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Financial Advisors for Official Committee of  
Unsecured Creditors

**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION**

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

Case No. SF 01-30923 DM  
  
Chapter 11

**SECOND INTERIM APPLICATION OF  
SAYBROOK CAPITAL, LLC FOR  
ALLOWANCE AND PAYMENT OF  
COMPENSATION AND  
REIMBURSEMENT OF EXPENSES  
(AUGUST 1, 2001 THROUGH NOVEMBER  
30, 2001); DECLARATION OF JONATHAN  
ROSENTHAL IN SUPPORT THEREOF**

Hearing:  
  
Date: February 26, 2002  
Time: 9:30 AM  
Place: 235 Pine Street, 22<sup>nd</sup> Floor  
San Francisco, CA

*Aool Add: Rds Ggc Mail Center*

1 **TO THE HONORABLE DENNIS MONTALI, UNITED STATES BANKRUPTCY**  
2 **JUDGE, THE OFFICE OF THE UNITED STATES TRUSTEE, THE DEBTOR, AND**  
3 **OTHER PARTIES IN INTEREST:**

4 Saybrook Capital, LLC ("Saybrook"), financial advisor to the Official Committee  
5 of Unsecured Creditors ("Committee" or "OCC") in the Pacific Gas and Electric ("PG&E" or  
6 "Company") bankruptcy case, hereby submits its second interim application for allowance and  
7 payment of compensation and reimbursement of costs and expenses (the "Second Interim  
8 Application") covering the period from August 1, 2001 through November 30, 2001 (the  
9 "Second Application Period"). In support of the Second Interim Application, Saybrook  
10 respectfully represents as follows:

11 **I.**

12 **INTRODUCTION**

13  
14 This is Saybrook's second long-form interim application for approval of  
15 compensation and reimbursement of related expenses for services rendered on behalf of the  
16 Committee during PG&E's chapter 11 case. Saybrook submits this Second Interim Application  
17 in accordance with Bankruptcy Code sections 328, 330 and 331, Rule 2016 of the Federal Rules  
18 of Bankruptcy Procedure (the "Bankruptcy Rules"), the Office of the United States Trustee for  
19 the Northern District of California Guidelines (the "UST Guidelines") and the United States  
20 Bankruptcy Court Northern District of California Guidelines for Compensation and Expense  
21 Reimbursement of Professionals and Trustee ("Court Guidelines"). Through this Second Interim  
22 Application, Saybrook seeks interim approval and allowance of \$925,000 in fees accrued and  
23 \$27,336.79 in expenses incurred for services rendered by Saybrook on behalf of the Committee  
24 during the period August 1, 2001 through and including November 30, 2001.

25  
26 During the Second Application Period, Saybrook professionals rendered services  
27 to the Committee in connection with the PG&E's bankruptcy case at the agreed upon monthly  
28 fee of \$250,000 from August 1, 2001 through October 15, 2001. The monthly fee was reduced

1 to \$200,000 beginning October 16, 2001. Saybrook also incurred \$27,336.79 in costs and  
2 expenses in connection with those services, for which Saybrook is requesting reimbursement.  
3 Accordingly, Saybrook seeks allowance and payment of a total of \$952,336.79 for services  
4 rendered and reimbursement of costs and expenses incurred during the Second Application  
5 Period. Saybrook has received payment of fees in the amount of \$798,750 and expenses in the  
6 amount of \$27,336.79 on account of the Monthly Cover Sheet Applications for the period of  
7 August 1, 2001 through November 30, 2001. Saybrook is seeking the balance due for services  
8 provided during the Second Application Period of \$126,250. The services and costs for the  
9 Second Application Period are described below and are detailed in the exhibits filed concurrently  
10 herewith.

## 11 II.

### 12 SUMMARY OF DEVELOPMENTS IN THE CASE

13  
14 The Second Application Period commenced shortly after the filing of the  
15 Company's Plan of Reorganization (the "Plan") and Disclosure Statement (the "Disclosure  
16 Statement"). On the eve before the Company's filing, the Committee voted to support a Plan of  
17 Reorganization that reflected a variety of economic terms. Approximately 70 objections to the  
18 Disclosure Statement were filed and the Committee and the Company have been working in  
19 concert to satisfy objectors where possible.

20 Many of the objections that were filed were based upon a misunderstanding of a  
21 Plan term or the need for further clarification. Some objectors voiced substantive concerns that  
22 required substantial time and effort to negotiate satisfactory resolution. The Committee and the  
23 Committee professionals took the position that the letter and spirit of the Support Agreement  
24 required we take affirmative steps to satisfy creditor concerns about this Plan. It would not be  
25 enough to merely execute the Support Agreement and allow the Company to proceed without our  
26 help.

27  
28 Although it is too early to tell definitively, we have been assured by a number of

1 substantive objectors that our collective efforts have resulted in amendments to the Plan that  
2 satisfy their objections and will cause them to withdraw their objections. In a few instances,  
3 despite our collective efforts, we have been unable to satisfy objectors. The Company has  
4 regularly conferred with the Committee and the Committee professionals and on a number of  
5 occasions has asked Saybrook to help mediate a creditor objection.

6  
7 During the Second Application Period, there was a great deal of effort by the  
8 Governor's office and the State legislature to craft a solution to the SCE crisis. Saybrook  
9 attended many meetings in Sacramento and had many phone calls with members of the  
10 legislature and their staffs giving input on proposed plans (in particular SB 78xx) and voicing  
11 concerns pertinent to the PG & E creditors (no DRC for generators, proposed PWC reallocation  
12 of DWR costs from SCE to PG& E, etc.). In addition, Saybrook spent a considerable amount of  
13 time explaining the elements of the Plan to members of the legislature and their staffs following  
14 the filing of the Plan in September. Finally, Saybrook carefully monitored all developments  
15 related to the State Treasurer's efforts to get the AB1x deal to market.

16 The Company has begun the process of structuring and rating the issuance of new  
17 debt. A key component of the Support Agreement is that the Committee will closely observe the  
18 ratings and marketing process. The Support Agreement specifically provides that the creditor  
19 notes shall be investment grade. Consistent with the letter and spirit of this agreement, the  
20 Company has been working with Saybrook to establish an appropriate scope of inquiry so that as  
21 the ratings process progresses, the Committee can carefully follow its evolution. This process is  
22 expected to culminate in the issuance of investment grade securities to the public and Unsecured  
23 Creditors.

### 24 25 **III.**

#### 26 **SUMMARY OF SERVICES RENDERED BY SAYBROOK**

27 During the Second Application Period, Saybrook represented and advised the  
28 Committee with respect to a wide range of issues and challenges. Due to the comprehensive

1 nature of the services rendered by Saybrook during the Second Application Period, no attempt is  
2 made herein to detail the totality of such services. The full scope of the services rendered by  
3 Saybrook is set forth in detail in Exhibit 1 of the Cover Sheet Applications for the Period August  
4 1, 2001 to November 30, 2001" (the "Billing Reports"). However, in order to assist the Court,  
5 the United States Trustee, PG&E and other parties in interest in reviewing this Second Interim  
6 Application, a brief summary of Saybrook's billing procedures and the services rendered by  
7 Saybrook during the Second Application Period with regard to each activity code category,  
8 including certain undertakings within each category, is set forth below.

9 **A. Summary Of Saybrook's Billing Procedures.**

10  
11 It is Saybrook's normal business practice to charge its clients in full for services  
12 rendered and all actual and necessary out-of-pocket costs and expenses incurred by Saybrook in  
13 providing those services.

14 In the ordinary course of its practice, Saybrook assigns the proper personnel  
15 necessary to complete the scope of work outlined at the beginning of the engagement. Saybrook  
16 will typically assign Partners, Managing Directors, a Vice Presidents and/or Associates to a  
17 project to advise the client on any financing issues and strategic options related to the financing  
18 and to participate in the daily management process of a reorganization plan. Other Saybrook  
19 staff members will also assist with the administrative duties for the engagement. Records are  
20 made substantially contemporaneously with the rendition of these professional services and are  
21 prepared by the Saybrook staff members who have rendered the services.

22  
23 Due to the size and complexity of this case, the assistance of various Saybrook  
24 professionals has been called upon. As a full service investment bank, Saybrook has been able to  
25 advise the Committee efficiently on a variety of financing issues without assistance from outside  
26 firms. This capacity saves Saybrook's clients, including the Committee, substantial sums and  
27 provides the highest quality integrated representation possible in the most efficient manner.

1 As is the case with most investment banking firms, Saybrook's resources are  
2 dedicated on a monthly basis and are not organized around hourly fees. In this case, Saybrook  
3 has expended considerably more resources than initially reflected in its professionals' declaration  
4 in the Saybrook's approved Employment Application. This is due in part to the unprecedented  
5 scope and complexity of the Plan, the diversity of the Committee and the Company's receptivity  
6 to the Committee's participation in the Plan process.

7  
8  
9 **B. Summary Of Exhibits Regarding Services Rendered By Saybrook.**

10 Attached as Exhibit "1" to the Declaration of Jonathan Rosenthal ("Rosenthal  
11 Declaration") is a summary of the services rendered by Saybrook professionals, as well as a  
12 categorical summary of expenses incurred during the Second Application Period.

13  
14 Pursuant to its normal practice when representing committees, Saybrook has  
15 broken down its services rendered into the separate and distinct activity code categories. Each  
16 category provides an overview of the topics addressed during the Second Application Period.

17 The summary of services reports set forth a chronological, detailed description of  
18 the services rendered by Saybrook professionals on behalf of the Committee during the Second  
19 Application Period for each of the activity code categories described below.

20  
21 Attached as Exhibit "2" of the Rosenthal Declaration is a summary setting forth  
22 the name of each Saybrook professional who expended time on this case and an approximation  
23 of his/her total working time expended in this matter on a weekly basis during the Second  
24 Application Period.

25 **C. Narrative Summary Of Services Provided By Saybrook.**

26  
27 **1. Reorganization Plan Analysis (Category 01)**

1 Services rendered by Saybrook professionals in this category included:

- 2 a) Participated in conference calls with Lehman to understand the proposed  
3 financing scheme in order to evaluate the feasibility of the Plan.  
4
- 5 b) Engaged in conversations with Debtor and other Committee professionals  
6 in redesigning material portions of the Plan.  
7
- 8 c) Reviewed the draft Plan and Disclosure Statement.  
9
- 10 d) Participated in conference calls with Committee professionals and  
11 working group to discuss the Plan and Disclosure Statement.  
12
- 13 e) Participated in conference calls with the Company and Committee  
14 professionals to discuss roll out of the Plan.  
15
- 16 g) Participated in conference calls with various ad hoc creditors to explain  
17 terms of the Plan.  
18
- 19 h) Participated in various calls with press to provide background on  
20 Committee support.  
21
- 22 i) Discussions with legislators, their staffs and representatives of the  
23 Governor's office explaining the elements of the Plan.  
24
- 25 j) Participated in calls with Company creditors looking for additional  
26 explanation of the Plan and several press calls to discuss the Plan and  
27 Support Agreement.  
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- k) Prepared comments to the Plan draft.
- l) Participated in conference calls with the Company to keep them briefed as to what questions are arising from the Plan and how Committee professionals are responding to same.
- m) Reviewed the filing of objections to the Disclosure Statement and Committee member concerns regarding the Disclosure Statement.
- n) Spoke with the Company and the Company's professionals about how to avoid or mitigate some of the creditor concerns.
- o) Reviewed Plan draft and prepared for Committee meeting.
- p) Participated in calls with affected Committee members to discuss potential alternative solutions to filing objections to the Disclosure Statement.
- q) Participated in calls with Rothchild to review list of objectors and discuss how objections might be satisfied and what real underlying objections are driving constituents.

**2. Committee and Subcommittee Meetings (Category 02)**

Services rendered by Saybrook professionals in this category included:

- a) Participated in a variety of conference calls with the Committee's working group and the full Committee to update them on reorganization plan

1 issues.

2  
3 b) Briefed the Committee, the legislative/regulatory subcommittee, as well as  
4 a subgroup of the bank creditors on developments in Sacramento related to  
5 SB 78xx and on the proposed PUC reallocation of DWR costs from SCE  
6 to PG&E.

7  
8 c) Contacted creditor constituencies beyond the Committee to discuss the  
9 progress the Committee professionals had made since April.

10  
11 d) Met with representatives of various ad hoc creditor groups and reached out  
12 to members the Official PX Creditors Committee.

13  
14 e) Briefed the Plan Working Group on where SB 78xx was headed once  
15 members of the legislature reconvened after recess, based on discussions  
16 with key staff members.

17  
18 f) Participated in conference calls with Kent Harvey regarding specific  
19 creditor issues and conference calls regarding Rothschild revised  
20 consideration schedules.

21  
22 g) Continuing calls with individual Committee members to discuss various  
23 aspects of the Plan, Disclosure Statement, Support Agreement,  
24 Consideration Schedule and process leading to these documents.

25  
26 h) Prepared for and participated in a full Committee conference call and  
27 several working group sessions with the Company to discuss the Plan  
28 draft.

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- i) Attended meetings/conference calls with the debtor and its advisors regarding ad hoc creditor groups and individual constituents.
- j) Preparation for full Committee meeting on creditor consideration issues and worked on an agenda with Committee professionals and the Company.
- k) Reviewed ad hoc committee issues and met with the Company to discuss ad hoc committee issues and more detail on consideration.
- l) Participated in conference calls on ad hoc issues and attempt to head off growing concern by ad hoc members.
- m) Met with Reliant and Dynegy in advance of Committee meeting to discuss the status of the Plan.
- n) Followed up on Committee meeting and many conversations with Rothchild and the Company regarding additional concessions that might be practical to offer to hold out constituents.

**3. Procurement of Energy (Category 03)**

Services rendered by Saybrook professionals in this category included:

- a) Followed up on meeting between municipal generators and the Company.

1           **4. Legislative Matters (Category 04)**

2           Services rendered by Saybrook professionals in this category included:

- 3
- 4           a)     Participated in conference calls with legislators and key legislative staff
- 5                     dealing with the Assembly deliberations on SB 78xx.
- 6
- 7           b)     Participated in discussions with legislators on SB 78xx and on the
- 8                     proposed PUC reallocation of DWR costs from SCE to PG&E.
- 9
- 10          c)     Attended hearings in Sacramento and participated in numerous meetings
- 11                    or phone calls on SB 78xx with representatives from the Governor's
- 12                    office, the State Treasurer's office, legislators and staff members.
- 13
- 14          d)     Attended numerous hearings and meetings in Sacramento after recess as
- 15                    SB 78xx worked its way through the various Assembly committees.
- 16
- 17          e)     Participated in conversations with legislative leaders and their staffs
- 18                    regarding the continuing efforts to fashion a bailout bill for SCE.
- 19
- 20          f)     Provided the perspective of the PG&E creditors in conversations with
- 21                    legislative leaders.
- 22
- 23          g)     Placed calls to legislators, Assembly leadership and their staffs concerning
- 24                    the SCE bailout.
- 25
- 26          h)     Continued conversations with the Assembly leadership about SCE and
- 27                    potential new legislation that might be considered when the extraordinary
- 28

1 session convened.

- 2
- 3 i) Analyzed the SCE deal announced by the PUC.
- 4
- 5 j) Monitored the actions of the CPUC with regard to the Rate Agreement and
- 6 the State bond deal.
- 7
- 8 k) Participated in discussions with the State Treasurer's office and State
- 9 underwriters regarding status of the AB1x bond deal.
- 10
- 11 j) Assessed the cash flow and capital market impact of CDWR's changing
- 12 Revenue Requirement on the Plan.
- 13

14 **5. Financial Issue Analysis (Category 05)**

15 Services rendered by Saybrook professionals in this category included:

- 16
- 17
- 18 a) Discussed how the Creditor bonds can be designed to insure that Creditors
- 19 will receive par in a secondary market trade.
- 20
- 21 b) Participated in meetings with the Debtor and the Committee professionals
- 22 to discuss alternative proposals for the Creditor bonds, including various
- 23 hedge mechanisms, equity instruments, credit enhancement vehicles, puts
- 24 and calls, contingent interest rights and other strategies to backstop the
- 25 value and liquidity of these instruments.
- 26
- 27 c) Analyzed the marketing and tax considerations to downside protection for
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the Creditor bonds.

- d) Discussed the creditors consideration of the net present value of cash received when deciding whether to vote for the Debtor's Plan or some alternative approach.
- e) Analyzed alternative plans to determine whether or not they would produce either more absolute dollars and/or would return dollars to the creditors sooner.
- f) Reviewed DWR revenue requirements and related analysis prepared by PWC.
- g) Analyzed the QF issues better understand the issues and to move forward on a number of specific creditor concerns.
- h) Worked on LC bank pollution control bond controversy and provided suggestions to the undrawn banks on how they might solve the problem.
- i) Met with Jim Lopes, Steve Ledoux and Alan Gover to discuss individual creditor claims.
- j) Reviewed in detail the status of each creditor constituent group to compare notes on positions taken and possible solutions.
- k) Discussed the imperative nature of the investment grade rating on the long-term creditor notes and also spent a time analyzing the allocation of long-term creditor notes to the disaggregated entities.
- l) Advised on how the Company might solve the undrawn bank PC bond issue.

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- m) Participated in calls with Commercial Paper representatives.
- n) Suggested terms of proposal to Commercial Paper representatives and reviewed draft letter.
- o) Participated in several conference calls on drawn LC's on Pollution Control bonds.
- p) Followed up with both drawn and undrawn LC group to discuss Pollution Control bonds.
- q) Spoke with the attorney for the QF's to understand status of negotiations with the Company.
- r) Participated in conference call with Company to discuss status of rating agency discussion.

**6. Southern California Edison Issue Analysis (Category 07)**

Services rendered by Saybrook professionals in this category included:

- a) Analyzed the deal that the PUC made with SCE to keep SCE out of bankruptcy.
- b) Spoke with State representatives, as well as with officials at PG&E to obtain their opinion on the PUC/SCE deal.
- c) Worked with other Committee professionals to analyze the PUC/SCE deal and discussed what a similar deal would have to look like to address

1 PG&E's needs.  
2  
3

4 **8. QUID Issues (Category 08)**

5 Services rendered by Saybrook professionals in this category included:  
6

- 7 a) Participated in discussions with QUIDS and suggested how they can fix  
8 their subordination issue.  
9  
10 b) Participated in conference calls with indentured trustee for QUIDS on  
11 response of the Company to proposal.  
12  
13 c) Prepared for meetings with the Company to discuss the QUIDS and  
14 reviewed the underlying disclosure documents supporting the QUIDS.  
15  
16 d) Reviewed and commented on draft of letter to the Company from QUIDS  
17 and discussed content with the Company in advance of receipt.  
18  
19 e) Participated in calls with Catherine Krug, the indentured trustee for the  
20 QUIDS to make sure that the Committee professionals were proceeding in  
21 a direction that was consistent with their interest.  
22  
23 f) Continued detailed discussions with the Trustee for the QUIDS, which  
24 ultimately resulted in the Trustee putting forth a written proposal to the  
25 Company.  
26  
27 g) Reviewed QUID documents to determine what type of subordination  
28

1 exists.

- 2
- 3 h) Organized internal discussions on what could be proposed to solve QUID
- 4 problem.

5

6 **9. Support Agreement (Category 09)**

7 Services rendered by Saybrook professionals in this category included:

- 8
- 9 a) Met several times with Debtor to discuss the terms of a Support
- 10 Agreement.
- 11
- 12 b) Attended meetings with Debtor and Committee to identify critical issues
- 13 and to suggest solutions that might be embraced by the parties.
- 14
- 15
- 16 c) Conferred with Committee Members, in small groups and individually, to
- 17 describe the details of the Support Agreement, the impact of our support
- 18 on the feasibility of the Plan, and to field inquiries and suggestions
- 19 regarding specific changes that Members wanted to see in order to vote in
- 20 favor of the Plan.
- 21
- 22 d) Worked with the Debtor on issues related to the Support Agreement and
- 23 continued research on how to maintain a par market for the Creditor
- 24 Bonds beyond the initial issuance.
- 25
- 26 c) Discussed the interest rate treatment for pre-effective date interest for the
- 27 Support Agreement.
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- d) Interacted with various creditors to consider their perspective on pre-effective date interest issue so that Saybrook could arrive at a resolution that would be uniformly applied across the class.
- e) Negotiated the terms of the Support Agreement.
- f) Attended a Committee professionals-only meeting to discuss interest rate on creditor claims and followed with several conference calls. Generator claims were also discussed at length and whether the ISO tariff established a contract rate or whether these claims should accrue interest at the Federal Judgment rate.
- g) Participated in conference calls and meetings with the Company and the Company's advisors regarding the Support Agreement.
- h) Prepared for full Committee meeting on September 19 to discuss final terms of the Support Agreement.
- i) Meetings and conference calls with the Company to finalize the Support Agreement and to understand the terms of the Plan.
- j) Participated in Full Committee meeting to vote on Support Agreement.
- k) Initiated conversations with members of the Committee to brief them on the terms of the Support Agreement and the negotiations.
- l) Addressed managing Committee member concerns about certain elements of the Support Agreement not being clearly stated in the Plan and

1 Disclosure Statement.

2  
3  
4 **10. Fee Application (Category 09)**

5 Services rendered by Saybrook professionals listed in this category included:

- 6  
7 a) Drafting the Saybrook monthly cover sheet applications and Second  
8 Interim Application in accordance with the requirements established by  
9 the United States Bankruptcy Code, the Court and the U.S. Trustee.  
10  
11 b) Delivered a revised declaration to the court related to Saybrook's fee  
12 application.

13 **11. Non-Working Travel (Category 10)**

14 Services rendered by Saybrook professionals listed in this category included:

- 15  
16 a) Travel to and from San Francisco for meetings with Committee members,  
17 PG&E and its counsel, other Company professionals, PWC and for Court  
18 appearances.  
19  
20 b) Travel to and from Sacramento for meetings with the Governor's office,  
21 members of the legislature and their staffs and the State Treasurer's office.

22 **IV.**

23 **SUMMARY OF ACTUAL AND NECESSARY EXPENSES INCURRED BY SAYBROOK**

24 Saybrook maintains detailed records of all actual and necessary out-of-pocket  
25 expenses incurred and typically charged in connection with rendering professional services to its  
26 clients in the ordinary course of its business practice. A brief explanation of certain costs  
27 incurred and charged to the estate is set forth below:  
28

1 (a) Saybrook does not charge its clients for photocopying done in-house;  
2 copying done by outside services is charged at cost;

3 (b) Saybrook charges its clients for document retrieval services and  
4 specialized searches and services, such as messengers and conference calling, at cost;

5  
6 (c) Saybrook charges its clients for mileage (\$0.325 per mile, if sought) and  
7 parking costs incurred by its Partners, Managing Directors, Vice Presidents and Associates in  
8 connection with services rendered at cost;

9 (d) Saybrook charges its clients for cab fares or other transportation costs  
10 incurred by its Partners, Managing Directors, Vice Presidents and Associates when working on  
11 specific client matters, at cost;

12  
13 (e) Saybrook does not charge its clients for word processing services rendered  
14 by a specialized operator and by the secretary assigned to each Partner. Saybrook does not  
15 charge for the use of its computer system based on the amount of time utilized to prepare  
16 documents. In order to comply with the UST Guidelines and the Court Guidelines, no such  
17 charges are included in this Second Interim Application;

18 (f) Saybrook does not charge its clients for the cost of overtime and weekend  
19 meals when pressing client matters require the banker to work during the meal; however, in  
20 accordance with the UST Guidelines and the Court Guidelines, no such charges are included in  
21 this Second Interim Application;

22  
23 (g) In accordance with the UST Guidelines and the Court Guidelines,  
24 Saybrook is seeking reimbursement for long distance telephone calls at cost.

25  
26 **v.**

27 **COMPENSATION REQUESTED AND RELEVANT LEGAL STANDARD**

28 To grant a request for compensation pursuant to Bankruptcy Code sections 328,

1 330 and 331, the Court must find that such request is reasonable.

2 Saybrook's fees are reasonable given the size and complexity of the bankruptcy  
3 case and are commensurate with the fees that Saybrook has been awarded in comparable chapter  
4 11 cases and that financial advisors of comparable experience and expertise charge on a regular  
5 basis to represent creditor committees in comparable chapter 11 cases. Saybrook's fee structure  
6 was disclosed in the original employment application.

7  
8 **VI.**  
9 **CONCLUSION**

10 For the reasons set forth above and pursuant to Bankruptcy Code sections 328,  
11 330 and 331, Bankruptcy Rule 2016, the Court Guidelines, the UST Guidelines and the standards  
12 adopted by courts in awarding investment banker's fees and costs, Saybrook submits that the  
13 fees for services rendered and costs and expenses incurred on behalf of the Committee during the  
14 Second Application Period in the total amount of \$952,336.79 are reasonable and should be  
15 allowed on an interim basis and paid in full.

16  
17 No agreement or understanding of any kind or nature exists between Saybrook  
18 and any other person or entity for the sharing, division, or payment of any portion of the  
19 compensation awarded to Saybrook for services rendered or expenses incurred in connection  
20 with Saybrook's representation of the Committee in the bankruptcy case, except as among the  
21 partners, associates and employees of Saybrook.

22 **WHEREFORE** Saybrook respectfully requests that this Court enter an order:  
23

- 24 1. Approving this Second Interim Application in its entirety;
- 25 2. Approving an interim award of compensation in the amount of \$925,000  
26 for professional services rendered and reimbursement of costs and expenses incurred in the  
27 amount of \$27,336.79, for a total amount of \$952,336.79;
- 28

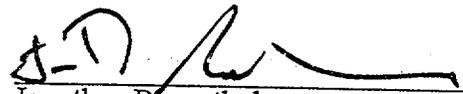


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CERTIFICATION

I, Jonathan Rosenthal, am the professional designated by Saybrook to ensure compliance with the United States Bankruptcy Court Northern District of California Guidelines for Compensation and Expense Reimbursement of Professionals and Trustee ("Court Guidelines"). I certify that (a) I have read the Second Interim Application; (b) to the best of my knowledge, information and belief, formed after reasonable inquiry, the compensation and expense reimbursement sought is in conformity with the Court Guidelines, except as specifically noted in the Application; and (c) the compensation and expense reimbursement requested are billed at rates, in accordance with practices, no less favorable than those customarily employed by Saybrook and generally accepted by Saybrook's clients.

DATED: 11.11.02

  
Jonathan Rosenthal



1           5.       Saybrook has submitted monthly fee notices in accordance with the  
2 interim fee procedures that were established by the Court. Specifically, on or about September  
3 27, 2001, October 30, 2001, November 29, 2001 and December 21, 2001, Saybrook filed and  
4 served its "Cover Sheet Application For Allowance and Payment of Interim Compensation and  
5 Reimbursement of Expenses for August 1, 2001 through August 31, 2001, September 1, 2001  
6 through September 30, 2001, October 1, 2001 through October 31, 2001 and November 1, 2001  
7 through November 30, 2001 ("Monthly Cover Sheet"). Saybrook has received a payment  
8 totaling \$826,086.79 in connection with the Monthly Cover Sheet Applications, comprised of  
9 \$798,750 in fees and \$27,336.79 in costs.

10  
11           6.       No agreement or understanding of any kind or nature exists between  
12 Saybrook and any other person or entity for the sharing, division, or payment of any portion of  
13 the compensation awarded to Saybrook for services rendered or expenses incurred in connection  
14 with Saybrook's representation of the Committee in this chapter 11 proceeding, except as among  
15 the partners, associates and employees of Saybrook.

16           7.       I am one of the designated professionals responsible for overseeing the  
17 billing in this matter and for assuring compliance with the Guidelines of the Office of the United  
18 States Trustee for the Northern District of California relating to billing (the "Guidelines").  
19 Based upon my review of the Second Interim Application submitted by Saybrook for the Second  
20 Application Period, I believe that the Second Interim Application complies with the Court  
21 Guidelines and the UST Guidelines.

22           8.       Attached hereto as Exhibit "1" is a summary of the weekly activities for  
23 Saybrook Capital, LLC, as well as a categorized summary of expenses incurred, during the  
24 Second Application Period.

25  
26           9.       Attached hereto as Exhibit "2" is a summary setting forth the name of  
27 each professional who expended time on this case and an approximation of the percentage of  
28 his/her total working time expended in this matter on a weekly basis during the Second

1 Application Period.

2  
3 I declare under penalty of perjury under the laws of the United States of America  
4 that the foregoing is true and correct.

5 Executed this 11 day of January, 2002 at Los Angeles, California.

6   
7 Jonathan Rosenthal

January 11, 2002

Clara Yang Strand  
Managing Director  
Bank of America, N.A.  
CA 9-706-11-21  
555 South Flower Street, 11<sup>th</sup> Floor  
Los Angeles, CA 90071-2385

Kenneth Smith  
Senior Asset Manager  
Delta Power Company, LLC  
2100 Santiago Drive  
Newport Beach, CA 92660

**Re: Pacific Gas & Electric Company**

Dear Clara and Ken:

Enclosed for your review is the (i) Second Interim Application of Saybrook Capital, LLC for Allowance and Payment of Compensation and Reimbursement of Expenses (August 1, 2001 through November 30, 2001); (ii) Declaration of Jonathan Rosenthal in support thereof; (iii) Saybrook Capital, LLC's detailed Summary of Weekly Activity During the Second Interim Application Period and Summary of Expenses; and (iv) Summary of Professionals Who Expended Time on This Case.

The Court's Guidelines for Compensation and Expense Reimbursement of Professionals and Trustees provide that a debtor in possession, a trustee or an official committee must exercise reasonable business judgment in monitoring fees and expenses of the estate's professionals. We invite you to discuss any objections, concerns or questions you may have with us. The Office of the United States Trustee will also accept your comments. The Court will consider timely filed objections by any party in interest at the time of the hearing.

Very Truly Yours,



Jonathan Rosenthal  
Partner

cc: Paul Aronzon  
Robert Moore