

50-275/323

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Special Counsel for Debtor in Possession
PACIFIC GAS AND ELECTRIC COMPANY

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

In re

PACIFIC GAS AND ELECTRIC
COMPANY, a California corporation,

Debtor.

Federal I.D. No. 94-0742640

Case No.: 01-30923 DM

Chapter 11 Case

[No Hearing Scheduled]

**HELLER EHRMAN WHITE & McAULIFFE LLP'S COVER SHEET
APPLICATION FOR ALLOWANCE AND PAYMENT OF INTERIM
COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR THE PERIOD
DECEMBER 1, 2001, THROUGH DECEMBER 31, 2001**

Heller Ehrman White & McAuliffe LLP (the "Firm" or "Heller Ehrman") submits its Cover Sheet Application (the "Application") for Allowance and Payment of Interim Compensation and Reimbursement of Expenses for the Period December 1, 2001, through December 30, 2001 (the "Application Period"). In support of the Application, the Firm respectfully represents as follows:

1. The Firm is Special Counsel to Pacific Gas and Electric Company, debtor and debtor-in-possession in the above-referenced bankruptcy case (the "Debtor"). The Firm hereby applies to the Court for allowance and payment of interim compensation for services rendered and reimbursement of expenses incurred during the Application Period.

HELLER EHRMAN'S COVER SHEET APPLICATION FOR PERIOD
DEC. 1, 2001, THROUGH DEC. 31, 2001
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Heller
Ehrman
White &
McAuliffe LLP

Appl Add: Kids Upc Mail Center

2. The Firm billed a total of \$446,804.33 in fees¹ and expenses during the Application Period. The total fees represent 1,543 hours expended during the Application Period. These fees and expenses break down as follows:

Period	Fees	Expenses	Total
12/1/01 – 12/31/01	\$411,202.70 ²	\$35,601.63	\$446,804.33 ³

3. Accordingly, the Firm seeks allowance of interim compensation in the total amount of \$385,123.93 at this time. This total is comprised as follows: \$349,522.30 (85% of the fees incurred during the Application Period)⁴ plus \$35,601.63 (100% of the expenses incurred).

4. For the post-petition period, the Firm has been paid to date as follows:⁵

¹ Pursuant to the Court's December 12, 2001, Memorandum Decision Regarding Applications for Interim Compensation of Professionals ("December 12, 2001 Order"), the fees requested herein have been reduced to reflect reduced billing rates for certain paralegal activities as follows:

(a) Time spent on file management tasks has been reduced to \$40 per hour. *See* December 12, 2001 Order at pp. 5-6.

(b) Time billed by paralegals Nneka Nwosu and M. Brett Stone has been reduced to \$40 per hour. *See id.* at pp. 15-16.

(c) Time spent in reviewing and routing articles regarding PG&E and the California energy crisis has been reduced to \$0 per hour. *See id.* at pp. 14-15.

In its Second Interim Fee Application filed on January 14, 2002, Heller Ehrman has requested that the Court amend its December 12, 2001 Order to permit services in the above three categories to be compensated at the Firm's full paralegal rates. *See* Application ¶ 78. For December 2001, the additional compensation owed to Heller Ehrman based on full paralegal rates for services in the above three categories would be \$7,343.50.

² \$418,546.20 if full paralegal rates on all services are allowed.

³ \$454,147.83 if full paralegal rates on all services are allowed.

⁴ Payment of this amount would result in a "holdback" of \$61,680.41, equal to 15% of the Firm's fees for services rendered during the Application Period.

⁵ On December 19, 2000, PG&E paid a retainer to Heller Ehrman in the amount of \$350,000. Pursuant to written agreement between the parties dated December 19, 2000, the retainer is not to apply to current billings in the ordinary course, but instead is to apply to Heller Ehrman's unpaid fees and expenses in the event that PG&E fails to make payment in the ordinary course. By written agreement dated April 5, 2001, the parties modified that arrangement to authorize Heller Ehrman to apply the retainer to payment of unpaid pre-petition fees and expenses on matters that are subject to an hourly billing arrangement. The

(Footnote continued)

Application Period	Amount Applied For	Description	Amount Paid
4/6/01 – 7/31/01 (first post-petition interim fee application period)	\$2,264,794.01	100% of fees and 100% of expenses	\$2,246,327.81 ⁶
8/1/01 – 8/31/01 (Aug. CSA period)	\$ 507,687.35	85% of fees and 100% of expenses	\$ 507,687.35
9/1/01 – 9/30/01 (Sept. CSA period)	\$ 398,784.91	85% of fees and 100% of expenses	\$ 398,814.51 ⁷
10/1/01 – 10/31/01 (Oct. CSA period)	\$ 527,472.52	85% of fees and 100% of expenses	\$ 542,494.90 ⁸
11/1/01 – 11/30/01 (Nov. CSA period)	\$ 514,542.89 ⁹	85% of fees and 100% of expenses	\$ 514,185.92
Total	\$4,213,281.68 ¹⁰		\$4,209,510.49

foregoing arrangement was approved by this Court in its June 4, 2001, Order Authorizing Debtor to Employ Heller Ehrman as Special Counsel (Apr. 17, 2001); *see also* PG&E's Application to Employ Heller Ehrman as Special Counsel ¶¶ 9-10 (Apr. 17, 2001); Declaration of Marie L. Fiala in Support of Application ¶ 9 (Apr. 8, 2001). As of the date of submission of this Cover Sheet Application, Heller Ehrman has applied \$153,148.07 of the retainer to a portion of its unpaid pre-petition fees and expenses on hourly rate engagements. Heller Ehrman continues to hold a retainer balance of \$196,851.93.

⁶ The amount paid reflects a disallowance of \$18,466.20 in fees. *See* Order Approving Heller Ehrman White & McAuliffe LLP's First Interim Fee Application for Allowance and Payment of Compensation and Reimbursement of Expenses for the Period April 6, 2001, Through July 31, 2001 (Nov. 21, 2001); December 12, 2001 Order at pp. 16-17.

⁷ The September Cover Sheet Application inadvertently understated the request for compensation by \$29.60, which PG&E paid.

⁸ In its October Cover Sheet Application, the Firm inadvertently did not include a request for payment of fees and expenses incurred in Matter No. 13779-0083 (Wayne Roberts v. PG&E), although the bill for that matter was attached to the October Cover Sheet Application. For Matter No. 13779-0083, the fees were \$17,359.80 and the expenses were \$266.52, for a total of \$17,626.32. Accordingly, the Firm's October Cover Sheet Application should have included a request for payment of an additional \$15,023.35 (85% of \$17,359.80 + 100% of \$266.52). PG&E has paid that additional amount.

⁹ After Heller Ehrman filed its November Cover Sheet Application, Heller Ehrman agreed with PG&E to reduce its November fees for Matter No. 13779-0077 by \$420. The revised November 2001 amount applied for therefore is \$514,542.89 – (85% x \$420) = \$514,185.92, which is the amount paid by PG&E.

¹⁰ On January 14, 2002, Heller Ehrman filed and served its Second Interim Fee Application requesting compensation for 100% of its fees and 100% of its expenses incurred during the period August 1, 2001, to November 30, 2001. The amount of fees and expenses requested therein equals the sum of: (i) the amounts applied for in each of the Cover Sheet Applications for the period August 1, 2001, to November 30, 2001, as reflected in the "Amount Applied For" column above; (ii) the 15% holdback amounts for those months, as reflected in the table in paragraph 5 below; and (iii) reductions for certain categories of paralegal time (described in footnote 1 above) and for other matters as explained in the Fee Application. The total

(Footnote continued)

5. To date, the Firm is owed as follows (excluding amounts owed pursuant to this Application):

Application Period	Amount	Description
First post-petition interim fee application period (4/6/01-7/31/01)	\$ 0	
August cover sheet application period (8/1/01-8/31/01)	\$ 83,901.32	15% fee holdback
September cover sheet application period (9/1/01-9/30/01)	\$ 66,927.54	15% fee holdback
October cover sheet application period (10/1/01-10/31/01)	\$ 90,229.08	15% fee holdback
November cover sheet application period (11/1/01-11/30/01)	\$ 86,185.58	15% fee holdback
Subtotal	\$ 318,239.37	
Less	(\$ 64,935.19)	Reductions in paralegal rates and other matters, as specified in Heller Ehrman's Second Interim Fee Application
Total Owed to Firm to Date	\$ 262,308.33	

6. With regard to the copies of this Application served on counsel for the Committee, counsel for the Debtor and the Office of the United States Trustee, attached as Exhibit 1 hereto is the name of each professional who performed services in connection with this case during the period covered by this Application and the hourly rate for each such professional; and (b) attached as Exhibit 2 are the detailed time and expense statements for the Application Period that comply with all Northern District of California Bankruptcy Local Rules and Compensation Guidelines and the Guidelines of the Office of the United States Trustee.

7. The Firm has served a copy of this Application (without Exhibits) on the Special Notice List in this case.

amount of compensation requested in the Fee Application for the period August 1, 2001, to November 30, 2001, is \$2,225,910.98.

1 8. Pursuant to this Court's "ORDER ESTABLISHING INTERIM FEE
2 APPLICATION AND EXPENSE REIMBURSEMENT PROCEDURE" which was entered
3 on or about July 26, 2001, the Debtor is authorized to make the payment requested herein
4 without a further hearing or order of this Court unless an objection to this Application is
5 filed with the Court by the Debtor, the Committee or the United States Trustee and served
6 by the fifteenth day of the month following the service of this Application. If such an
7 objection is filed, Debtor is authorized to pay the amounts, if any, not subject to the
8 objection. The Firm is informed and believes that this Cover Sheet Application was mailed
9 by first class mail, postage prepaid, on or about January 30, 2002.

10 9. The interim compensation and reimbursement of expenses sought in this
11 Application is on account and is not final. Upon the conclusion of this case, the Firm will
12 seek fees and reimbursement of the expenses incurred for the totality of the services
13 rendered in the case. Any interim fees or reimbursement of expenses approved by this
14 Court and received by the Firm (along with the Firm's Retainer) will be credited against
15 such final fees and expenses as may be allowed by this Court.

16 10. The Firm represents and warrants that its billing practices comply with all
17 Northern District of California Bankruptcy Local Rules and Compensation Guidelines and
18 the Guidelines of the Office of the United States Trustee. Neither the Firm nor any
19 members of the Firm has any agreement or understanding of any kind or nature to divide,
20 pay over or share any portion of the fees or expenses to be awarded to the Firm with any
21 other person or attorney except as among the members and associates of the Firm.
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1 WHEREFORE, the Firm respectfully requests that the Debtor pay compensation to
2 the Firm as requested herein pursuant to and in accordance with the terms of the "ORDER
3 ESTABLISHING INTERIM FEE APPLICATION AND EXPENSE REIMBURSEMENT
4 PROCEDURE."

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6 Dated: January 30, 2002

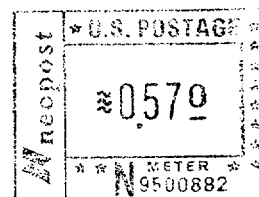
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9 Adam M. Cole
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