

1 JAMES L. LOPES (No. 63678)
2 JEFFREY L. SCHAFFER (No. 91404)
3 GARY M. KAPLAN (No. 155530)
4 HOWARD, RICE, NEMEROVSKI, CANADY,
5 FALK & RABKIN
6 A Professional Corporation
7 Three Embarcadero Center, 7th Floor
8 San Francisco, California 94111-4065
9 Telephone: 415/434-1600
10 Facsimile: 415/217-5910

50-275/323

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

13 UNITED STATES BANKRUPTCY COURT
14 NORTHERN DISTRICT OF CALIFORNIA
15 SAN FRANCISCO DIVISION

16 In re
17 PACIFIC GAS AND ELECTRIC
18 COMPANY, a California corporation,
19 Debtor.

20 Case No. 01-30923 DM
21 Chapter 11 Case
22 Date: October 29, 2001
23 Time: 9:30 a.m.
24 Place: 235 Pine St., 22nd Floor
25 San Francisco, California
26 Judge: Hon. Dennis Montali

27 Federal I.D. No. 94-0742640

28 DECLARATION OF TAMMIE CANDELARIO IN SUPPORT OF DEBTOR'S
29 THIRD MOTION FOR ORDER EXTENDING TIME TO ASSUME, ASSUME
30 AND ASSIGN, OR REJECT REAL PROPERTY LEASES

31 I, Tammie Candelario, declare as follows:

32 1. I am the Director of Building and Land Services of Pacific Gas and Electric
33 Company (the "Debtor" or "PG&E"), a position I have held since May 2000. I am
34 responsible for, among other things, overseeing the portfolio of leases to which PG&E is a
35 party. I make this declaration in support of the Debtor's Third Motion for order Extending
36 Time to Assume, Assume and Assign, or Reject Real Property Leases (the "Motion"). This
37 Declaration is based on my personal knowledge. If called as a witness, I could and would
38 testify competently to the facts stated herein.

39 2. By the Motion, PG&E seeks an order extending, until the time of confirmation of
40 CANDELARIO DECL. RE PG&E'S THIRD MOT. TO EXT. TIME TO ASSUME OR REJECT LEASES

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1 a plan of reorganization in this case, the time to assume or reject the real property leases
2 listed on Exhibit 1 attached hereto (collectively, the "Leases"),¹ without prejudice to the
3 right of any lessor subsequently to move this Court for an order compelling assumption or
4 rejection of its Lease at an earlier date for good cause shown.

5 3. PG&E is the lessee² under 255 Leases, which can be generally categorized as
6 pertaining to one of the following six functions or uses in the ordinary course of PG&E's
7 business: office, utility, telecommunications, rights of way and similar land use rights,
8 parking and storage. The office Leases include traditional high-rise office space,
9 warehouses with large yards and offices, small customer service offices, and yards with a
10 small office building. The utility Leases are used to support the provision of gas and electric
11 service to PG&E's customers and include leases of land for electric substations, mobile
12 generator sites and gas regulator/meter stations. The telecommunications Leases are used to
13 support PG&E's independent telecommunications infrastructure and include leasing of vault
14 and antenna/passive reflector space on mountaintops and other key locations throughout
15 PG&E's service territory. The rights of way and similar land use rights Leases are used to
16 support PG&E's transmission and distribution of gas or electric power and storage of gas.
17 The parking Leases are used to provide ancillary parking adjacent to a PG&E facility. The
18 storage Leases are used for storage of materials and equipment.

19 4. I understand that on September 20, 2001, PG&E (along with co-proponent PG&E
20 Corporation, PG&E's parent company) filed a plan of reorganization (the "Plan") with the
21 Court. The Plan proposes to either assume, assume and assign or reject each of the Leases,
22 as set forth on the respective schedules referenced in the Plan, which will be provided prior
23 to confirmation of the Plan. For the reasons explained below, PG&E is not in a position to
24

25 ¹ In an abundance of caution, the Leases listed on Exhibit 1 include certain agreements
26 regarding real property rights (e.g. easements and rights of way) that may not constitute
"leases" within the meaning of the applicable bankruptcy law provision.

27 ² References herein to PG&E's status as a "lessee" and to the "lessors" under the
28 Leases are for ease of reference only and should not be construed as a concession by PG&E
that the Leases constitute real property leases within the meaning of 11 U.S.C. Section 365.

1 file such schedules at this time. Among other things, PG&E requires the additional time
2 requested to intelligently and meaningfully appraise the potential need for and value of each
3 of the Leases in the context of its Plan. I understand that the Plan provides for the
4 disaggregation and restructuring of PG&E's business into four lines of business to be
5 conducted by the reorganized Debtor and three new companies, and a transfer of PG&E's
6 assets and liabilities (including certain of the Leases) to these newly created companies.
7 Thus, PG&E must assess the potential need for and value of each of the Leases, as well as
8 evaluate the proposed transfer of such Leases to one of the new companies.

9 5. I am informed and believe that the Leases are critical assets of PG&E's
10 bankruptcy estate, since PG&E uses the property under the 255 Leases for office space, the
11 provision of utility and telecommunications services, parking and storage facilities, all of
12 which are essential to its ongoing business operations. Because the Leases are essential to
13 PG&E's ongoing business operations, and such operations are anticipated to be a critical
14 source for funding PG&E's Chapter 11 plan, I am informed and believe that the decision to
15 assume or reject these Leases would be integral to any plan of reorganization.

16 6. Since the filing of PG&E's bankruptcy case on April 6, 2001 (the "Petition
17 Date"), I am informed and believe that except as set forth in the immediately following
18 sentence, PG&E has continued to make rental payments to the lessors under the Leases, and
19 timely perform its other post-petition payment obligations under the Leases, and intends to
20 continue to comply with its future post-petition payment obligations.³ Moreover, I am
21 informed and believe that PG&E was generally current with its pre-petition payment
22 obligations under the Leases as of the Petition Date.

23 7. Based on, among other things, PG&E's overall financial position and prospects, I
24 am informed and believe that there is at least a reasonable possibility that that the Plan (as it
25 may be amended) is capable of being confirmed.

26
27 ³Indeed, I am informed and believe that PG&E has even made pro-rata payments for its
28 obligations under the Leases for the "stub period" from the Petition Date until the next
regularly scheduled payment date.

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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. Executed this 28th day of September, 2001, at San Francisco, California.

Tammie Candelario

TAMMIE CANDELARIO

HOWARD
RICE
MEMOROVSKI
GRADY
BANK
& RABIN
A Professional Corporation

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CANDELARIO DECL. RE PG&E'S THIRD MOT. TO EXT. TIME TO ASSUME OR REJECT LEASES