

50-275/323

1 JAMES L. LOPES (No. 63678)  
WILLIAM J. LAFFERTY (No. 120814)  
2 GARY M. KAPLAN (No. 155530)  
CEIDE ZAPPARONI (No. 200708)  
3 HOWARD, RICE, NEMEROVSKI, CANADY,  
FALK & RABKIN

4 A Professional Corporation  
Three Embarcadero Center, 7th Floor  
5 San Francisco, California 94111-4065  
Telephone: 415/434-1600  
6 Facsimile: 415/217-5910

7 Attorneys for Debtor and Debtor in Possession  
PACIFIC GAS AND ELECTRIC COMPANY

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

12 In re  
13 PACIFIC GAS AND ELECTRIC  
COMPANY, a California corporation,  
14 Debtor.

No. 01 30923 DM  
Chapter 11 Case  
[NO HEARING REQUIRED]

15 Federal I.D. No. 94-0742640  
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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)  
21 AUTHORITY TO COMPROMISE CLAIMS DUE ESTATE BY SEMPRA ENERGY  
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

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27 A001 Add: R. & S. Dgc Mail Center  
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HOWARD  
RICE  
NEMEROVSKI  
CANADY  
FALK  
& RABKIN  
A Professional Corporation

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 By: Raymond X. Welch  
9 RAYMOND X. WELCH

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13 HOWARD  
14 RICE  
NEMEROVSKI  
CANADY  
FALK  
& RABKIN  
15 A Professional Corporation

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1 STROOCK & STROOCK & LAVAN LLP  
 2 LEWIS KRUGER (ADMITTED PRO HAC VICE)  
 3 ALAN Z. YUDKOWSKY (State Bar No. 194994)  
 4 PETER F. JAZAYERI (State Bar No. 199626)  
 5 2029 Century Park East, Suite 1800  
 6 Los Angeles, California 90067-3086  
 7 Telephone: (310) 556-5800  
 8 Facsimile: (310) 556-5959

9 Attorneys for Party in Interest  
 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 I.D. 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 Stefanie Katz  
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STROOCK & STROOCK & LAVAN LLP  
 ATTORNEYS AT LAW  
 2020 CENTURY PARK EAST, SUITE 1500  
 LOS ANGELES, CALIFORNIA 90067-3166  
 PHONE 310.556.5800