

1 JAMES L. LOPES (No. 63678)
2 JANET A. NEXON (No. 104747)
3 JULIE B. LANDAU (No. 162038)
4 HOWARD, RICE, NEMEROVSKI, CANADY,
5 FALK & RABKIN
6 A Professional Corporation
7 Three Embarcadero Center, 7th Floor
8 San Francisco, California 94111-4065
9 Telephone: 415/434-1600
10 Facsimile: 415/217-5910

50-215/323

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

13 UNITED STATES BANKRUPTCY COURT
14 NORTHERN DISTRICT OF CALIFORNIA
15 SAN FRANCISCO DIVISION

16 In re

Case No. 01-30923 DM

17 PACIFIC GAS AND ELECTRIC
18 COMPANY, a California corporation,

Chapter 11 Case

19 Debtor.

Date: May 9, 2002

Time: 1:30 p.m.

Place: 235 Pine Street, 22nd Floor
San Francisco, California

20 Federal I.D. No. 94-0742640

21 DECLARATION OF TERRY MORFORD IN SUPPORT OF
22 MOTION FOR ORDER AUTHORIZING EXPENDITURES
23 RELATED TO PERMITS AND FRANCHISES

24
25
26
27 A001 Add: Kids Oge Mail Center
28

DECLARATION OF TERRY MORFORD

1 I, Terry Morford, declare:

2 1. I am the Director of Project Management for Pacific Gas and Electric
3 Company ("PG&E"), the debtor and debtor-in-possession in this Chapter 11 case. I am the
4 project manager for the work related to the transfer of permits and acquisition of franchises
5 in connection with the implementation of PG&E's proposed plan of reorganization (as
6 amended from time to time, the "Plan"). This declaration is submitted in support of PG&E's
7 Motion for Order Authorizing Expenditures related to Permits and Franchises (the
8 "Motion"). Defined terms used herein shall have the meanings set forth in the Motion. I
9 make this declaration from personal knowledge and if called as a witness, could and would
10 testify competently to the matters set forth herein.

11 2. The contractors described below will assist PG&E with the process of
12 transferring Permits and acquiring Franchises for the New Entities (the "Permit and
13 Franchise Work"). While PG&E has in-house expertise in this area, the volume of Permit
14 and Franchise Work and time period for completion of the work requires substantial outside
15 assistance. The contractors described below will perform their portion of the Permit and
16 Franchise Work at the direction of and under the supervision of PG&E.

17 3. Transcon Infrastructure, Inc. Transcon is experienced with managing and
18 coordinating permitting, licensing and siting efforts on a broad range of utility infrastructure
19 projects, including coordination efforts with local, state and federal agencies. Transcon will
20 perform the following types of services with respect to the Permit and Franchise Work:
21 (i) project management; (ii) planning and training assistance for all PG&E team members
22 including the Entitlement Agents described below; (iii) assistance with the transfer of the
23 Permits and the acquisition of Franchises, including documentation; and (iv) evaluation of
24 the procedural requirements underlying PG&E's existing permits and licenses.

25 4. The total estimated expenditure for Transcon's work described above is
26 approximately \$950,000, for the period beginning in February 2002 and continuing to the
27 Effective Date (as defined in the Plan) or such earlier date on which the Permit and
28 Franchise Work has been completed. Transcon began limited work in February 2002 to

1 assist PG&E in determining the scope and timing of the work to be completed and project
2 staffing needs. PG&E would pay Transcon on a monthly basis as work is completed, based
3 on monthly billings by Transcon.

4 5. Entitlement Agents. PG&E will also be utilizing 11 individuals who are
5 employed by Corestaff Services, Inc., a staffing agency, for assistance with the Permit and
6 Franchise Work (the "Entitlement Agents"). The Entitlement Agents will be responsible for
7 the acquisition of Franchises and assisting with the transfer of Permits, including (i)
8 developing a strategy and plan for the timely acquisition of Franchises; (ii) conducting
9 negotiations with the cities, counties and districts as necessary; and (iii) working with the
10 cities, counties and districts in transferring the Permits. In connection with the Permit work,
11 the Entitlement Agents will assist with the portion of the Permits to be transferred by local
12 government (including cities, counties and districts), which comprise the majority of the
13 issuing agencies. Each Entitlement Agent will be assigned to a group of 10 to 20 cities,
14 counties and districts within a given geographical location. PG&E is choosing the
15 Entitlement Agents based on their ability to work effectively with local governments; some
16 have experience working in regulated industries and others have experience working in
17 technical marketing.

18 6. The total estimated expenditure for the Entitlement Agents' work described
19 above is approximately \$3 million, for the period beginning April 2002 and continuing to the
20 Effective Date (as defined in the Plan) or such earlier date on which the Permit and
21 Franchise Work has been completed. PG&E would pay the Entitlement Agents through
22 Corestaff Services, Inc. on a monthly basis as work is completed, based on monthly billings
23 by the Entitlement Agents.

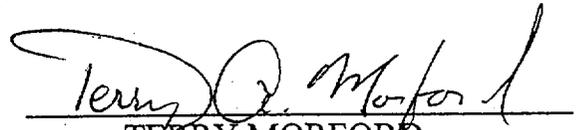
24 7. The Permit and Franchise Work is essential to the implementation of the
25 Plan. Although the Plan is not yet confirmed, PG&E estimates that it could take up to 12
26 months to complete the Permit and Franchise Work necessary to enable the New Entities to
27 operate their respective businesses. In some instances, the timing may vary due to factors
28 over which PG&E has no control, such as electoral approval required for a Franchise

1 ordinance, or exercise of an agency's discretion in processing a Permit transfer application.
2 Therefore, given the volume of work and the time required for completion, the Permit and
3 Franchise Work must be accelerated well in advance of confirmation of the Plan in order to
4 assure a timely Plan consummation.

5 8. Some government agencies will be receiving an influx of Permit and/or
6 Franchise applications, which may stretch agency resources. Thus, in assessing the need to
7 complete the Permit and Franchise Work, PG&E is assuming that typical time periods for
8 processing applications may be extended, particularly for agencies receiving multiple
9 applications.

10 9. PG&E's standard contractual provisions in place with Transcon and the
11 Entitlement Agents (through Corestaff Services, Inc.) do not guarantee future work or any
12 minimum amount of revenue. PG&E also maintains the right to terminate the contracts at
13 any time without cause, in which case PG&E is liable only for work performed to the date of
14 termination plus costs reasonably incurred by the contractor in terminating any work in
15 progress.

16 I declare under penalty of perjury of the laws of the United States that the
17 foregoing is true and correct, and that this declaration was executed at San Francisco,
18 California on April 19, 2002.

19 
20 TERRY MORFORD

21
22
23
24
25
26
27
28
WD 041802/1-1419905/988992/v1