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7 PACIFIC GAS AND ELECTRIC COMPANY

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

11 In re

Case No. 01-30923 DM

12 PACIFIC GAS AND ELECTRIC  
13 COMPANY, a California corporation,

Chapter 11 Case

14 Debtor.

Date: August 12, 2002

Time: 9:30 a.m.

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

15 Federal I.D. No. 94-0742640  
16

17  
18 DECLARATION OF LANCE MAEDA IN SUPPORT OF  
19 MOTION FOR AUTHORITY TO INCUR  
20 INFORMATION TECHNOLOGY CONSULTING EXPENSES  
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DECLARATION OF LANCE MAEDA

HOWARD  
RICE  
NEMEROVSKI  
CANADY  
FALK  
& RABKIN  
A Professional Corporation

1 I, Lance Maeda, declare:

2 1. I am employed by Pacific Gas and Electric Company ("PG&E"), the debtor  
3 and debtor-in-possession in this Chapter 11 case. I have been employed by PG&E since  
4 1996 and hold the position of Director of Application Development & Support. In this  
5 position, I am responsible for technical oversight of information technology ("IT") software  
6 projects within PG&E's Information Systems and Technical Services Organization; I also  
7 have company-wide responsibilities in the IT area, including responsibility for creating and  
8 implementing plans, policies and procedures for PG&E's IT software activities and for  
9 supervising employees engaged in systems development and support functions. In  
10 connection with implementation of PG&E's proposed Plan of Reorganization (as amended  
11 from time to time, the "Plan"), my specific responsibilities include: identification of  
12 applications that will be needed by the New Entities, integrated testing of applications  
13 migrating from PG&E to the New Entities, and defining security strategies for applications  
14 to be used by the New Entities.

15 2. This declaration is submitted in support of PG&E's Motion for Authority  
16 to Incur Information Technology Consulting Expenses (the "Motion"). Defined terms used  
17 herein shall have the meanings set forth in the Motion. I make this declaration based on  
18 personal knowledge, except where otherwise indicated, and if called as a witness, could and  
19 would testify competently to the matters set forth herein.

20 3. Description of IT Applications Project. The IT Applications Project  
21 includes the implementation (including installation, configuration and testing, among other  
22 tasks) of various IT applications (specialized business software that performs customized  
23 functions) that will be necessary for the business operations of the New Entities. The IT  
24 Applications Project includes the process of replicating existing IT applications in use by  
25 PG&E for the benefit of the New Entities and creating new IT applications where necessary.  
26 Numerous IT consultants will work on different aspects of the IT Applications Project. The  
27 following is a description of the work related to applications that will be shared by the New  
28 Entities:

1           a.     Internet Applications. IT consultants will design and implement an  
2 Internet site to support the business needs of the New Entities and will integrate all content  
3 and applications for the Internet site. The site will enable customers of PG&E's gas  
4 pipelines to continue to schedule and nominate gas online, allow the financial community  
5 and investors easy access to financial and operational data, and provide the public with  
6 information on important events involving the New Entities.

7           b.     Intranet Applications. IT consultants will design and establish a single  
8 Intranet for the New Entities. The Intranet will function as a centralized portal and  
9 repository for accessing web-enabled applications and will provide employees with tools,  
10 services and information needed for daily business operations, (e.g., timesheets; job bidding;  
11 electric control systems; safety, health and claims information; and regulatory and  
12 compliance information).

13           c.     Human Resources Applications. IT consultants will create applications  
14 that are critical to the human resource needs of the New Entities, and which are not covered  
15 by the contract with PeopleSoft for implementation of the human resources management  
16 system. In some cases, these applications will be replicated from existing PG&E  
17 applications and the IT consultants will make any appropriate or necessary modifications in  
18 order to adapt the applications for use by the New Entities. Examples of such applications  
19 include Employee Assistance Program Tracking, Salary Planning/Market Data and the Test  
20 Results Tracking Database.

21           d.     Building & Land Services Applications. IT consultants will create  
22 applications necessary to support building and land management for the New Entities; in  
23 some cases, the consultants will replicate existing PG&E applications with appropriate  
24 modifications. Examples of such applications include the Building and Land Inventory  
25 System, the Building Department Job Tracking Database System and the Geographic  
26 Information System ("GIS"). GIS is currently used extensively throughout PG&E. It is a  
27 complex, multi-layered application that utilizes maps and data from a variety of sources.  
28 The IT consultants will determine what data is needed by each of the New Entities, replicate

1 GIS for the New Entities and migrate the appropriate data from the existing GIS to the new  
2 GIS for the New Entities.

3 e. Safety, Health and Claims Applications. PG&E's Safety, Health and  
4 Claims Department ("SH&C") uses a number of custom and packaged applications. The  
5 New Entities will use an Application Service Provider ("ASP") to provide and host the  
6 necessary SH&C applications. An IT consultant will assist the New Entities in selecting the  
7 ASP based on expertise, cost and ability to meet business requirements. In some cases, the  
8 SH&C applications may need to be designed by the ASP or by IT consultants working with  
9 the ASP.

10 f. Capital Accounting Applications. The New Entities will have substantial  
11 capital assets after implementation of the Plan. IT consultants will implement applications  
12 (including installation, customization and testing as needed) to manage the capital  
13 accounting systems for the New Entities. Examples of the types of applications that may be  
14 replicated and/or modified for use by the New Entities are: Accufile: AS109 Depreciation,  
15 Ratemaking Deferred Tax Reserve, Tax Accrual and Tax Depreciation.

16 g. Other Miscellaneous Applications. IT consultants will implement  
17 (including installation, customization and testing as needed) non-capital accounting,  
18 environmental and other miscellaneous applications needed by the New Entities, including  
19 applications related to credit verification, federal, state and local taxes, and risk  
20 management.

21 4. Description of IT Applications Project: Applications for Electric  
22 Generation LLC. The following applications are specific to Electric Generation LLC  
23 ("Gen"), the New Entity that will carry on the electric generation line of business.

24 a. Early Warning System Backup. The Early Warning System ("EWS")  
25 provides public notification of a nuclear event at the Diablo Canyon Power Plant. The EWS  
26 Backup Control Station is used in the event that the Primary EWS Control Station, located at  
27 the Emergency Operations Facility in San Luis Obispo, becomes inoperable. The EWS is a  
28 key part of both the Diablo Canyon and San Luis Obispo County Emergency Plans. An IT

1 consultant will provide engineering support for the transfer of the existing EWS Backup  
2 System to Gen.

3 b. Master Power Purchase and Sale Agreement. In connection with  
4 implementation of the Plan, Gen and PG&E will enter into a long-term power sales  
5 agreement, the Master Power Purchase and Sale Agreement. Under this agreement, new  
6 settlement and billing systems must be developed, in order to meet Gen's needs and to  
7 comply with FERC rules. These new systems will require revisions to existing IT  
8 applications and development of new IT applications related to electric generation and  
9 billing, including applications related to data and information sharing, revisions to PG&E's  
10 existing systems and development of new business processes for scheduling and billing. IT  
11 consultants will install, modify and test the business systems necessary for this project.

12 5. Description of IT Applications Project: Applications for GTrans LLC. The  
13 following applications are specific to GTrans LLC ("GTrans"), the New Entity that will  
14 carry on the gas transmission line of business.

15 a. Gas Billing Systems. Currently, PG&E bills and records the payments of  
16 certain large gas customers and gas shippers as part of its portfolio of gas accounts. The bill  
17 calculation is completed by the Advanced Billing Solutions ("ABS") system, a stand-alone  
18 billing system for large industrial and commercial accounts, and transmitted to PG&E's  
19 customer information system to produce a bill and record receivables. Upon separation of  
20 the lines of business under the Plan, GTrans will acquire these large gas customers and gas  
21 shippers. However, the ABS system will be retained by PG&E so that PG&E can continue  
22 to bill complex distribution accounts. While GTrans will develop its own system for  
23 performing the billing functions currently performed by ABS, this process may take up to  
24 two years to complete. Therefore, in connection with implementation of the Plan, PG&E  
25 and GTrans will enter into a Measure, Bill and Collect Agreement (the "GTrans  
26 Agreement") to accommodate the billing needs of GTrans post-separation while GTrans  
27 completes the development of an independent billing system. Under the GTrans Agreement,  
28 PG&E will provide the following services to GTrans: measure customer usage (i.e., meter

1 reading), calculate customer bills, issue the bills, process payments, provide information on  
2 customers whose accounts are delinquent, and report revenues to meet regulatory and other  
3 requirements. In order for PG&E to provide these services to GTrans, separate IT  
4 applications will need to be developed to support data retrieval, bill calculation, bill  
5 presentment, collection efforts, Electronic Data Interchange protocols for billing and  
6 payment processing, and revenue reporting. IT consultants will analyze GTrans' business  
7 needs and will develop applications that will perform the billing functions for GTrans that  
8 are currently performed by the ABS system.

9 b. Gas Transactions Systems. Currently, the scheduling process for the gas  
10 pipeline system is managed in a single computer application, the Gas Transactions System  
11 ("GTS"). GTS tracks the amount of gas entering PG&E's system from different sources and  
12 schedules it for delivery at various points in the system for ultimate use by customers. Upon  
13 separation of the lines of business under the Plan, the GTS will be transferred to GTrans.  
14 However, PG&E will still require certain functions of the GTS for gas distribution purposes  
15 until such time as PG&E is able to develop a new system that meets its scheduling  
16 requirements post-separation. The GTrans Agreement, in addition to the billing services  
17 outlined above, provides for GTrans to perform tracking and scheduling services for PG&E.  
18 IT consultants will analyze the business needs of both PG&E and GTrans in their use of  
19 GTS, and then modify the GTS so that it can track PG&E's and GTrans' gas information  
20 separately, create separate gas delivery schedules, and prepare separate reports. The IT  
21 consultants will also modify the interfaces between GTS and other systems that rely on the  
22 information collected by GTS, so that these systems can receive the appropriate information  
23 from GTS post-separation.

24 6. Description of IT Applications Project: Applications for PG&E as  
25 Reorganized Debtor. After implementation of the Plan, PG&E will require approximately  
26 16 applications that are now provided by PG&E's parent corporation, PG&E Corporation,  
27 including applications related to banking and money management, tax and legal compliance  
28 and business ethics. IT consultants will install, modify as necessary and test the applications

needed by PG&E after implementation of the Plan.

7. PG&E intends to utilize various types of IT consultants on a temporary basis through the following staffing agencies and consulting firms: Corestaff Services, Inc.; Tom Walsh, Inc.; Churchill Benefit, dba Yurcor; AG Consulting, a division of ADP, Inc.; Millennium Consulting; Federal Signal Corporation; Blackstone Technology Group; TMP, Worldwide; Resource Connection; Thinknicity; and Software Consulting Group. PG&E's standard contractual provisions in place with these agencies and firms do not guarantee future work or any minimum amount of revenue. PG&E also maintains the right to terminate the work at any time without cause, in which case PG&E is liable only for work performed to the date of termination plus costs reasonably incurred by the consultant in terminating any work in progress.

8. The following paragraphs 9 through 12 describe the specific types of consultants to be utilized and the work to be performed. The estimated costs are set forth parenthetically. As a general overview, the costs have been estimated through the following process: (i) the development by PG&E's subject-matter experts and project managers of plans specifying the work to be completed; (ii) an assessment whether and to what extent consultants will be required to perform the work (based on availability of employees and necessary skills or expertise in-house); (iii) the development of estimates for the number of hours required to perform each task; (iv) discussions with agencies and consulting firms regarding the availability of consultants with the necessary expertise and applicable hourly rates; and (v) the development of final cost estimates based on the estimated number of hours multiplied by applicable hourly rates with an added component for estimated reimbursable expenses.

9. IT Applications Project - Shared Applications.

a. Business Analysts (\$486,000). Seven business analysts will be hired through Corestaff Services, Inc. ("Corestaff"), a staffing agency, to study and define the New Entities' business requirements and to describe the computer codes and business rules that will be necessary to meet these requirements.

b. Content Coordinator and Content Migrators (\$325,000). A content coordinator and six content migrators will be hired through Corestaff to help provide the content for the New Entities' Internet site and Intranet. These consultants will study PG&E's existing Internet site and Intranet, determine what portions of the existing content can be used by the New Entities, arrange for migration of data to the New Entities and document remaining content to be obtained.

c. Content Developers (\$258,000). Three content developers will be hired through Corestaff to work with the content coordinator and migrators (described in paragraph b above) to develop the necessary content structure for the New Entities' Internet site and Intranet, using such programming tools as HTML (hypertext markup language) and java script. These consultants will also be responsible for data migration and Intranet testing and support.

d. Project Manager for Miscellaneous Applications (\$125,000). A project manager will be hired through Corestaff to manage the replication, development and implementation of the accounting, environmental and other shared applications needed by the New Entities, including business and technical analysis related thereto.

e. Senior Project Manager and Project Support Analysts (\$300,000). A senior project manager and two project support analysts will be hired through Corestaff. The senior project manager will coordinate, track and report with respect to the following applications: Internet, Intranet, human resources, building and land services, and SH&C. The project support analysts will support the senior project manager.

f. Systems Analysts (\$1,229,000). 14 systems analysts will be hired through Corestaff to perform a variety of tasks needed as part of the IT Applications Project, including designing technical solutions, developing computer interfaces, replicating applications as needed by the New Entities, migrating data to the New Entities and modifying and testing applications. The systems analysts will also develop web-based applications and computer interfaces for the SAP system (the system that includes accounting and purchasing functions). The systems analysts will also develop a new



franchise fee system for the New Entities.

g. Web Administrator and Security Specialists (\$110,000). Three specialists in web administration and web security will be hired through Corestaff and will work on the Internet site and Intranet, in the specific areas of hardware and software analysis, setup and configuration, web security and graphic and multimedia design.

h. Technical Writer (\$50,000). A technical writer will be hired through Corestaff and will provide the technical documentation for the IT Applications Project.

i. Administrative Assistant (\$48,000). An administrative assistant will be hired through Corestaff to provide administrative assistance in the area of human resources, including the PeopleSoft-related work.

j. Business Analyst (\$65,000). A business analyst will be hired through Tom Walsh, Inc., a staffing agency that specializes in SH&C work, to provide support specifically with the SH&C application project, including research regarding SH&C requirements and ASPs available to provide SH&C applications to the New Entities, and assistance with the selection of a SH&C vendor.

k. Project Manager (\$120,000). A project manager will be hired through Yurcor, a staffing agency specializing in accounting applications, to manager the work related to the capital accounting applications, including: (i) monitoring all aspects of the capital accounting applications work for adherence to cost, schedule and technical performance criteria; (ii) ensuring consistency in the reporting, work product and processes of the capital accounting applications work; and (iii) ensuring that the capital accounting applications will meet the needs of the New Entities.

l. Business Analysts (\$350,000). Five business analysts will be hired through AG Consulting, a staffing agency specializing in human resource work, to gather, define and document specific human resources applications requirements for the New Entities. These consultants will prepare reports on job bidding and bargaining unit requirements as well as requirements for the Benefits Service Center (a resource for PG&E employees for all benefit-related matters, including insurance, health and retirement benefits).

10. IT Consultants for Gen Applications.

a. Application Developers and Technical Writers (\$649,000). Six application developers and/or technical writers will be hired through Corestaff to develop applications, develop test plans, perform quality assurance, document programming codes and prepare user manuals related to the Master Power Purchase and Sale Agreement.

b. Telecommunications Engineer (\$25,000). A telecommunications engineer will be hired through Federal Signal Corporation, a company specializing in emergency warning siren control systems, to provide engineering support for the EWS Backup System.

11. IT Consultants for GTrans Applications.

a. Systems Analysts/Programmers (\$350,000). Three systems analysts and/or programmers will be hired through Corestaff to define and develop technical specifications for applications that support data retrieval, bill calculation, bill presentment, collection, Electronic Data Interchange protocols for billing and payment processing and revenue reporting. This work will enable PG&E to provide gas billing services to GTrans (as described above) during the transition period while GTrans develops its separate billing system.

b. Business Analysts/Systems Analysts (\$250,000). Two business analysts and/or systems analysts will be hired through TMP, Worldwide, a staffing agency specializing in IT functions. These analysts will define and document business requirements and describe functional specifications for programming requirements related to gas billing services. These analysts will also perform quality assurance and evaluate programming changes to ensure that business specifications have been met.

c. Systems Analyst (\$100,000). A systems analyst will be hired through Resource Connection, a staffing agency specializing in IT functions, to define the requirements for data interfaces (transmittal of data between IT systems) used for gas billing and gas revenue reporting and to describe and document the business rules that will be necessary to meet these requirements.

d. Programmers (\$200,000). Two programmers will be hired, one through

1 Thinknicity, LLC and one through Software Consulting Group, both staffing agencies  
2 specializing in IT functions. The programmers will develop, modify and test programming  
3 changes to various systems to support revenue reporting by PG&E and GTrans. As  
4 described in Section B. 5 above, revenue reporting is one of the services that GTrans will  
5 provide to PG&E pursuant to the GTrans Agreement.

6 e. Application Developers (\$100,000). Two application developers will be  
7 hired through Blackstone Technology Group, an IT consulting firm specializing in the utility  
8 business, to make modifications to the GTS in order to track PG&E and GTrans' gas  
9 information and schedules separately. Additionally, the application developers will develop  
10 new reports of gas volumes and programming modifications for the data interfaces between  
11 GTS and other systems. This will enable GTrans to perform tracking and scheduling  
12 services for PG&E pursuant to the GTrans Agreement.


13 12. IT Consultants for PG&E Applications (\$32,400). Two technical writers  
14 and two programmer analysts will be hired through Corestaff in connection with the transfer  
15 of applications from PG&E Corporation to PG&E. The technical writers will update and  
16 prepare documentation for changes to software applications, backup and restore procedures,  
17 and user manuals. The programmer analysts will install, configure and test servers and  
18 computers to run the various applications that will be migrated to PG&E.

19 13. PG&E does not have sufficient capacity or skills in-house to perform and  
20 complete the work related to the IT Applications Project without the assistance of the IT  
21 consultants described above. The work is necessary and must be completed in advance of  
22 the Effective Date under the Plan in order for the New Entities to commence business  
23 operations. It could take up to six months to complete the work related to the IT  
24 Applications Project.

25 14. Four consultants began limited work as of July 1, 2002 on projects relating  
26 to human resources (shared applications) and Gen applications. PG&E has not paid these  
27 consultants for any work performed pending Court approval.

28 I declare under penalty of perjury of the laws of the United States that the

1 foregoing is true and correct, and that this declaration was executed at San Francisco,  
2 California on July 23, 2002.

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5 LANCE MAEDA

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