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50-275/1323

6 Special Counsel for Debtor in Possession
7 PACIFIC GAS AND ELECTRIC COMPANY

8 UNITED STATES BANKRUPTCY COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN FRANCISCO DIVISION

12 In re

Case No.: 01-30923 DM

14 PACIFIC GAS AND ELECTRIC
15 COMPANY, a California corporation,

Chapter 11 Case

16 Debtor.

[No Hearing Scheduled]

17 Federal I.D. No. 94-0742640

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20 **HELLER EHRMAN WHITE & McAULIFFE LLP'S COVER SHEET**
21 **APPLICATION FOR ALLOWANCE AND PAYMENT OF INTERIM**
22 **COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR THE PERIOD**
23 **AUGUST 1, 2001, THROUGH AUGUST 31, 2001**

23 Heller Ehrman White & McAuliffe LLP (the "Firm" or "Heller Ehrman") submits its
24 Cover Sheet Application (the "Application") for Allowance and Payment of Interim
25 Compensation and Reimbursement of Expenses for the Period August 1, 2001, through
26 August 31, 2001 (the "Application Period"). In support of the Application, the Firm
27 respectfully represents as follows:

28 *A001 Add: Rids Oge Mail Center*

1 1. The Firm is Special Counsel to Pacific Gas and Electric Company, debtor and
2 debtor-in-possession in the above-referenced bankruptcy case (the "Debtor"). The Firm
3 hereby applies to the Court for allowance and payment of interim compensation for services
4 rendered and reimbursement of expenses incurred during the Application Period.

5 2. The Firm billed a total of \$591,588.67 in fees and expenses during the
6 Application Period. The total fees represent 1,942.10 hours expended during the
7 Application Period. These fees and expenses break down as follows:

8 Period	Fees	Expenses	Total ¹
9 8/1/01 – 8/31/01	\$559,342.10	\$32,246.57	\$591,588.67

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11 3. Accordingly, the Firm seeks allowance of interim compensation in the total
12 amount of \$507,687.35 at this time. This total is comprised as follows: \$475,440.78 (85%
13 of the fees incurred during the Application Period)² plus \$32,246.57 (100% of the expenses
14 incurred).

15 4. For the post-petition period, the Firm has been paid to date as follows³:

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17 ¹ \$831.60 of the total was incurred in June 2001 (Matter 13779-0066) and was not
18 included on prior bills submitted to PG&E or the Court.

19 ² Payment of this amount would result in a "holdback" of \$83,901.32, equal to 15%
20 of the Firm's fees for services rendered during the Application Period.

21 ³ On December 19, 2000, PG&E paid a retainer to Heller Ehrman in the amount of
22 \$350,000. Pursuant to written agreement between the parties dated December 19, 2000, the
23 retainer is not to apply to current billings in the ordinary course, but instead is to apply to
24 Heller Ehrman's unpaid fees and expenses in the event that PG&E fails to make payment in
25 the ordinary course. By written agreement dated April 5, 2001, the parties modified that
26 arrangement to authorize Heller Ehrman to apply the retainer to payment of unpaid pre-
27 petition fees and expenses on matters that are subject to an hourly billing arrangement. The
28 foregoing arrangement was approved by this Court in its June 4, 2001, Order (approving
Application of Debtor in Possession for Authority to Employ Heller Ehrman White &
McAuliffe LLP as Special Counsel (Apr. 17, 2001)); *see id.* ¶¶ 9-10; Declaration of Marie L.
Fiala ¶ 9 (Apr. 8, 2001). As of the date of submission of this Cover Sheet Application,
Heller Ehrman has applied \$154,000 of the retainer to a portion of its unpaid pre-petition
fees and expenses on hourly rate engagements. Heller Ehrman anticipates applying much or
(Footnote continued)

Application Period	Amount Applied For	Description	Amount Paid
4/6/01 – 7/31/01 ⁴	\$2,317,881.49	100% of fees and 100% of expenses	\$1,524,924.45
Total	\$2,317,881.49		\$1,524,924.45

5. To date, the Firm is owed as follows (excluding amounts owed pursuant to this Application):

all of the balance of the retainer — \$196,000 — to additional unpaid pre-petition fees and expenses. Heller Ehrman currently is in the process of calculating the amount of those additional unpaid fees and expenses, and will provide the Court with a supplemental filing with the results of that calculation once it is made.

⁴ From Heller Ehrman White & McAuliffe LLP's First Interim Fee Application for Allowance and Payment of Compensation and Reimbursement of Expenses for the Period April 6, 2001, Through July 31, 2001, filed with the Court on September 14, 2001.

Application Period	Amount	Description
First (4/6/01 – 6/30/01)	\$447,236.04	(a) 10% fee holdback (\$156,206.94); plus (b) All expenses during period (\$118,097.82); plus (c) Additional disbursement charges not reflected on original bills (\$4,131.92); plus (d) Unpaid fees for Matter No. 13779-0068 (\$65,259.56); ⁵ plus (e) Additional fees based on corrected billing rates (\$103,539.80). ⁶
Second (7/1/01-7/31/01)	\$292,633.52	(a) 10% fee holdback (\$47,096.77); plus (b) All expenses during period (\$28,324.75); plus (c) Unpaid fees for Matter No. 13779-0063 (\$186,482.24); ⁷ plus (d) Additional fees based on corrected billing rates (\$30,729.76).
Total Owed to Firm to Date	\$739,869.56	

6. With regard to the copies of this Application served on counsel for the Committee, counsel for the Debtor and the Office of the United States Trustee, attached as Exhibit 1 hereto is the name of each professional who performed services in connection with this case during the period covered by this Application and the hourly rate for each such

⁵ Consists of original billed amount (\$108,365.60) less amount included in 10% fee holdback, which equals \$97,529.04, less adjustment of \$32,269.48 agreed to with client.

⁶ The first and second Cover Sheet Applications submitted by Heller Ehrman inadvertently failed to reflect correct billing rates for a number of Heller Ehrman timekeepers on a number of matters. Heller Ehrman prepared revised timesheets reflecting the corrected rates, which were submitted to the Court with Heller Ehrman White & McAuliffe LLP's First Interim Fee Application for Allowance and Payment of Compensation and Reimbursement of Expenses for the Period April 6, 2001, Through July 31, 2001 (filed September 14, 2001) ("First Interim Fee Application"). A discussion of the changes to timekeeper rates is set forth in the First Interim Fee Application ¶¶ 68-71.

⁷ Consists of original billed amount (\$230,333.60) less amount included in 10% fee holdback, which equals \$207,300.24, less adjustment of \$20,818.00 agreed to with client.

1 professional; and (b) attached as Exhibit 2 are the detailed time and expense statements for
2 the Application Period that comply with all Northern District of California Bankruptcy
3 Local Rules and Compensation Guidelines and the Guidelines of the Office of the United
4 States Trustee.

5 7. The Firm has served a copy of this Application (without Exhibits) on the
6 Special Notice List in this case.

7 8. Pursuant to this Court's "ORDER ESTABLISHING INTERIM FEE
8 APPLICATION AND EXPENSE REIMBURSEMENT PROCEDURE" which was entered
9 on or about July 26, 2001, the Debtor is authorized to make the payment requested herein
10 without a further hearing or order of this Court unless an objection to this Application is
11 filed with the Court by the Debtor, the Committee or the United States Trustee and served
12 by the fifteenth day of the month following the service of this Application. If such an
13 objection is filed, Debtor is authorized to pay the amounts, if any, not subject to the
14 objection. The Firm is informed and believes that this Cover Sheet Application was mailed
15 by first class mail, postage prepaid, on or about October 1, 2001.

16 9. The interim compensation and reimbursement of expenses sought in this
17 Application is on account and is not final. Upon the conclusion of this case, the Firm will
18 seek fees and reimbursement of the expenses incurred for the totality of the services
19 rendered in the case. Any interim fees or reimbursement of expenses approved by this
20 Court and received by the Firm (along with the Firm's Retainer) will be credited against
21 such final fees and expenses as may be allowed by this Court.

22 10. The Firm represents and warrants that its billing practices comply with all
23 Northern District of California Bankruptcy Local Rules and Compensation Guidelines and
24 the Guidelines of the Office of the United States Trustee. Neither the Firm nor any
25 members of the Firm has any agreement or understanding of any kind or nature to divide,
26 pay over or share any portion of the fees or expenses to be awarded to the Firm with any
27 other person or attorney except as among the members and associates of the Firm.

28 WHEREFORE, the Firm respectfully requests that the Debtor pay compensation to

1 the Firm as requested herein pursuant to and in accordance with the terms of the "ORDER
2 ESTABLISHING INTERIM FEE APPLICATION AND EXPENSE REIMBURSEMENT
3 PROCEDURE."

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Dated: October 1, 2001

HELLER EHRMAN WHITE & McAULIFFE LLP

By: Marie L. Fiala
Marie L. Fiala
Special Counsel for Debtor in Possession
PACIFIC GAS AND ELECTRIC COMPANY