

30-27514

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

14 Debtor.

Case No. 01-30923 DM

Chapter 11 Case

DECLARATION OF CHARLES R.
MIDDLEKAUFF IN SUPPORT OF
MOTION OF PACIFIC GAS AND
ELECTRIC COMPANY FOR AN
ORDER AUTHORIZING ASSUMPTION
OF POWER PURCHASE
AGREEMENTS AND COMPROMISE
OF CLAIMS WITH SIERRA PACIFIC
INDUSTRIES

Date: September 12, 2002
Time: 1:30 p.m.
Place: 235 Pine Street, 22nd Floor
San Francisco, California
Judge: Hon. Dennis Montali

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19 Federal I.D. No. 94-0742640
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HOWARD
RICE
NEMEROVSKI
CANADY
FALK
& RABKIN
A Professional Corporation

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27 *Adm. Debt. Cgmt. Team*
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1 I, Charles R. Middlekauff, declare:

2 1. I am an attorney at law licensed to practice in the State of California and an
3 attorney for Pacific Gas & Electric Co. ("PG&E"), the debtor and debtor in possession in the
4 above-captioned Chapter 11 case. I am one of the attorneys at PG&E with primary
5 responsibility for PG&E's litigation with Sierra Pacific Industries ("SPI"), including the
6 settlement of such litigation, and efforts to obtain any necessary CPUC and Bankruptcy
7 Court approval thereof. I make this Declaration of my own personal knowledge, except
8 where otherwise indicated, and would testify competently to the truth of the matters stated
9 herein if called upon to do so.

10 2. Attached hereto as Exhibit 1 is a true and correct copy of the settlement
11 agreement ("Settlement Agreement") reached between PG&E, SPI and the California
12 Independent System Operator (the "ISO"), resolving, inter alia, ongoing litigation and claims
13 between SPI and PG&E. PG&E now seeks the required Bankruptcy Court approval of the
14 Settlement Agreement. Additionally, PG&E seeks approval of a related agreement to
15 assume (the "Assumption Agreement") the four SPI reinstated Power Purchase Agreements
16 ("PPAs"). A true and correct copy of the Assumption Agreement is attached to the
17 Settlement Agreement as Exhibit A.

18 3. As part of PG&E's application to the CPUC for approval of the Settlement and
19 Assumption Agreement, PG&E is submitting prepared testimony of the Honorable Layn R.
20 Phillips, who mediated the dispute between PG&E, SPI and the ISO, resulting in the

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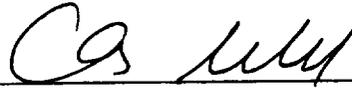
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1 Settlement and Assumption Agreement. A true and correct copy of Judge Phillips' prepared
2 testimony in the form it is being submitted to the CPUC is attached hereto as Exhibit 2.

3 I declare under penalty of perjury under the laws of the State of California and the
4 United States that the foregoing is true and correct, and that this Declaration was executed
5 this 5th day of August, 2002, in San Francisco, California.

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8 Charles R. Middlekauff
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13 HOWARD
14 RICE
15 NEMEROVSKI
16 CANADY
17 FALK
18 & RABKIN

19 A Professional Corporation

Exhibits are not attached to the service copies of this document. You may obtain copies of the Exhibits in one of the following ways: through the “Pacific Gas & Electric Company Chapter 11 Case” link accessible through the Bankruptcy Court’s website (www.canb.uscourts.gov), or by written request to Howard, Rice, Nemerovski, Canady, Falk & Rabkin, Attn: Nathaniel H. Hunt, Three Embarcadero Center, 7th Floor, San Francisco, California 94111-4065