

50-245/323

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

6 Attorneys for Debtor and Debtor in Possession  
7 PACIFIC GAS AND ELECTRIC COMPANY

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

12 In re  
13 PACIFIC GAS AND ELECTRIC  
COMPANY, a California corporation,  
14 Debtor.  
15 Federal I.D. No. 94-0742640

Case No. 01-30923 DM  
Chapter 11 Case  
Date: June 13, 2002  
Time: 1:30 p.m.  
Place: 235 Pine Street, 22nd Floor  
San Francisco, California

HOWARD  
RICE  
NEMEROVSKI  
CANADY  
FALK  
& RABKIN  
A Professional Corporation

17 DECLARATION OF MICHAEL SCHONHERR  
18 IN SUPPORT OF MOTION FOR AUTHORIZATION TO INCUR  
19 ADDITIONAL PERMIT EXPENSES  
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DECLARATION OF MICHAEL SCHONHERR

1 I, Michael Schonherr, declare:

2 1. I am a Manager in the Building and Land Services Department for Pacific  
3 Gas and Electric Company ("PG&E"), a position I have held since September 2001. I have  
4 worked in various managerial capacities for the Building and Land Services Department for  
5 over 14 years. I make this declaration in support of the Motion for Authorization to Incur  
6 Additional Permit Expenses (the "Motion"). Defined terms used herein shall have the  
7 meanings set forth in the Motion. This Declaration is based on my personal knowledge,  
8 except where indicated otherwise. If called as a witness, I could and would testify  
9 competently to the facts stated herein.

10 2. I am informed and believe that PG&E holds tens of thousands of operating  
11 and land occupancy permits, licenses and related governmental entitlements from local, state  
12 and federal government agencies. I am informed and believe that approximately 15,000 of  
13 these permits, licenses and entitlements (collectively, "Permits") must be transferred or  
14 reissued to the New Entities in order for the New Entities to conduct business operations in  
15 accordance with applicable laws, rules and regulations. The New Entities could begin  
16 operations without a small portion of these Permits, which involve non-essential activities.

17 3. The Plan contemplates that PG&E will follow established application  
18 procedures for the transfer of Permits under applicable local, state or federal law. I am  
19 informed and believe that many Permit transfers will involve ministerial review by the  
20 government agency, which typically takes several weeks to process following receipt of  
21 appropriate documentation, while other Permit transfers will involve discretionary review  
22 and approval by the government agency, which varies by agency but typically requires from  
23 one to six months to process following receipt of appropriate documentation.

24 4. Some government agencies will be receiving an influx of Permit  
25 applications, which may stretch agency resources. Thus, in assessing the potential time  
26 periods required for completion of the Permit transfers, PG&E is assuming that typical time  
27 periods for processing applications may be extended, particularly for agencies receiving  
28 multiple applications.

1           5. The Motion seeks approval for certain expenses related to the transfer of the  
2 Permits to the New Entities (the "Permit Work"). The Motion supplements PG&E's  
3 previous Permit and Franchise Motion, which focused on expenses related to the transfer of  
4 Permits issued by *local government agencies* (as well as expenses related to obtaining new  
5 franchises). The focus of the Motion is on expenses related to the transfer of Permits issued  
6 by *state and federal government agencies*, which comprise the majority of the Permits to be  
7 transferred to the New Entities (there are in excess of 6,100 federal agency Permits and in  
8 excess of 6,700 state agency Permits). The contractors described below have specialized  
9 expertise and experience in dealing with government entitlement issues and will handle, in  
10 addition to the state and federal government Permit transfers, the more complex local  
11 government Permit transfers as well.

12           6. The contractors described below (the "Contractors") will assist PG&E with  
13 the process of transferring Permits to the New Entities. Although PG&E maintains internal  
14 expertise in this area, the volume and timing of the Permit Work requires substantial outside  
15 assistance. The Contractors will perform the Permit Work at the direction of and under the  
16 supervision of PG&E. The Contractors have previously worked for PG&E, are familiar with  
17 PG&E's unique permit issues and possess significant experience and understanding of the  
18 local, state and federal processes. The Contractors who will perform this work are as  
19 follows:

- 20           •CH2M-Hill, Inc.
- 21           •EDAW, Inc.
- 22           •Essex Environmental
- 23           •Matrix Environmental Planning
- 24           •Dinwiddie & Associates

25           7. Specifically, the work to be performed by each of the Contractors will  
26 include: (i) contact with agency staff to conduct "pre-application" meetings to discuss and  
27 confirm transfer requirements such as form and content of applications, key contacts and  
28 supporting documentation required for the transfer process; (ii) analysis and assembly of  
necessary supporting documentation; (iii) preparation and submission of applications for the  
transfer of Permits; (iv) coordination and resolution of agency inquiries relating to the

1 transfer process; and (v) negotiations with agencies as necessary.

2 8. Each of the Contractors will perform the functions described above.  
3 However, the work will be divided among the Contractors according to their availability and  
4 also according to government agency focus. For example, one Contractor may handle the  
5 transfer of Permits issued by certain federal agencies such as the United States Forest  
6 Service (covering over 2,000 Permits), while another Contractor may handle the transfer of  
7 Permits issued by the California Department of Motor Vehicles (covering over 1,200  
8 Permits).

9 9. In addition to the Contractors, PG&E anticipates hiring independent  
10 contractors to perform similar functions. These individuals will be hired on a temporary  
11 basis through Corestaff Services, Inc. ("Corestaff"), and will also have familiarity with  
12 PG&E's unique permit issues and experience with government agency application  
13 processes. The number of additional staff required will depend on the ability of the  
14 Contractors to fully staff projects as well as the scope and complexities of the Permit Work  
15 as the process advances. For example, one individual (a retired PG&E employee) has been  
16 chosen to lead the process of transferring Permits issued by the California Department of  
17 Transportation. PG&E contemplates that additional individuals will be similarly employed  
18 on an as-needed basis.

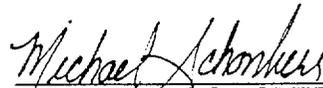
19 10. PG&E estimates that the total expenses to be paid to the Contractors  
20 (including any individuals employed by Corestaff) will be approximately \$7 million, over  
21 the period beginning May 2002 and continuing to the Effective Date (as defined in the Plan)  
22 or such earlier date on which the Permit Work has been completed. PG&E will pay the  
23 Contractors on a monthly basis as work is completed, based on monthly billings by the  
24 Contractors (except for individuals employed by Corestaff, who will be paid on a weekly  
25 basis, based on the number of hours worked).

26 11. The Permit Work is essential to the implementation of the Plan. PG&E  
27 believes that it could take several months to complete the Permit Work necessary to enable  
28 the New Entities to operate their respective businesses. The timing for Permit transfers will

1 vary, in part, due to factors over which PG&E has no control, such as the exercise of an  
2 agency's discretion in processing Permit applications, or the ability of certain agencies to  
3 process a substantial number of applications at the same time. Therefore, the Permit Work  
4 must begin well in advance of confirmation of the Plan, given the volume of work involved  
5 and the potential time period required for completion of this work.

6 12. To the extent that subsequent events demonstrate that the Permit Work will  
7 not be necessary, the work can be terminated immediately. PG&E's standard contractual  
8 provisions in place with the Contractors and Corestaff do not guarantee future work or any  
9 minimum amount of revenue. PG&E also maintains the right to terminate the contracts at  
10 any time without cause, in which case PG&E is liable only for work performed to the date of  
11 termination plus costs reasonably incurred by the Contractors in terminating any work in  
12 progress.

13 I declare under penalty of perjury under the laws of the United States of America  
14 that the foregoing is true and correct and that this Declaration is executed this 23rd day of  
15 May, 2002, at San Francisco, California.

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18 MICHAEL SCHONHERR

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