. A summary of

1 the PwC professionals who rendered services in this category and the corresponding amount of fees
2 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
3 detailed description of the services rendered is filed concurrently herewith.

4 Services rendered by PwC professionals listed in this category included:

5
6 a) PwC prepared for and participated in numerous meetings and teleconferences with the
7 Committee's Financial, Regulatory/Legislative, and Litigation subcommittees.

8
9 PwC has served as an active coordinator of the Financial and Regulatory committees with
10 Saybrook and Milbank. This distribution of work among the Committee members has enabled
11 coordinated direction and accelerated completion of many of the tasks outlined above.

12 **22. Travel Time (Category 22).**

13
14 During the First Application Period, PwC professionals spent a total of 132.0 hours
15 rendering services in this category, for which PwC seeks compensation of \$52,315. A summary of
16 the PwC professionals who rendered services in this category and the corresponding amount of fees
17 requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
18 detailed description of the services rendered is filed concurrently herewith.

19 Services rendered by PwC professionals listed in this category included:

20
21 a) This category includes the time required for PwC professionals based outside of San
22 Francisco to travel to the city to assist in the case. PwC has brought staff with significant Utility
23 industry knowledge and exposure from New York City, Chicago and Washington DC to assist with
24 the case. When possible, email, teleconferences, and mail were used to minimize the travel related
25 time and expense.

26 PwC's policy is to bill clients for the time associated with travel at full rates, where it is not
27 possible to perform other client work. This is primarily associated with travel during the regular
28 working day, and includes travel to airports via taxi, time spent at airports and on the flight itself.

1 PwC has voluntarily reduced the hours charged in this category for staff traveling to work on this
2 case by an amount in excess of 60 hours and fees in excess of \$21,000.

3
4 **V.**

5 **SUMMARY OF ACTUAL AND NECESSARY EXPENSES INCURRED BY PWC**

6 PwC maintains records of all actual and necessary out-of-pocket expenses incurred and
7 typically charged in connection with rendering professional services to its clients in the ordinary
8 course of its business practice. As is typical of PwC's practice when representing creditor
9 committees, PwC has reduced to cost or not charged certain of these out-of-pocket expenses to the
10 estate in accordance with the UST Guidelines and the Court Guidelines and to ensure the
11 reasonableness of PwC's fee and expense request. Specifically, PwC has voluntarily reduced its
12 expenses by a total of \$7,801, representing a reduction of approximately 11%. A brief explanation
13 of certain costs incurred and charged to the estate is set forth below:

14 (a) PwC does not charge its clients for photocopying done in-house; copying done by third-
15 party services is charged at cost;

16
17 (b) PwC charges its clients for document retrieval services, computer research and other
18 specialized searches and services, such as messengers and library retrievals, at cost;

19 (c) PwC charges its clients for mileage (\$0.345 per mile, if sought) and parking costs
20 incurred by its professionals in connection with services rendered, at cost;

21
22 (d) PwC charges its clients for transportation and travel-related costs including out-of-town
23 meals, excluding lunches, incurred by its professionals when working on specific client matters, at
24 cost; and

25 (e) PwC normally charges its clients for the cost of overtime and weekend meals when
26 pressing client matters require the professional to work during the meal; however, in accordance
27 with the UST Guidelines and the Court Guidelines, no such charges are included in this First
28 Interim Application.

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VI.

COMPENSATION REQUESTED AND RELEVANT LEGAL STANDARD

To grant a request for compensation pursuant to Bankruptcy Code section 330, the Court must find that such request is reasonable. The reasonableness of a compensation request is determined by the “lodestar” method. See In re Yermakov, 718 F.2d 1465, 1471 (9th Cir. 1983). Under the lodestar approach, “reasonable” compensation is calculated by multiplying the number of hours reasonably expended by the hourly rate of the professional. In re Rheuban, 121 B.R. 368, 383 (Bankr. C.D. Cal. 1990). There is a strong presumption that the lodestar product is reasonable under Bankruptcy Code section 330. See In re Drexel Burnham Lambert Group, Inc., 133 B.R. 13, 22 (Bankr. S.D.N.Y. 1991).

The reasonableness of a professional’s hourly rate is based on the cost for comparable services charged in the area, in non-bankruptcy matters. See In re Yermakov, 718 F.2d at 1471. The reasonableness of the hours expended on a task is based on whether the services provided were actual and necessary. See In re Nucorp Energy, Inc., 764 F.2d 655, 658 (9th Cir. 1985).

PwC’s fees are reasonable given the size and complexity of the bankruptcy case and are commensurate with the fees that PwC has been awarded in comparable chapter 11 cases and that accountants and financial advisors of comparable experience and expertise charge on a regular basis to represent creditor committees in comparable chapter 11 cases. Accordingly, utilizing the lodestar method, PwC’s fee and expense request is reasonable and should be allowed and paid pursuant to Bankruptcy Code section 330. See Drexel, 133 B.R. at 22.

VII.

CONCLUSION

For the reasons set forth above and pursuant to Bankruptcy Code sections 330 and 331, Bankruptcy Rule 2016, the Court Guidelines, the UST Guidelines and the standards adopted by courts in awarding accountants’ and financial advisors’ fees and costs, PwC submits that the fees for services rendered and costs and expenses incurred on behalf of the Committee during the First

1 Application Period in the total amount of \$1,862,074 are reasonable and should be allowed on an
2 interim basis and paid in full.

3 No agreement or understanding of any kind or nature exists between PwC and any other
4 person or entity for the sharing, division, or payment of any portion of the compensation awarded
5 to PwC for services rendered or expenses incurred in connection with PwC's representation of the
6 Committee in the bankruptcy case, except as among the partners and employees of PwC.

7
8 **WHEREFORE** PwC respectfully requests that this Court enter an order:

- 9
- 10 1. Approving this First Interim Application in its entirety;
 - 11 2. Approving an interim award of compensation in the amount of \$1,799,533 for professional
12 services rendered and reimbursement of costs and expenses incurred in the amount of \$62,541,
13 for a total amount of \$1,862,074.
 - 14 3. Authorizing and directing PG&E to immediately pay to PwC the allowed amounts, less any
15 such amounts already paid pursuant to the Order Establishing Interim Fee Application and
16 Expense Reimbursement Procedure; and
 - 17 4. Granting such other and further relief as the Court deems just and proper.
- 18

19
20 DATED: September 14, 2001

Respectfully submitted.

21
22 PRICEWATERHOUSECOOPERS LLP

23
24 By: 

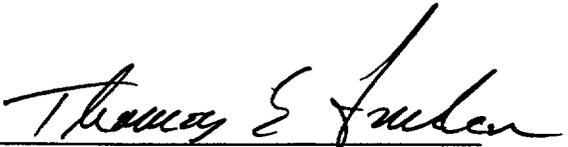
25 Thomas E. Lumsden

26
27 Accountants and Financial Advisors to Official Committee of
28 Unsecured Creditors

1 **CERTIFICATION**

2 I, Thomas E. Lumsden, am the professional designated by PwC to ensure
3 compliance with the United States Bankruptcy Court Northern District of California Guidelines for
4 Compensation and Expense Reimbursement of Professionals and Trustee ("Court Guidelines"). I
5 certify that (a) I have read the First Interim Application; (b) to the best of my knowledge,
6 information and belief, formed after reasonable inquiry, the compensation and expense
7 reimbursement sought is in conformity with the Court Guidelines, except as specifically noted in
8 the Application; and (c) the compensation and expense reimbursement requested are billed at rates,
9 in accordance with practices, no less favorable than those customarily employed by PwC and
10 generally accepted by PwC's clients.

11
12 DATED: 9-14-01


13 Thomas E. Lumsden

- 1 4. Pursuant to the First Interim Application, PwC seeks allowance of compensation covering
2 4,544.9 hours of professional time devoted to advising the Committee in PG&E's bankruptcy
3 case, resulting in the accumulation of \$1,799,533 in fees for professional services rendered and
4 \$62,541 for expenses incurred, for a total amount of \$1,862,074.
- 5
6 5. It is PwC's normal business practice to charge its clients in full for services rendered and for all
7 actual and necessary costs and expenses incurred in connection with such services. In
8 compliance with the Court Guidelines and UST Guidelines, however, PwC has voluntarily
9 reduced its expenses incurred during the First Interim Application Period by \$7,801,
10 representing a reduction of approximately 11%. PwC has also voluntarily reduced the amount
11 of time charged for travel time of our staff to the client work location by in excess of 60 hours
12 and \$21,000.
- 13 6. PwC received no pre-petition retainer in connection with this bankruptcy case.
- 14
15 7. PwC has submitted monthly fee notices in accordance with the interim fee procedures that were
16 established by the Court. PwC has received a payment totaling \$890,266 in connection with
17 the Monthly Cover Sheet Application filed June 30, 2001 covering the period April 11, 2001 to
18 May 31, 2001, comprised of \$866,236 in fees and \$24,030 in expenses.
- 19 8. No agreement or understanding of any kind or nature exists between PwC and any other person
20 or entity for the sharing, division, or payment of any portion of the compensation awarded to
21 PwC for services rendered or expenses incurred in connection with PwC's representation of the
22 Committee in this chapter 11 proceeding, except as among the partners and employees of PwC.
- 23
24 9. I am one of the designated professionals responsible for overseeing the billing in this matter
25 and for assuring compliance with the Guidelines of the Office of the United States Trustee for
26 the Northern District of California relating to billing (the "Guidelines"). Based upon my
27 review of the First Interim Application submitted by PwC for the First Application Period, I
28

1 believe that the First Interim Application complies with the Court Guidelines and the UST
2 Guidelines.

3
4 10. Attached hereto as Exhibit "1" is a summary of the total hours expended and fees incurred by
5 each PwC professional, as well as a categorized summary of expenses incurred, during the First
6 Application Period.

7 11. Attached hereto as Exhibit "2" is a summary of each category of services, setting forth the
8 name of each professional who expended time in that category and the total hours and amount
9 billed by each professional in that category during the First Application Period.

10 12. Attached hereto as Exhibit "3" is a chart showing billing rates for each PwC professional in
11 effect during the First Application Period.

12 13. Attached hereto as Exhibit "4" are brief biographies of senior members of the engagement team

13 14. Attached hereto as Exhibit "5", a true and complete copy of correspondence from Thomas E.
14 Lumsden to Clara Yang Strand and Kenneth E. Smith, the Committee's Co-Chairs, dated
15 September 14, 2001.
16
17

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

20 Executed this 14th day of September, 2001 at San Francisco, California.

21
22 
23 Thomas E. Lumsden

FILED

SFP 17 2001

PROOF OF SERVICE

UNITED STATES BANKRUPTCY COURT
SAN FRANCISCO, CA

STATE OF CALIFORNIA, COUNTY OF SAN FRANCISCO

I am employed in the County of San Francisco, State of California. I am over the age of 18 and not a party to the within action; my business address is 199 Fremont Street, 8th Floor, San Francisco, California.

On September 17, 2001, I served on the parties listed on the attached Service List, the foregoing document(s) without exhibits described as:

FIRST INTERIM APPLICATION OF PRICEWATERHOUSECOOPERS LLP FOR ALLOWANCE AND PAYMENT OF COMPENSATION AND REIMBURSEMENT OF EXPENSES (APRIL 11, 2001 THROUGH JULY 31, 2001); DECLARATION OF THOMAS E. LUMSDEN IN SUPPORT THEREOF

X by placing the original X a true copy thereof enclosed in sealed envelopes addressed as stated on the attached service list:

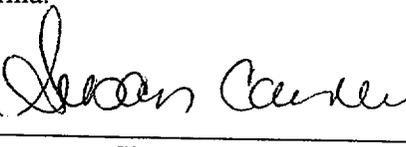
(BY MAIL)

X Following ordinary business practices at the San Francisco office of PricewaterhouseCoopers LLP, I placed the sealed envelope(s) for collection and mailing with the United States Postal Service on that same day. I am readily familiar with the firm's practice for collection and processing of correspondence for mailing. Under that practice, such correspondence would be deposited with the United States Postal Service on that same day, with postage thereon fully prepaid at San Francisco, California, in the ordinary course of business.

 (FEDERAL) I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

Executed on September 17, 2001 San Francisco, California.

Susan Carney
Type or Print Name


Signature

SPECIAL NOTICE LIST

As of September 12, 2001

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