

50-275/323

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PACIFIC GAS AND ELECTRIC COMPANY

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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.  
15 Federal I.D. No. 94-0742640

No. 01 30923 DM  
Chapter 11 Case  
Date: December 19, 2001  
Time: 9:30 a.m.  
Place: 235 Pine Street, 22nd Floor  
San Francisco, California

HOWARD  
RICE  
NEMEROVSKI  
CANADY  
FALK  
& RABKIN  
A Professional Corporation

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19 [PROPOSED] ORDER GRANTING DEBTOR'S MOTION FOR (1) AUTHORITY TO  
20 COMPROMISE CLAIMS DUE ESTATE BY SEMPRA ENERGY TRADING  
21 CORPORATION AND SEMPRA ENERGY CORPORATION; (2) AUTHORITY TO  
22 ENTER INTO MASTER GAS AGREEMENT; AND (3) APPROVAL OF  
23 PROVISIONS OF MASTER GAS AGREEMENT MODIFYING AUTOMATIC STAY  
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27 *Appl Add: Rids Ogc Mail Center*  
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1           The Court, having considered the Motion of Pacific Gas and Electric Company  
2 ("PG&E" or the "Debtor") for (1) Authority to Compromise Claims Due Estate by Sempra  
3 Energy Trading Corporation ("SET") and Sempra Energy Corporation ("Sempra Corp.)  
4 (collectively "Sempra"); (2) Authority to Enter into Master Gas Agreement with SET; and  
5 (3) Approval of Provisions of Master Gas Agreement Modifying Automatic Stay ("Motion")  
6 and Memorandum of Points and Authorities in Support Thereof filed herein by PG&E; the  
7 Declarations of David W. Anderson and Raymond X. Welch in support thereof; and finding  
8 that (i) the Settlement Agreement and General Release between PG&E and Sempra (the  
9 "Agreement"), a true and correct copy of which is attached hereto as Exhibit A, is fair,  
10 reasonable, and in the best interests of PG&E's Chapter 11 estate; and (ii) entry by PG&E  
11 into a new Master Gas Agreement with SET providing for natural gas purchases as set forth  
12 in Exhibit 9 to the Agreement is based upon sound business justifications and is fair,  
13 reasonable, and in the best interests of PG&E's Chapter 11 estate; and good cause appearing  
14 therefor,

HOWARD  
RICE  
NEMEROVSKI  
CANADY  
FALK  
& RABKIN  
A Professional Corporation

15 **IT IS HEREBY ORDERED** that:

- 16           1. The Motion is granted.
- 17           2. PG&E is authorized to enter into the Agreement, a copy of which is attached  
18 hereto as Exhibit A, and the Agreement is hereby approved;
- 19           3. PG&E and Sempra shall be bound by all of the terms of the Agreement and  
20 all terms and conditions stated therein;
- 21           4. PG&E and Sempra are authorized and directed to take such actions as are  
22 reasonably necessary to perform their respective obligations under the Agreement;
- 23           5. PG&E is authorized, pursuant to Sections 363 and 364 of the Bankruptcy  
24 Code, to enter into a further agreement with SET providing for natural gas purchases from  
25 SET as set forth in Paragraph 6 and Exhibit 9 of the Agreement (the "New Master Gas  
26 Agreement"), the obligations and indebtedness incurred thereunder by PG&E, including  
27 obtaining unsecured credit, to constitute an administrative expense under Section 503 of the  
28 Bankruptcy Code;

1           6. The New Master Gas Agreement may include provisions which state that in  
2 the event that PG&E's bankruptcy case is converted to a case under Chapter 7 of the  
3 Bankruptcy Code or a Trustee is appointed in PG&E's pending bankruptcy case, SET may  
4 deem such event to be a default under the New Master Gas Agreement, and in the event of  
5 such a default the automatic stay provisions of the Bankruptcy Code are permanently  
6 vacated solely for the purposes of (i) permitting SET to immediately close out, liquidate and  
7 terminate, exercise its right of setoff, and exercise its other remedies under the New Master  
8 Gas Agreement, without the need to obtain further approval of this Court; and (ii) providing  
9 that SET's rights to close out, liquidate and terminate and to exercise its right of setoff and  
10 other rights under the New Master Gas Agreement shall not be stayed, avoided, or otherwise  
11 limited by order of the Bankruptcy Court;

12           7. With respect to any default by PG&E claimed by SET under the New Master  
13 Gas Agreement, other than those set forth in paragraph 6 herein, SET shall have the right to  
14 seek payment of amounts due thereunder as an administrative expense in this case by filing a  
15 request with this Court on five (5) days' notice to PG&E, and PG&E shall pay SET all such  
16 amounts within three (3) business days of the entry of any order of this Court determining  
17 that PG&E owes such amounts to SET; and

HOWARD  
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8. SET is extending credit to PG&E pursuant to the terms of the New Master Gas Agreement in good faith within the meaning of Section 364(e) of the Bankruptcy Code.

Dated: December \_\_, 2001.

HONORABLE DENNIS MONTALI  
UNITED STATES BANKRUPTCY JUDGE

APPROVED AS TO FORM:

DATED: November 19<sup>th</sup>, 2001.

HOWARD, RICE, NEMEROVSKI, CANADY,  
FALK & RABKIN  
A Professional Corporation

By:   
CEIDE ZAPPARONI

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

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Exhibits are 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: Nathaniel Hunt, Three Embarcadero Center, 7th Floor, San Francisco, California 94111-4065