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UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

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 Date: May 30, 2002 Time: 1:30 p.m. Place: 235 Pine Street, 22nd Floor San Francisco, California

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DECLARATION OF BRUCE R. BOWEN IN SUPPORT OF MOTION FOR AUTHORIZATION TO INCUR HUMAN RESOURCES MANAGEMENT SYSTEM EXPENSES

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I, Bruce R. Bowen, declare:

1. I am Director of Regulatory Analysis for Pacific Gas and Electric Company ("PG&E"), the debtor and debtor-in-possession in this Chapter 11 case. I am the project manager for the Human Resources Management System project in connection with the implementation of PG&E's proposed Plan of Reorganization (as amended from time to time, the "Plan"). This declaration is submitted in support of PG&E's Motion for Authorization to Incur Human Resources Management System Expenses (the "Motion"). Defined terms used herein shall have the meanings set forth in the Motion. I make this declaration from personal knowledge and if called as a witness, could and would testify competently to the matters set forth herein.

2. PG&E's human resources and payroll systems ("HR/Payroll System") process all employee-related transactions, including payroll, employee benefits, employee classifications, and compliance with employment-related laws, rules and regulations. Current and historical data on employees and former employees with vested interests are processed at all stages of the employment lifecycle. Tasks such as generating paychecks, hiring, promotions and restructurings of business units, are enabled or performed by these systems. With thousands of employees, the HR/Payroll System is essential to business operations and to PG&E's ability to use its workforce effectively.

3. PG&E's HR/Payroll System currently supports 33,000 current and former employees and accommodates the requirements of four collective bargaining agreements in place between PG&E and its three unions. The HR/Payroll System consists of over 50 different information technology systems and applications. The average age of the core computer processes, employee file maintenance and pay calculation, is in excess of 30 years. Over the past several years, PG&E has studied the costs of replacing its aging HR/Payroll System. In lieu of replacement, PG&E has continued to maintain these applications and to replace those elements that are most at risk; however, the applications are based on outdated technology and computer code and system and transaction failures have occurred with increasing frequency. Another consequence of the outdated HR/Payroll System is the

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decreasing number of knowledgeable employees and other potential resources available to maintain the applications.

4. The New Entities will require human resources and payroll systems to support the payroll and related functions needed for a company employing thousands of employees with benefits comparable to PG&E's existing benefits, and the restrictions of a collective bargaining agreement, among other complexities. Since the HR/Payroll System is in need of replacement, PG&E believes that it would be impractical and perhaps impossible to use versions of the existing system for the New Entities. For example, the technical infrastructure for the HR/Payroll System is nearing obsolescence, it is increasingly difficult to find computer programmers with knowledge about the existing systems, and the risk and frequency of system failures continues to increase. Also, the HR/Payroll System is not capable of processing transactions for employees of multiple companies.

5. For the New Entities, PG&E has selected an integrated, vendor-supplied human resources system developed by PeopleSoft, Inc. ("PeopleSoft"), known as the Human Resources Management System ("HRMS"). The HRMS offers the functionality and flexibility of modern software and also avoids PG&E's current problems with system failures and obsolete program code. The HRMS consists of four PeopleSoft modules: Human Resources, Benefits Administration, Payroll, and Time and Labor. The functions of these modules will include, among other things: workforce administration and personnel records; employee payroll; employee time reporting; payroll tax reporting; employee vacation and leave accruals and balances; employee benefits enrollment, eligibility and premium determination; Equal Employment Opportunity compliance and other workforce statistics; and interfaces with external medical, insurance, financial and other providers.

6. In order to implement the HRMS for use by the New Entities, PG&E has selected PeopleSoft to provide technical and functional assistance (the "Services"). PG&E does not have sufficient internal resources to implement the HRMS, nor does PG&E have the expertise and experience that PeopleSoft will provide. PeopleSoft will work under the direction and supervision of PG&E's project manager for the HRMS implementation.

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PeopleSoft will provide project management support, functional leads for each module, technical resources, a database administrator and a test team. PG&E may require additional resources in connection with the completion of the HRMS project, such as end-user training and documentation, and technical and administrative assistance. If and when PG&E decides that such assistance is required, PG&E will file a subsequent motion seeking approval for these additional expenses.

7. Specifically, the Services to be provided by PeopleSoft will include: (i) implementation of the HRMS through the four modules, including configuration and set-up of the software to match the New Entities' specific business processes and requirements, in addition to system testing and system deployment; (ii) designing, building and testing of interfaces between the HRMS and internal (such as accounting) and external (such as payroll direct deposit) systems; (iii) programming changes or customizations required by the New Entities' business requirements that cannot be supported by the standard design of the HRMS; (iv) development of controls, procedures and authorizations to be configured into the software to control access to confidential or other private information within the system; (v) designing and building the tools needed to extract and deliver system data to end users; and (vi) configurations needed to control the flow of authorizations and signoffs involved in, for example, hiring a new employee or authorizing a payroll change.

8. The total estimated expenditure for PeopleSoft's Services described above is approximately $2.2 million for the period beginning April 2002 and continuing to the Effective Date (as defined in the Plan). PeopleSoft began limited work in April 2002 in order to determine the scope and timing of the HRMS project. PG&E will pay PeopleSoft on a monthly basis, based on monthly billings by PeopleSoft.

9. The implementation of the HRMS for the New Entities must begin immediately in order for Plan implementation to occur on a timely basis. As with any business entity employing thousands of employees, the development of a comprehensive computer system for tracking employees, payroll and related functions is one of the critical first steps in establishing the foundation for the New Entities to begin business operations.

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PG&E estimates that the process for development of the HRMS could take a minimum of 7 months and up to 12 months. The project is designed to deliver basic functionality of the HRMS by the Effective Date in order for the New Entities to begin operations. However, it is difficult to estimate the actual time period required for the HRMS to reach functionality. PG&E intends to keep customization of the HRMS to a minimum and to take advantage of PeopleSoft's expertise and experience. A certain level of customization will be required, however, given the complexities of the payroll processes as well as union requirements. Also, PG&E's previous experience with system replacements has shown that this type of project can take longer than estimated due to unanticipated contingencies.

10. To the extent that subsequent events demonstrate that the HRMS is unnecessary, PG&E retains the right to terminate PeopleSoft's contract. The contract between PG&E and PeopleSoft does not guarantee future work or any minimum amount of revenue. PG&E also maintains the right to terminate the contract at any time upon 14 days written notice, without cause, in which case PG&E is liable only for Services performed to the date of termination.

I declare under penalty of perjury of the laws of the United States that the foregoing is true and correct, and that this declaration was executed at San Francisco, California on May 10, 2002.

Bruce R Bowen

BRUCE R. BOWEN

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