

50-215/323

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9 Special Counsel to Debtor and Debtor in Possession,
10 PACIFIC GAS AND ELECTRIC COMPANY

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

14 In Re:
15 PACIFIC GAS AND ELECTRIC
16 COMPANY, a California corporation,
17 Debtor and Debtor in Possession.
18 Federal I.D. No. 94-0742640

19 Case No. 01-30923 DM
20 Chapter 11 Case
21 Date: February 26, 2002
22 Time: 9:30 a.m.
23 Place: 235 Pine Street, 22nd Floor
24 San Francisco, CA

25 FIRST INTERIM APPLICATION
26 FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES
27 BY SPECIAL COUNSEL FOR DEBTOR-IN-POSSESSION, STEEFEL, LEVITT & WEISS

28 TO THE HONORABLE DENNIS MONTALI, UNITED STATES BANKRUPTCY JUDGE:

Applicant is the law firm of Steefel, Levitt & Weiss, a Professional Corporation ("Applicant" or "Steefel, Levitt & Weiss"). Pursuant to an order of this Court entered on July 31, 2001, this Court approved Applicant's employment as counsel for Pacific Gas and Electric Company, the debtor and debtor-in-possession herein (the "Debtor" or "PG&E"). Attached hereto as Exhibit "A" is a true and correct copy of the Order Authorizing Employment of Counsel for Debtor.¹

¹ This exhibit is not attached to the service copies of parties on the Special Notice List. Those parties may obtain copies of the Order Authorizing Employment of Counsel for Debtor

(continued...)

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1 This is Applicant's first interim application for compensation and reimbursement of
 2 expenses. Applicant seeks an order pursuant to Section 331 of the Bankruptcy Code (11 U.S.C.
 3 § 331)² approving and allowing total compensation of \$286,467.27 for services rendered and
 4 reimbursement of expenses, for the period from July 1, 2001, through November 30, 2001
 5 (comprised of \$281,740.00 in fees and \$4,727.27 in costs advanced on the Debtor's behalf).

6 Pursuant to the Order Establishing Interim Fee Application and Expense Reimbursement
 7 Procedure entered herein on July 26, 2001 and its amended order entered herein on November 8,
 8 2001 (collectively, the "Interim Compensation Orders"), this Court authorized procedures for the
 9 interim award of compensation and reimbursement of expenses to professionals, including
 10 Steefel, Levitt & Weiss. In accordance with the Interim Compensation Orders, Applicant filed
 11 Interim "Cover Sheet" Applications seeking payment of fees and reimbursement of expenses in
 12 the following amounts, none³ of which have yet been paid:

| <u>Month</u> | <u>Fees</u> | <u>Expenses</u> | <u>Total</u> |
|----------------|-------------|-----------------|--------------------------|
| July 2001 | \$24,513.75 | \$147.30 | \$24,661.05 |
| August 2001 | \$13,061.10 | \$382.78 | \$13,443.88 ⁴ |
| September 2001 | \$59,380.58 | \$2,038.51 | \$61,419.09 |

17 _____
 18 (...continued)
 19 (approving Steefel, Levitt & Weiss as special counsel) through the Debtor's website for this
 20 proceeding, which is located at http://www.pge.com/court_docs/pdf/00001721.pdf, or by written
 request to Anne Ogonowski, Steefel, Levitt & Weiss, One Embarcadero Center, 30th Floor, San
 Francisco, CA 94111-3917.

21 ² Unless otherwise specified, all section references herein are to the United States Bankruptcy
 22 Code (Title 11 of the United States Code).

23 ³ Applicant's Cover Sheet Applications for July, August, September, October and November,
 24 2001, were filed on or about December 13, 2001, and hence the objection period for those Cover
 Sheet applications expires today, January 15, 2002. Applicant is not aware of any objections to
 those Cover Sheet applications.

25 ⁴ This number ("\$13,443.88") is correct, and was stated correctly on Applicant's August,
 26 2001, Cover Sheet Application, but was incorrectly stated as "\$13,243.88" on subsequent
 27 applications due to a typographical error. The total indicated above is corrected to reflect this
 correct number.

| | | | | |
|---|---------------|--------------|------------|--------------|
| 1 | October 2001 | \$55,803.35 | \$1,300.92 | \$57,104.27 |
| 2 | November 2001 | \$88,082.10 | \$857.76 | \$88,939.86 |
| 3 | Total | \$240,841.59 | \$4,727.27 | \$245,568.86 |

4 Pursuant to the Interim Compensation Orders, these amounts reflect 90% of the total fees for
5 services rendered on or before July 31, 2001, and 85% of the total fees for services rendered after
6 July 31, 2001, plus 100% of the costs expended on the Debtor's behalf during the application
7 period.

8 By this Application, Steefel, Levitt & Weiss hereby seeks approval of 100% of the fees
9 and expenses incurred for this period (including the amounts held back), in the following
10 amounts:

| 11 | <u>Month</u> | <u>Fees</u> | <u>Expenses</u> | <u>Total</u> |
|----|----------------|--------------|-----------------|--------------|
| 12 | July 2001 | \$27,237.50 | \$147.30 | \$27,384.80 |
| 13 | August 2001 | \$15,366.50 | \$382.78 | \$15,748.78 |
| 14 | September 2001 | \$69,859.50 | \$2,038.51 | \$70,998.01 |
| 15 | October 2001 | \$65,651.00 | \$1,300.92 | \$66,951.92 |
| 16 | November 2001 | \$103,626.00 | \$857.76 | \$104,483.76 |
| 17 | Total | \$281,740.00 | \$4,727.27 | \$286,467.27 |

18
19 As required by the Interim Compensation Order, Applicant has filed its time records for
20 this period separately from this Application.

21 During the period covered by this Application, Steefel, Levitt & Weiss has rendered
22 valuable services to the Debtor, as more specifically set forth herein.

23 **INTRODUCTION AND CURRENT STATUS**

24 PG&E, an investor-owned utility providing electric and gas services to millions of
25 California residents and businesses, filed its petition for relief under chapter 11 of the Bankruptcy
26 Code in this Court on April 6, 2001, and continues to operate its business and manage its
27 properties as a debtor in possession under sections 1107 and 1108 of the Bankruptcy Code.

1 PG&E has required representation in civil and regulatory litigation matters before the
2 California Public Utilities Commission ("CPUC"), the Federal Energy Regulatory Commission
3 ("FERC") and state and federal courts and arbitration panels, and the provision of advice and
4 coordination respecting those activities and the proceeding before this Court. Steefel, Levitt &
5 Weiss has provided such representation and advice to the Debtor pre-petition pursuant to the
6 Order of the Bankruptcy Court approving Steefel, Levitt & Weiss's employment as special
7 counsel for the Debtor. (See Exhibit "A".)

8 **SUMMARY OF PROFESSIONAL SERVICES**

9 1. **Regulatory Litigation**

10 Although Steefel, Levitt & Weiss has attempted to segregate its time entries into specific
11 categories, all of its time appears properly to be reflected in the category of regulatory litigation.
12 All of its work for the debtor during the relevant application period has involved advising the
13 Debtor with respect to civil and regulatory litigation proceedings before the California Public
14 Utilities Commission necessitating special regulatory and energy expertise, and representing the
15 debtor in such potential and pending proceedings before the Commission, including
16 administrative support for representation of the Debtor in relation to such regulatory proceedings.

17 The specific matters in which Applicant provided legal services during the application
18 period are as follows:

19 (a) **Gas Accord II**

20 Applicant advised and represented the Debtor in the Gas Accord II proceeding before the
21 California Public Utilities Commission, a proceeding which involved proposing a market
22 structure and rules for the northern California natural gas industry for the period beginning
23 January 1, 2003. The services provided involved meetings and strategy sessions, preparing the
24 application and numerous additional pleadings in response to the pleadings of other parties, as
25 well as coordinating to ensure that the positions taken were consistent with those taken in the
26 Bankruptcy Court and before the Federal Energy Regulatory Commission.

| 27 | Total Hours | Total Fees | Total Expenses |
|----|--------------------|-------------------|-----------------------|
| 28 | 99.70 | \$38,274.00 | \$662.75 |

1 (b) Wild Goose Storage Expansion Application

2 Applicant advised and represented the Debtor in the Wild Goose Storage Expansion
3 Application proceeding before the California Public Utilities Commission, a proceeding which
4 involved an independent storage providers proposal to expand its storage facility in a way that
5 sought to require the expansion of PG&E's natural gas backbone transmission system at PG&E
6 ratepayer expense. The services provided involved meetings and strategy sessions, preparing the
7 protest and testimony, working with staff and consultants, preparing and filing numerous
8 proceedings, discovery and discovery disputes, and litigating the matter in an eight-day
9 evidentiary hearing before an Administrative Law Judge.

| 10 | Total Hours | Total Fees | Total Expenses |
|----|-------------|--------------|----------------|
| 11 | 417.05 | \$152,037.50 | \$2,407.89 |

12 (c) Distributed Generation Standby Rate Case

13 Applicant advised and represented the Debtor in the Distributed Generation Standby Rate
14 Case before the California Public Utilities Commission, a proceeding which involved proposing
15 standby rates for distributed generation. The services provided involved meetings and strategy
16 sessions, preparing the application and additional pleadings in response to the pleadings of other
17 parties.

| 18 | Total Hours | Total Fees | Total Expenses |
|----|-------------|-------------|----------------|
| 19 | 55.40 | \$20,472.00 | \$148.90 |

20 (d) Petition for Rulemaking to Amend a General Order

21 Applicant advised and represented the Debtor in the connection with drafting a petition for
22 rulemaking in regard to an issue involving the application and possible amendment of a General
23 Order of the California Public Utilities Commission. The services provided involved meetings
24 and strategy sessions, researching and preparing the petition and redrafting it a number of times
25 when circumstances have changed, as well as coordinating with other parties.

| 26 | Total Hours | Total Fees | Total Expenses |
|----|-------------|-------------|----------------|
| 27 | 171.70 | \$50,840.00 | \$1,451.85 |

28

1 (e) Omnibus Agency Application

2 Applicant advised and represented the Debtor in the connection with drafting an
3 application for filing before the California Public Utilities Commission regarding the application
4 of the Commission's General Orders and obtaining Commission approvals. The services
5 provided involved meetings and strategy sessions, researching and preparing the application,
6 redrafting it in light of review comments, and coordinating with other parties.

| | | | |
|---|--------------------|-------------------|-----------------------|
| 7 | Total Hours | Total Fees | Total Expenses |
| 8 | 35.55 | \$9,278.00 | \$35.70 |

9 (f) Omnibus Generator Application

10 Applicant advised and represented the Debtor in the connection with drafting an
11 application for filing before the California Public Utilities Commission regarding the application
12 of the Commission's General Orders and obtaining Commission approvals. The services
13 provided involved meetings and strategy sessions, researching and preparing the application,
14 redrafting it following review comments, and coordinating with other parties.

| | | | |
|----|--------------------|-------------------|-----------------------|
| 15 | Total Hours | Total Fees | Total Expenses |
| 16 | 23.70 | \$6,149.00 | \$18.10 |

17 (g) Midway-Sunset Application

18 Applicant advised and represented the Debtor in the connection with drafting an
19 application for filing before the California Public Utilities Commission regarding approval under
20 Public Utilities Code section 851. The services provided involved meetings and strategy sessions,
21 researching and preparing the application, and coordinating with other parties.

| | | | |
|----|--------------------|-------------------|-----------------------|
| 22 | Total Hours | Total Fees | Total Expenses |
| 23 | 7.75 | \$2,014.00 | \$2.08 |

24 (h) Amador Application

25 Applicant advised and represented the Debtor in the connection with drafting an
26 application for filing before the California Public Utilities Commission regarding approval under
27 Public Utilities Code section 851. The services provided involved meetings and strategy sessions,
28 researching and preparing the application, and coordinating with other parties.

| | | | |
|---|--------------------|-------------------|-----------------------|
| 1 | Total Hours | Total Fees | Total Expenses |
| 2 | 8.10 | \$2,025.00 | \$0.00 |

3 (i) Almanor Application

4 Applicant advised and represented the Debtor in the connection with drafting an
5 application for filing before the California Public Utilities Commission regarding approval under
6 Public Utilities Code section 851. The services provided involved meetings and strategy sessions,
7 researching and preparing the application, and coordinating with other parties.

| | | | |
|---|--------------------|-------------------|-----------------------|
| 8 | Total Hours | Total Fees | Total Expenses |
| 9 | 2.60 | \$650.00 | \$0.00 |

10 With respect to this category, the number of hours spent and the amount of compensation
11 and expenses requested are as follows:

| | | | | |
|----|---------------------------|--------------------------|------------------------------|---------------------------|
| 12 | <u>Total Hours</u> | <u>Total Fees</u> | <u>Total Expenses</u> | <u>Total Claim</u> |
| 13 | 821.55 | \$281,740.00 | \$4,727.27 | \$286,467.27 |

14
15 **SUMMARY OF FEES AND EXPENSES**

16 Between July 1 and November 30, 2001, Applicant has expended 821.55 hours in the
17 performance of the services described above. A summary of Steefel, Levitt & Weiss's attorney
18 and legal assistant time and their respective standard hourly billing rates for the period from
19 July 1, 2001, through November 30, 2001, is as follows:

| | | | | |
|----|-----------------------------|--------------------|-----------------------|-------------------|
| 20 | Attorney⁵ | Total Hours | Hourly Rate | Total Fees |
| 21 | Shareholders | | | |
| 22 | Mark Fogelman | 547.65 | \$390.00 | \$213,583.50 |
| 23 | Harvey L. Leiderman | 2.50 | \$415.00 ⁶ | \$938.00 |

24 ⁵ The resume of each professional is attached as Exhibit "B" to this application. This exhibit
25 is not attached to the service copies of parties on the Special Notice List. Those parties may
26 obtain copies of the resumes comprising this exhibit through Steefel, Levitt & Weiss's website
27 (www.steefel.com), or by written request to Anne Ogonowski, Steefel, Levitt & Weiss, One
28 Embarcadero Center, 30th Floor, San Francisco, CA 94111-3917.

⁶ A portion of Mr. Leiderman's time appears to have been billed out erroneously at the rate of
(continued...)

| | | | | |
|---|-------------------------|--------|----------|-------------|
| 1 | Judy V. Davidoff | 1.10 | \$375.00 | \$412.50 |
| 2 | Timothy A. Tosta | 1.30 | \$450.00 | \$585.00 |
| 3 | Associates | | | |
| 4 | Lori Anne Dolqueist | 233.40 | \$250.00 | \$58,350.00 |
| 5 | Arezoo Montazeri | 28.20 | \$225.00 | \$6,345.00 |
| 6 | Miriam Montesinos | 7.10 | \$210.00 | \$1,491.00 |
| 7 | Legal Assistants | | | |
| 8 | Lee Williams | 0.30 | \$115.00 | \$34.50 |

9 Based on these hours and rates, the value of the legal services rendered by Applicant
10 during the period covered by this application is \$281,749.00, for which Applicant requests
11 payment.

12 Applicant has also incurred and advanced costs in the sum of \$4,727.27 on PG&E's
13 behalf, for which Applicant requests reimbursement as follows:

| | | |
|----|----------------------------|------------|
| 14 | Filing Fees | \$220.20 |
| 15 | Transcript Fees | \$276.00 |
| 16 | Document Retrieval | \$2.17 |
| 17 | Taxis | \$24.00 |
| 18 | Working Meals | \$3.49 |
| 19 | Messenger | \$49.50 |
| 20 | Computer-Assisted Research | \$3,577.04 |
| 21 | Postage | \$7.38 |
| 22 | Reproduction (non-routine) | \$479.70 |
| 23 | Long-distance telephone | \$69.58 |
| 24 | Federal Express | \$18.21 |

25
26 _____
27 (...continued)
28 \$325.00. Applicant makes no claim for the additional amount that should have been billed out at Mr. Leiderman's correct rate.

1 Attached hereto as Exhibit "C" is a copy of Steefel, Levitt & Weiss's standard
2 engagement letter which contains, in general terms, the firm's normal expense policies.⁷ The
3 expenses listed above are all in conformity with the Bankruptcy Court's "Guidelines for
4 Compensation and Expense Reimbursement of Professional and Trustees" ("the Guidelines").
5 Wherever necessary, Applicant's expense policies have been modified to comply with the
6 Guidelines. All of the expenses listed above are at actual cost, except non-routine reproduction,
7 which is charged at \$0.10 per page.

8 Accordingly, the aggregate value of services rendered and costs advanced during the
9 period covered by this Application is \$286,467.27.

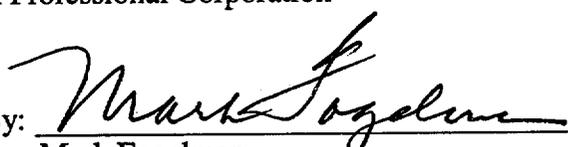
10 No agreement or understanding exists between Applicant and any other person or entity
11 for a division of the compensation sought herein.

12 The Certification/Declaration of an attorney designated by Applicant pursuant to
13 Guideline No. 8 is attached.

14
15 Date: January 15, 2002

Respectfully

16 STEEFEL, LEVITT & WEISS
17 A Professional Corporation

18
19 By: 

Mark Fogelman

20 Attorneys for Special Counsel to Debtor and
21 Debtor in Possession, PACIFIC GAS AND
22 ELECTRIC COMPANY

23
24
25 ⁷ This exhibit is not attached to the service copies of parties on the Special Notice List. Those
26 parties may obtain copies of the standard engagement letter comprising this exhibit by written
27 request to Anne Ogonowski, Steefel, Levitt & Weiss, One Embarcadero Center, 30th Floor, San
28 Francisco, CA 94111-3917.

1 **CERTIFICATION**

2 1. I am an attorney duly licensed to practice in the State of California and before this
3 Court. I am a shareholder at the law firm of Steefel, Levitt & Weiss, a Professional Corporation
4 (“Applicant”), special counsel to Pacific Gas and Electric Company, the Debtor in the above-
5 captioned bankruptcy case (the “Debtor”). I make this declaration from personal knowledge
6 (except as to any matters stated as to information and belief, and as to such matters, I am
7 informed and believe they are true) and could, if called as a witness, competently testify to the
8 matters set forth herein.

9 2. By this declaration, I submit in declaration form the information required pursuant
10 to Guideline No. 8 of the Guidelines for Compensation and Expense Reimbursement of
11 Professionals and Trustees issued by the United States Bankruptcy Court for the Northern District
12 of California (the “Guidelines”).

13 3. I am an attorney designated by Applicant to sign this Application on its behalf. I
14 have read and reviewed the Application, including without limitation the Introduction, Summary
15 of Professional Services, Summary of Fees and Expenses and the invoices/billing statements filed
16 separately, and, to the best of my knowledge, information and belief, the fees and expenses
17 requested in said Introduction, Summaries and invoices/billing statements are true and correct and
18 accurate for professional services rendered and costs advanced by Steefel, Levitt & Weiss on
19 behalf of the Debtor.

20 4. To the best of my knowledge, information and belief formed after reasonable
21 inquiry, the compensation and expense reimbursement sought in the Application is in conformity
22 with the Guidelines.

23 5. The compensation and expense reimbursement requested in the Application are
24 billed at rates, and in accordance with practices, no less favorable than those customarily billed to
25 clients of Applicant.

26 6. No agreement or understanding exists between Applicant and any other person or
27 entity for a division of the compensation sought herein.

