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8 ATTORNEYS FOR THE SENIOR DEBTHOLDERS

9 UNITED STATES BANKRUPTCY COURT
10 FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

11 IN RE:)
)
12 PACIFIC GAS AND ELECTRIC COMPANY,) Case No. 01-30923 DM
a California corporation)
13) Chapter 11 Case
Debtor.)
14) Date: March 25, 2002
) Time: 9:30 a.m.
15) Place: 235 Pine Street
) San Francisco, California
16)
)
17)

18 **DECLARATION OF STEVEN L. CURRY IN FURTHERANCE OF THE SENIOR DEBTHOLDERS'**
19 **STATEMENT IN SUPPORT OF PACIFIC GAS AND ELECTRIC COMPANY'S MOTION FOR**
20 **ORDER (A) APPROVING SETTLEMENT AND SUPPORT AGREEMENT BY AND AMONG**
21 **PLAN PROponents AND SENIOR DEBTHOLDERS, (B) AUTHORIZING PAYMENT OF**
22 **PRE- AND POST-PETITION INTEREST TO HOLDERS OF UNDISPUTED CLAIMS IN**
23 **CERTAIN CLASSES, (C) AUTHORIZING PAYMENT OF FEES AND EXPENSES OF**
24 **INDENTURE TRUSTEES AND PAYING AGENTS AND (D) AUTHORIZING**
25 **DEBTOR TO ENTER INTO SIMILAR SETTLEMENTS**

26 I, Steven L. Curry, declare as follows:

1. I am the Assistant to the Treasurer of the State of Tennessee for investment, accounting and other matters, including the investments of the State Pooled Investment Fund ("*State Pool*") and

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1 the Tennessee Consolidated Retirement System (“TCRS”). I maintain an office in the Andrew Jackson
2 State Office Building, 5th and Charlotte Avenue, Nashville, TN 37243-0230.

3 2. In addition to filing a proof of claim in the PG&E bankruptcy, the State of Tennessee, on
4 behalf of the State Pool and TCRS, is a member of the Official Unsecured Creditors Committee (the
5 “Committee”). My role does not include participation on the Committee.

6 3. I make this Declaration in furtherance of the Statement of a group of financial creditors
7 called the “Senior Debtholders” in Support of a notice and motion of Pacific Gas and Electric Company
8 (“PG&E”) captioned: “*Notice of Motion and Motion by Debtor and Senior Debtholders for Order (a)*
9 *Approving Settlement and Support Agreement Between Plan Proponents and Senior Debtholders, (b)*
10 *Authorizing Payment of Pre- and Post-Petition Interest to all Holders of Allowed Claims, (c)*
11 *Authorizing Payment of Fees and Expenses of Indenture Trustees and Paying Agents and (d)*
12 *Authorizing Debtor to Enter into Similar Settlements.*” This Declaration is based on my personal
13 knowledge of the facts stated herein. If called as a witness, I could and would testify competently to the
14 following facts.

15 4. The State Pool is comprised of moneys of the State, including general fund moneys, that
16 are not immediately needed for State expenditures. The authorized investments of the State Pool are
17 strictly governed by State constitutional, statutory and investment policy provisions and limited to those
18 investments expressly listed therein. The State Pool is authorized to invest in prime commercial paper,
19 but only such paper that is rated in the highest category by at least two commercial paper rating
20 agencies. The State Pool is also restricted to short term investments: the maximum maturity of any
21 security in the State Pool cannot exceed 397 days and the weighted average maturity of all securities
22 must be 90 days or less.

23 5. TCRS provides retirement benefits to state employees, higher education employees,
24 teachers and employees of political subdivisions that have elected to participate in the plan. With assets
25 exceeding \$23 billion, TCRS is one of the 50 largest pension plans in the United States. TCRS’ assets
26 are invested to preserve principal value, to achieve a superior rate of return within acceptable risk

1 levels, and to provide liquidity needed by the system to pay beneficiaries in a timely manner. Pursuant
2 to its investment statute and its investment policy, TCRS is authorized to purchase commercial paper
3 only if it is rated A-1 by Standard & Poor's or P-1 by Moody's.

4 6. The State Pool and TCRS routinely purchase securities that are consistent with their
5 respective investment policies. In making the decision to purchase a given security, both the State Pool
6 and TCRS consider, among other things, the creditworthiness of the issuer, the contractual rate of
7 interest, or expected yield at maturity, and the likelihood that the principal and any interest on the
8 security will be paid as promised.

9 7. Prior to the filing of PG&E's petition in bankruptcy, the State Pool purchased \$51,706,000
10 of commercial paper issued by PG&E (the "*Commercial Paper*") and TCRS purchased \$25,900,000 of
11 the Commercial Paper. The Commercial Paper was rated A-1 by Standard and Poor's and P-1 by
12 Moody's, the highest rating for commercial paper given by those rating agencies. The capital markets
13 consider such highly rated commercial paper to be secure investments and appropriate for governmental
14 funds, such as the State Pool, and retirement funds, such as TCRS.

15 8. Both the State Pool and TCRS purchased the Commercial Paper because (1) it was a
16 prudent short-term investment of temporarily idle funds that would enhance the liquidity of their
17 portfolios, (2) it was rated at the highest investment grade rating available for commercial paper
18 (A-1/P-1), which meant that the State Pool and TCRS could rely on payment at maturity and could plan
19 the expenditure or re-investment of the funds received at maturity in accordance with the needs of the
20 State and members of the retirement system and (3) based upon representations by PG&E, the State
21 Pool and TCRS believed that there were sufficient revolving credit facilities to provide backup funds to
22 pay the Commercial Paper at maturity.

23 9. Because of PG&E's default on the Commercial Paper, the State Pool was not able to show
24 its investment in the Commercial Paper as a cash asset of the State's general fund, reducing thereby the
25 funds available for State programs.

1 10. As the State Treasurer's assistant for investment and related matters, I have been closely
2 monitoring the bankruptcy case, including the proposed plan of reorganization filed by PG&E, the term
3 sheet for a plan of reorganization filed by the CPUC ("*CPUC Term Sheet*") and other proposed actions
4 and suggestions for the resolution of the PG&E bankruptcy. My monitoring has included obtaining,
5 from public Internet sites and other public sources, court filings, news reports, press releases,
6 investment analyses and other pertinent materials related to the PG&E bankruptcy, the PG&E plan of
7 reorganization and the CPUC Term Sheet. Based on this monitoring, and consultations with the
8 appropriate persons on the investment staff of the State Pool and TCRS, I am aware of the relevant
9 issues in the PG&E bankruptcy case, including the proposed treatment accorded the Commercial Paper
10 in the PG&E plan of reorganization and the alternative CPUC Term Sheet.

11 11. Representatives of the State of Tennessee were involved in the negotiation of the
12 Settlement and Support Agreement between the "Senior Debtholders" and PG&E (the "*Settlement*
13 *Agreement*") and have briefed me on the terms thereof. I have also reviewed the Settlement Agreement
14 myself.

15 12. Based on the foregoing, I believe that the Settlement Agreement, if and when it is
16 incorporated into the PG&E plan of reorganization, will make the PG&E plan of reorganization the best
17 alternative for the State Pool and TCRS of those that have currently been publicly presented or discussed
18 because, among other reasons, (1) it fixes the appropriate interest rate to be paid on the Commercial
19 Paper, (2) it seeks to reduce the damage suffered by investors by reason of PG&E's default on the
20 Commercial Paper and the cessation of interest payments on other debt obligations, (3) it recognizes that
21 as a solvent debtor PG&E will be required to pay the Commercial Paper in order to emerge from
22 bankruptcy and that using its available cash to make such payments PG&E and its estate will avoid
23 negative arbitrage, which will benefit all creditors, (4) the implementation of the
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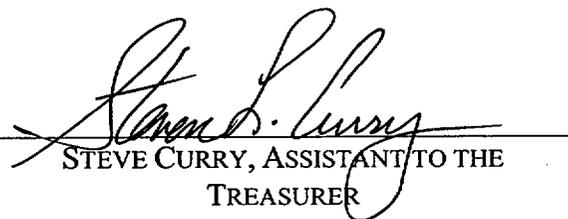
1 Settlement Agreement will restore the confidence of financial investors, such as the State Pool and
2 TCRS in the reliability of PG&E as an issuer of investment grade debt securities, which will benefit
3 all creditors (5) the terms of the Settlement Agreement will be available to all general unsecured
4 creditors similarly situated and therefore will not favor any individual creditor or group of creditors
5 of PG&E and (6) the provision for payment of accrued interest immediately upon approval of the
6 Settlement Agreement, which would put PG&E on a parity with other California utilities such as
7 Southern California Edison (which has brought its commercial paper out of default, including the
8 payment of accrued interest), would be an important step in restoring capital markets credibility and
9 confidence in PG&E to the benefit of PG&E, the bankruptcy estate and those who deal with PG&E,
10 such as its customers.

11 13. The undersigned, on behalf of the State of Tennessee and the State Pool and TCRS
12 offers this Affidavit solely in support of the financial position of those Tennessee entities. The
13 foregoing does not and is not intended to represent the position of the Committee, or any member
14 of that Committee, and is a statement made by the undersigned on behalf of the State of Tennessee
15 as an individual creditor only.

16 I declare under penalty of perjury under the laws of the United States of America and the
17 State of Tennessee that the foregoing is true and correct.

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19 Executed this 15th day of March, 2002 at Nashville, Tennessee.

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STEVE CURRY, ASSISTANT TO THE
TREASURER