

50-275/323

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3 GARY M. KAPLAN (No. 155530)  
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12 Attorneys for Debtor and Debtor in Possession  
13 PACIFIC GAS AND ELECTRIC COMPANY

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

12 In re

No. 01 30923 DM

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

Chapter 11 Case

15 Debtor.

[NO HEARING REQUIRED]

16 Federal I.D. No. 94-0742640

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19 [PROPOSED] AMENDED ORDER GRANTING DEBTOR'S MOTION FOR (1)  
20 AUTHORITY TO COMPROMISE CLAIMS DUE ESTATE BY SEMPRA ENERGY  
21 TRADING CORPORATION AND SEMPRA ENERGY CORPORATION; (2)  
22 AUTHORITY TO ENTER INTO MASTER GAS AGREEMENT; AND (3)  
23 APPROVAL OF PROVISIONS OF MASTER GAS AGREEMENT MODIFYING  
24 AUTOMATIC STAY

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HOWARD  
RICE  
NEMEROVSKI  
CANADY  
FALK  
& RABKIN  
A Professional Corporation

1 The Court:

2 1. Having heard and considered on December 19, 2001 the Motion of Pacific  
3 Gas and Electric Company ("PG&E" or the "Debtor") for (1) Authority to Compromise  
4 Claims Due Estate by Sempra Energy Trading Corporation ("SET") and Sempra Energy  
5 Corporation ("Sempra Corp.") (collectively "Sempra"); (2) Authority to Enter into Master  
6 Gas Agreement with SET; and (3) Approval of Provisions of Master Gas Agreement  
7 Modifying Automatic Stay ("Motion") and Memorandum of Points and Authorities in  
8 Support Thereof filed herein by PG&E; the Declarations of David W. Anderson and  
9 Raymond X. Welch and arguments of counsel for Sempra and PG&E in support thereof; and

10 2. Having found that (i) the Settlement Agreement and General Release between  
11 PG&E and Sempra (the "Agreement") is fair, reasonable, and in the best interests of  
12 PG&E's Chapter 11 estate; and (ii) entry by PG&E into a new Master Gas Agreement with  
13 SET providing for natural gas purchases as set forth in Exhibit 9 to the Agreement is based  
14 upon sound business justifications and is fair, reasonable, and in the best interests of  
15 PG&E's Chapter 11 estate; and good cause appearing therefor, on December 19, 2001,  
16 entered its Order approving the Agreement and entry into the New Master Gas Agreement, a  
17 true and correct copy of which is attached hereto as Exhibit "A" (the "December 19 Order");

18 3. Having declined at the hearing of the Motion to make a finding regarding the  
19 good faith or otherwise of SET's extension of credit to PG&E pursuant to the terms of the  
20 proposed New Master Gas Agreement between the parties within the meaning of Section  
21 364(e) of the Bankruptcy Code, without prejudice to the parties' ability to offer evidence of  
22 such good faith at a future date; and

23 4. Having considered the Declarations of Stefanie Katz filed on behalf of  
24 Sempra and of Raymond Welch on behalf of PG&E proffered as evidence of the good faith  
25 of the proposed credit extension term of the New Master Gas Agreement, true and correct  
26 copies of which are attached hereto as Exhibits B and C respectively;

27 5. Finding that the credit extension term of the New Master Gas Agreement is  
28 commercially reasonable and consistent with prior Master Gas Agreements between the

1 parties and is entered in good faith within the meaning of Section 364(e) of the Bankruptcy  
2 Code;

3 **IT IS HEREBY ORDERED** that:

- 4           1. The December 19 Order is expressly modified to add the following as  
5           paragraph 8 thereto: SET is extending credit to PG&E pursuant to the terms  
6           of the New Master Gas Agreement in good faith within the meaning of  
7           Section 364(e) of the Bankruptcy Code.  
8           2. Other than as specified herein, the December 19 Order remains in full force  
9           and effect.

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11 Dated: December \_\_, 2001.

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13 HONORABLE DENNIS MONTALI  
14 UNITED STATES BANKRUPTCY JUDGE

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& RABKIN  
A Professional Corporation

WD 122001/1-1419949/cec/965479/v1

AMENDED ORDER GRANTING MOT. FOR AUTH. TO COMPROMISE CLAIMS DUE ESTATE BY SEMPRO

Exhibit A is not attached to the service copies of this document. You may obtain copies of the Exhibits in one of the following ways: through the “Pacific Gas & Electric Company Chapter 11 Case” link accessible through the Bankruptcy Court’s website ([www.canb.uscourts.gov](http://www.canb.uscourts.gov)), or by written request to Howard, Rice, Nemerovski, Canady, Falk & Rabkin, Attn: Racquel Lopez, Three Embarcadero Center, 7th Floor, San Francisco, California 94111-4065

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 10 SEMPRA ENERGY TRADING CORP.

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

14 In re )  
 15 PACIFIC GAS AND ELECTRIC COMPANY, )  
 16 a California corporation, )  
 17 Debtor. )  
 18 Federal LD. No. 94-0742640 )

Case No. 01-30923 DM  
 Chapter 11

DECLARATION OF STEFANIE KATZ IN  
 SUPPORT OF [PROPOSED] AMENDED  
 ORDER GRANTING DEBTOR'S  
 MOTION FOR (1) AUTHORITY TO  
 COMPROMISE CLAIMS DUE ESTATE  
 BY SEMPRA ENERGY TRADING  
 CORPORATION AND SEMPRA  
 ENERGY CORPORATION; (2)  
 AUTHORITY TO ENTER INTO MASTER  
 GAS AGREEMENT; AND (3) APPROVAL  
 OF PROVISIONS OF MASTER GAS  
 AGREEMENT MODIFYING  
 AUTOMATIC STAY

[NO HEARING REQUIRED]

Place: 235 Pine Street,  
 22nd Floor  
 San Francisco, CA  
 Judge: The Hon. Dennis Montali

1 I, Stefanie Katz, declare:

2 1. I am Vice President of Sempra Energy Trading Corp. ("SET").

3 2. I am advised that a hearing before this Court was held yesterday on the Motion of  
4 Debtor for (1) Authority to Compromise Claims Due Estate by Sempra Energy Trading Corp. and  
5 Sempra Energy Corporation; (2) Authority to Enter Into Master Gas Agreement; and (3) Approval  
6 of Provisions of Master Gas Agreement Modifying Automatic Stay (the "Motion"). At the hearing,  
7 I understand that the Court declined to make a finding that SET is extending credit to the Debtor  
8 pursuant to the terms of the New Master Gas Agreement in good faith within the meaning of  
9 Section 364(e) of the Bankruptcy Code. I further understand that the Court's decision was without  
10 prejudice to the parties' ability to provide an appropriate evidentiary basis to the Court upon which  
11 such a finding could be made. I, therefore, make this declaration in support of the [Proposed]  
12 Amended Order Granting the Motion in order to provide the Court with the requisite evidentiary  
13 basis. I have personal knowledge of the facts set forth herein and, if called upon to testify, I would  
14 and I could competently testify thereto.

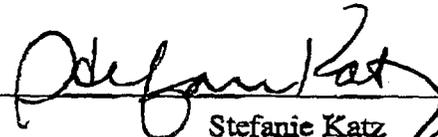
15 3. SET is an established trading counterparty in the energy trading industry.

16 4. The extension of credit terms proposed in the New Master Gas Agreement,  
17 including with reference to the \$10 million line of credit to be supplied by SET to the Debtor, is  
18 commercially reasonable.

19 5. The extension of these credit terms is consistent with the terms of the Master Gas  
20 Agreement which the parties had entered into prior to the commencement of this bankruptcy case.

21 6. Finally, I am advised that all material terms of the proposed extension of credit to be  
22 included in the New Master Gas Agreement have been disclosed to this Court and to all interested  
23 parties.

24 I declare under the penalties of perjury under the laws of the United States that the  
25 foregoing is true and correct. Executed this 20<sup>th</sup> day of December 2001, at Stamford, Connecticut.

26  
27   
28 Stefanie Katz

STROCK & STROCK & LAVAN LLP  
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12 In re

13 PACIFIC GAS AND ELECTRIC  
COMPANY, a California corporation,

14 Debtor.

15 Federal I.D. No. 94-0742640

No. 01 30923 DM

Chapter 11 Case

[NO HEARING REQUIRED]

HOWARD  
RICE  
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CANADY  
FALK  
& RABKIN

A Professional Corporation

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19 SUPPLEMENTAL DECLARATION OF RAYMOND X. WELCH IN SUPPORT OF  
20 [PROPOSED] AMENDMENT TO ORDER GRANTING DEBTOR'S MOTION FOR (1)  
AUTHORITY TO COMPROMISE CLAIMS DUE ESTATE BY SEMPRA ENERGY  
21 TRADING CORPORATION AND SEMPRA ENERGY CORPORATION; (2)  
22 AUTHORITY TO ENTER INTO MASTER GAS AGREEMENT; AND (3) APPROVAL  
OF PROVISIONS OF MASTER GAS AGREEMENT MODIFYING AUTOMATIC STAY

1 I, Raymond X. Welch, declare that:

2 1. I have been employed by Pacific Gas and Electric Company, the debtor and  
3 debtor in possession in the above-referenced Chapter 11 bankruptcy case (“PG&E” or  
4 “Debtor”), for the past ten years. My current position is that of Gas Portfolio Manager, in  
5 PG&E’s Gas Procurement Department, a position I have held for the past eight years. The  
6 Gas Procurement Department buys natural gas for delivery to PG&E’s core customers—  
7 primarily residential and small business gas users. I make this declaration from personal  
8 knowledge and could, if called as a witness, competently testify to the matters set forth  
9 herein.

10 2. I make this supplemental declaration in support of the Proposed Amendment  
11 to the Order Granting PG&E’s Motion for (1) Authority to Compromise Claims Due Estate  
12 by Sempra Energy Trading Corporation (“SET”) and Sempra Energy Corporation (“Sempra  
13 Corp.”) (collectively “Sempra”); (2) Authority to Enter into Master Gas Agreement; and (3)  
14 Approval of Provisions of Master Gas Agreement Modifying Automatic Stay (the  
15 “Motion”). In my capacity as Gas Portfolio Manager, I am personally responsible for the  
16 procurement of gas supplies by PG&E. More particularly, I am also familiar with the  
17 history of PG&E’s relationship with SET with which PG&E proposes to contract.

18 3. I am informed and believe that at the hearing of the above-referenced Motion,  
19 the Court declined to make a finding that SET is extending credit to PG&E under the terms  
20 of the New Master Gas Agreement in good faith within the meaning of Section 364(e) of the  
21 Bankruptcy Code, without prejudice to the parties’ ability to provide an appropriate  
22 evidentiary basis for the Court upon which such a finding could be made.

23 4. I have reviewed the Declaration of Stefanie Katz of Sempra, a true and correct  
24 copy of which is attached hereto as Exhibit A.

25 5. Paragraphs 3 through 5 inclusive of Ms. Katz’s declaration state, in effect,  
26 that SET is an established trading counterparty and the proposed credit extension terms are  
27 commercially reasonable and consistent with the terms of the previous Master Gas  
28 Agreement between SET and PG&E. I believe the said statements in Ms. Katz’ Declaration

1 to be true and correct.

2 6. Furthermore, I have been informed and believe that all material terms of the  
3 proposed extension of credit to be included in the New Master Gas Agreement have been  
4 disclosed to this Court and to all interested parties.

5 I declare under penalty of perjury under the laws of the State of California that  
6 the foregoing is true and correct, and that this declaration was executed this 21 day of  
7 December, 2001, in San Francisco, California.

8  
9 By: Raymond X. Welch  
RAYMOND X. WELCH

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13 HOWARD  
RICE  
NEMEROVSKI  
CANADY  
BAIK  
& RABKIN  
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15 A Professional Corporation