

COPY

GARY M. COHEN, SBN 117215
AROCLES AGUILAR, SBN 94753
MICHAEL M. EDSON, SBN 177858
CALIFORNIA PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco, California 94102
Telephone (415) 703-2015
Facsimile (415) 703-2262

ALAN W. KORNBERG
BRIAN S. HERMANN
PAUL, WEISS, RIFKIND, WHARTON & GARRISON
1285 Avenue of the Americas
New York, New York 10019 6064
Telephone (212) 373-3000
Facsimile (212) 757-3990

Attorneys for California Public Utilities Commission

PAUL S. ARONZON
ROBERT JAY MOORE
MILBANK, TWEED, HADLEY & McCLOY LLP
601 South Figueroa Street, Suite 3000
Los Angeles, California 90017
Telephone (213) 892-4000
Facsimile (213) 629-5063

Attorneys for Official Committee of Unsecured Creditors

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re

Case No. 01-30923 DM

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation,

Chapter 11 Case

Debtor.

NOTICE OF FILING OF CALIFORNIA
PUBLIC UTILITIES COMMISSION'S
AND OFFICIAL COMMITTEE OF
UNSECURED CREDITORS' FIRST
AMENDED PLAN OF
REORGANIZATION UNDER
CHAPTER 11 OF THE BANKRUPTCY
CODE FOR PACIFIC GAS AND
ELECTRIC COMPANY

Federal ID No. 94 0742640

PLEASE TAKE NOTICE that today the California Public Utilities Commission and
Official Committee of Unsecured Creditors filed with the Bankruptcy Court clean and blacklined
versions of the California Public Utilities Commission's and the Official Committee of
Unsecured Creditors' First Amended Plan of Reorganization Under Chapter 11 of the

Date: MAY 30 2002

CASE No. 01-30923 DM

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Bankruptcy Code for Pacific Gas & Electric Company, dated August 30, 2002 (the "Amended
Plan"). The blacklined version is marked to reflect changes to the California Public Utilities
Commission's original plan, dated May 17, 2002.

Copies of the attached versions of the Amended Plan are available through the "Pacific
Gas & Electric Company Chapter 11 Case" link available through the website maintained by the
Bankruptcy Court at <http://www.canb.uscourts.gov>. The blacklined version of the Amended
Plan is also attached as Exhibit Q to the Joint Motion of the California Public Utilities
Commission and the Official Committee of Unsecured Creditors For an Order, *inter alia*,
Authorizing the Resolicitation of Votes and Preferences for Movants' Amended Plan of
Reorganization For the Debtor, dated August 30, 2002.

Dated: August 30, 2002

Respectfully submitted,

GARY M. COHEN
AROCLES AGUILAR
MICHAEL M. EDSON
CALIFORNIA PUBLIC UTILITIES COMMISSION


By: 
GARY M. COHEN

-and-

ALAN W. KORNBERG
BRIAN S. HERMANN
PAUL, WEISS, RIFKIND, WHARTON & GARRISON

Attorneys for the California Public Utilities Commission

PAUL S. ARONZON
ROBERT JAY MOORE
MILBANK, TWEED, HADLEY & McCLOY LLP

By: 
PAUL S. ARONZON

Attorneys for the Official Committee of Unsecured Creditors

(2)

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2 Plan") The blacklined version is marked to reflect changes to the California Public Utilities
3 Commission's original plan, dated May 17, 2002.

4 Copies of the attached versions of the Amended Plan are available through the "Pacific
5 Gas & Electric Company Chapter 11 Case" link available through the website maintained by the
6 Bankruptcy Court at <http://www.canb.uscourts.gov> The blacklined version of the Amended
7 Plan is also attached as Exhibit D to the Joint Motion of the California Public Utilities
8 Commission and the Official Committee of Unsecured Creditors For an Order, *inter alia*,
9 Authorizing the Resolicitation of Votes and Preferences for Movants' Amended Plan of
10 Reorganization For the Debtor, dated August 30, 2002

11 Dated August 30, 2002

12 Respectfully submitted,

13 GARY M. COHEN
14 AROCLES AGUILAR
15 MICHAEL M. EDSON
16 CALIFORNIA PUBLIC UTILITIES COMMISSION

17 By:

18 GARY M. COHEN

19 -and-

20 ALAN W. KORNBERG
21 BRIAN S. HERMANN
22 PAUL, WEISS, RIFKIND, WHARTON & GARRISON

23 Attorneys for the California Public Utilities Commission

24 PAUL S. ARONZON
25 ROBERT JAY MOORE
26 MILBANK, TWEED, HADLEY & McCLOY LLP

27 By:

28 *Paul S. Aronzon*
PAUL S. ARONZON

Attorneys for the Official Committee of Unsecured Creditors

(2)

Dkt. NY 01-30923 M

CASE No 01-30923 M

1 UNITED STATES BANKRUPTCY COURT
2 NORTHERN DISTRICT OF CALIFORNIA
3 SAN FRANCISCO DIVISION
4

5 In re

6 PACIFIC GAS AND ELECTRIC COMPANY,
7 a California corporation,

8 Debtor

9 Federal ID No 94 0742640

Case No 01-30923 DM

Chapter 11 Case

[No Hearing Requested]

10 CALIFORNIA PUBLIC UTILITIES COMMISSION'S AND OFFICIAL COMMITTEE OF
11 UNSECURED CREDITORS' FIRST AMENDED PLAN OF REORGANIZATION UNDER
12 CHAPTER 11 OF THE BANKRUPTCY CODE FOR
13 PACIFIC GAS AND ELECTRIC COMPANY
14 [Dated August 30, 2002]

15 Counsel for the California Public Utilities
16 Commission

17 Gary M. Cohen
18 Arocles Aguilar
19 Michael M. Edson
20 CALIFORNIA PUBLIC UTILITIES
21 COMMISSION
22 505 Van Ness Avenue
23 San Francisco, California 94111
24 (415) 703-2782

Counsel for the Official Committee of
Unsecured Creditors

Paul S. Aronzon
Robert J. Moore
MILBANK, TWEED, HADLEY &
McCLOY LLP
601 South Figueroa Street, Suite 3000
Los Angeles, California 90017
(213) 892 4000

25 Alan W. Kornberg
26 Brian S. Hermann
27 Marc F. Skapof
28 PAUL, WEISS, RIFKIND, WHARTON
& GARRISON
1285 Avenue of the Americas
New York, New York 10019 6064
(212) 373 3000

Dkt. NY 01-30923 M

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The California Public Utilities Commission (the "Commission") and the Committee (as defined below) (collectively, the "Proponents") propose the following first amended plan of reorganization for Pacific Gas and Electric Company, a California corporation (the "Debtor"), pursuant to section 1121 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (as amended from time to time, the "Bankruptcy Code"), and the Bankruptcy Court's Orders terminating the Debtor's exclusive right to file a plan, dated March 11, 2002 with respect to the Commission, and July 9, 2002, with respect to the Committee.

ARTICLE I

DEFINITIONS AND CONSTRUCTION OF TERMS

1.1 Definitions. As used herein, the following terms have the respective meanings specified below:

92A Bonds means those certain California Pollution Control Financing Authority, 6 5/8% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1992 Series A issued by the Issuer in the aggregate principal amount of \$35,000,000.

92B Bonds means those certain California Pollution Control Financing Authority, 6 3/4% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1992 Series B issued by the Issuer in the aggregate principal amount of \$50,000,000.

93A Bonds means those certain California Pollution Control Financing Authority, 5 7/8% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1993 Series A issued by the Issuer in the aggregate principal amount of \$60,000,000.

93B Bonds means those certain California Pollution Control Financing Authority, 5 85% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1993 Series B issued by the Issuer in the aggregate principal amount of \$200,000,000.

In submitting this Plan and its accompanying Disclosure Statement, the Commission does not waive any objections or defenses that the Commission or the State of California (as defined below) may have to this Court's jurisdiction over the Commission or the State of California based upon the Eleventh Amendment to the United States Constitution or related principles of sovereign immunity or otherwise, all of which are hereby reserved.

96B Bonds means those certain California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series B issued by the Issuer in the aggregate principal amount of \$160,000,000.

96C Bonds means those certain California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series C issued by the Issuer in the aggregate principal amount of \$200,000,000.

96D Bonds means those certain California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series D issued by the Issuer in the aggregate principal amount of \$100,000,000.

96E Bonds means those certain California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series E issued by the Issuer in the aggregate principal amount of \$165,000,000.

96F Bonds means those certain California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series F issued by the Issuer in the aggregate principal amount of \$100,000,000.

96G Bonds means those certain California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series G issued by the Issuer in the aggregate principal amount of \$62,870,000.

97A Bonds means those certain California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series A issued by the Issuer in the aggregate principal amount of \$45,000,000.

97B Bonds means those certain California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series B issued by the Issuer in the aggregate principal amount of \$148,550,000.

97C Bonds means those certain California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series C issued by the Issuer in the aggregate principal amount of \$148,550,000.

1 27D Bonds means those certain California Pollution Control Financing Authority,
2 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series D
3 issued by the Issuer in the aggregate principal amount of \$17,900,000

4 Administrative Expense Claims means all Claims against the Debtor constituting
5 a cost or expense of administration of the Chapter 11 Case under sections 503(b) and 507(a)(1)
6 of the Bankruptcy Code, including, without limitation, all actual and necessary costs and
7 expenses of preserving the Debtor's estate, all actual and necessary costs and expenses of
8 operating the business of the Debtor-in-Possession, any indebtedness or obligations incurred or
9 assumed by the Debtor in Possession in connection with the conduct of its business, all cure
10 amounts owed in respect of executory contracts and unexpired leases assumed by the Debtor-in-
11 Possession, all Professional Compensation and Reimbursement Claims, and any fees or charges
12 assessed against the Debtor's estate under section 1930 of chapter 123 of title 28 of the United
13 States Code

14 Affiliate has the meaning set forth in section 101(2) of the Bankruptcy Code

15 Allowed means, with reference to any Claim against or Equity Interest in the
16 Debtor, (a) any Claim which has been listed by the Debtor in the Debtor's Bankruptcy
17 Schedules, as such Schedules may be amended by the Debtor from time to time in accordance
18 with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and for
19 which no contrary proof of claim or objection to claim has been filed, (b) any Claim or Equity
20 Interest allowed hereunder, (c) any Claim or Equity Interest which is not Disputed, (d) any Claim
21 or Equity Interest that is compromised, settled or otherwise resolved pursuant to a Final Order of
22 the Bankruptcy Court or under the Plan, or (e) any Claim or Equity Interest which, if Disputed,
23 has been Allowed by Final Order, provided, however, that Claims allowed solely for the purpose
24 of voting to accept or reject this Plan or PG&E's Plan pursuant to an order of the Bankruptcy
25 Court shall not be considered "Allowed Claims" hereunder Unless otherwise specified herein or
26 by order of the Bankruptcy Court, "Allowed Administrative Expense Claim" or "Allowed
27 Claim" shall not, for any purpose under the Plan, include interest on such Administrative
28 Expense Claim or Claim, as the case may be, from and after the Petition Date

1 Assumed Corporate Indemnities means all obligations of the Debtor, pursuant to
2 the Debtor's articles of incorporation or bylaws, applicable state law or specific agreement, or
3 any combination of the foregoing, to defend or indemnify, or to reimburse or limit the liability
4 of, its present and any former officers, directors and/or employees who were officers, directors
5 and/or employees, respectively, on or after the Petition Date, solely in their capacities as officers,
6 directors and/or employees of the Debtor, against or with respect to any claims or obligations

7 Assumed Indemnification Claims mean all Claims, if any, as to which the
8 claimant asserts rights based only upon the Assumed Corporate Indemnities

9 Ballot means the form distributed to each holder of an Impaired Claim or Equity
10 Interest on which such holder shall indicate, among other things, acceptance or rejection of the
11 Plan and such holder's preference as between this Plan and PG&E's Plan

12 Bank means, with respect to each Reimbursement Agreement, those certain
13 banking or other financial institutions that are signatories thereto (other than the Letter of Credit
14 Issuing Bank) and their respective successors and assigns

15 Bankruptcy Code has the meaning set forth in the introduction to the Plan

16 Bankruptcy Court means the United States Bankruptcy Court for the Northern
17 District of California having jurisdiction over the Chapter 11 Case

18 Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure as
19 promulgated by the United States Supreme Court under section 2075 of title 28 of the United
20 States Code and any Local Rules of the Bankruptcy Court

21 Bond Loan means, with respect to each series of PC Bonds, the loan of the
22 proceeds from the sale of such series of PC Bonds made by the Issuer to the Debtor pursuant to
23 the terms of the respective Loan Agreement

24 Bond Trustee means, with respect to the PC Bonds, Bankers Trust Company, a
25 state banking corporation organized under the laws of the State of New York, as trustee, or U S
26 Bank Trust National Association, as trustee, under the Indenture pursuant to which such PC
27 Bonds were issued, as applicable, and their successors and assigns or any successor trustee under
28 such Indentures appointed in accordance with the terms thereof

1 Business Day means any day other than a Saturday, Sunday or any other day on
2 which commercial banks in San Francisco, California or New York, New York are required or
3 authorized to close by law or executive order

4 Cash means legal tender of the United States of America

5 Cause of Action means, without limitation, any and all actions, causes of action,
6 liabilities, obligations, rights, suits, damages, judgments, claims and demands whatsoever,
7 whether known or unknown, existing or hereafter arising, in law, equity or otherwise, based in
8 whole or in part upon any act or omission or other event occurring prior to the Petition Date or
9 during the course of the Chapter 11 Case, including through the Effective Date

10 Chapter 11 Case means the case under chapter 11 of the Bankruptcy Code
11 commenced by the Debtor in the Bankruptcy Court on April 6, 2001 and filed under Chapter 11,
12 Case No. 01-30923 DM

13 Chromium Litigation means Causes of Action against the Debtor relating to
14 alleged chromium contamination, including, but not limited to, the following sixteen (16) civil
15 actions pending in California courts: (i) Aguayo v. Pacific Gas and Electric Company, filed
16 March 15, 1995 in Los Angeles County Superior Court, (ii) Aguilar v. Pacific Gas and Electric
17 Company, filed October 4, 1996 in Los Angeles County Superior Court, (iii) Acosta, et al. v
18 Betz Laboratories, Inc. et al., filed November 27, 1996 in Los Angeles County Superior Court,
19 (iv) Adams v. Pacific Gas and Electric Company and Betz Chemical Company, filed July 25,
20 2000 in Los Angeles County Superior Court, (v) Baldonado v. Pacific Gas and Electric
21 Company, filed October 25, 2000 in Los Angeles Superior Court, (vi) Gale v. Pacific Gas and
22 Electric Company, filed January 30, 2001 in Los Angeles County Superior Court, (vii) Monice v
23 Pacific Gas & Electric Company, filed March 15, 2001 in San Bernardino County Superior
24 Court, (viii) Fordyce v. Pacific Gas & Electric Company, filed March 16, 2001 in San
25 Bernardino County Superior Court, (ix) Puckett v. Pacific Gas & Electric Company, filed
26 March 30, 2001 in Los Angeles County Superior Court, (x) Alderson, et al. v. PG&E
27 Corporation, Pacific Gas and Electric Company, Betz Chemical Company, et al., filed April 11,
28 2001 in Los Angeles County Superior Court, (xi) Bowers et al. v. Pacific Gas and Electric

1 Company, et al., filed April 20, 2001 in Los Angeles County Superior Court, (xii) Boyd et al. v
2 Pacific Gas and Electric Company, et al., filed May 2, 2001 in Los Angeles County Superior
3 Court, (xiii) Martinez et al. v. Pacific Gas and Electric Company, filed June 29, 2001 in
4 Los Angeles County Superior Court, (xiv) Kearny v. Pacific Gas and Electric Company, filed
5 November 15, 2001 in Los Angeles County Superior Court, (xv) Miller v. Pacific Gas and
6 Electric Company, filed November 21, 2001 in Los Angeles County Superior Court, and (xvi)
7 Lyle v. Pacific Gas and Electric Company, filed March 22, 2002 in Yolo County Superior
8 Court

9 Chromium Litigation Claims means all Claims against the Debtor arising from the
10 Chromium Litigation for damages or other obligations, including Punitive Damages; provided,
11 however, that Chromium Litigation Claims shall not include (a) any Claims, settled, liquidated or
12 determined by Final Order or a binding award, agreement or settlement prior to the Petition Date
13 for amounts payable by the Debtor for damages or other obligations in a fixed dollar amount
14 payable in a lump sum or by a series of payments (which Claims are classified as General
15 Unsecured Claims), (b) Environmental Claims, (c) Fire Suppression Claims, (d) Pending,
16 Litigation Claims, or (e) FERC License Claims

17 Claim has the meaning set forth in section 101(5) of the Bankruptcy Code,
18 provided, however, that any claim based on allocations under Commission Electric Rule 20,
19 Section A, relating to undergrounding of electric distribution facilities, shall not be a Claim for
20 purposes of this Plan and shall pass through the Plan unaffected

21 Class means a category of holders of Claims against or Equity Interests in the
22 Debtor as set forth in Articles III and IV of the Plan.

23 Clerk means the Clerk of the Bankruptcy Court.

24 Collateral means any property or interest in property of the estate of the Debtor
25 subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to
26 avoidance or otherwise invalid under the Bankruptcy Code or applicable state law.

27 Commercial Paper means short-term promissory notes of the Debtor bearing
28 various interest rates based on the three (3) month London InterBank Offered Rate and issued

under commercial paper dealer agreements between the Debtor and (i) Goldman Sachs & Co., dated May 30, 1997, (ii) Bank of America, N.A., dated February 7, 1985, (iii) Salomon Smith Barney, Inc., dated November 10, 2000, and (iv) Merrill Lynch, Pierce, Fenner & Smith Incorporated (oral agreement).

Commercial Paper Claim means all Claims against the Debtor arising from Commercial Paper.

Commission has the meaning set forth in the introduction to the Plan.

Committee means the official Committee of Unsecured Creditors appointed in the Chapter 11 Case by the United States Trustee pursuant to section 1102 of the Bankruptcy Code, as reconstituted from time to time. As of the date hereof, the Committee is comprised of Reliant Energy, Inc., Dynegy Power Marketing, Inc., P-E Berkeley, Inc., GWF Power Systems Company, Inc., Bank of America, N.A., Morgan Guaranty, Merrill Lynch, Pierce, Fenner & Smith, Incorporated, Davey Tree Expert Co., the City of Palo Alto, California, the State of Tennessee and Pacific Investment Management Company LLC.

Committee Support Agreement means that certain Support Agreement, dated September 19, 2001, entered into by and among the Committee, the Debtor and the Parent, as amended from time to time.

Common Stock means shares of the Debtor's common stock, par value \$5.00 per share.

Common Stock Equity Interests means any right relating to the three hundred twenty-six million, nine hundred twenty-six thousand, six hundred sixty-seven (326,926,667) issued and outstanding shares of Common Stock as of the date hereof, all of which are held directly or indirectly by the Parent.

Confirmation Date means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the Bankruptcy Court's docket.

Confirmation Hearing means the hearing held by the Bankruptcy Court to consider confirmation of the Plan pursuant to section 1128 of the Bankruptcy Code, as such hearing may be adjourned or continued from time to time.

Confirmation Order means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code, which order shall be in form and substance reasonably satisfactory to the Proponents.

Convenience Claims means all Claims against the Debtor held by a vendor, supplier or service provider or arising from the rejection of executory contracts or unexpired leases under section 365 of the Bankruptcy Code (a) in the Allowed amount of \$100,000 or less, or (b) consensually reduced to an Allowed amount of \$100,000 by the holder of the Claim.

CPU Code means the California Public Utilities Code.

Debtor has the meaning set forth in the introduction to the Plan.

Debtor in Possession means the Debtor in its capacity as debtor-in-possession in the Chapter 11 Case pursuant to sections 1101, 1107(a) and 1108 of the Bankruptcy Code.

Debtor's Articles of Incorporation means the Debtor's Restated Articles of Incorporation, effective as of May 6, 1998.

Debtor's Bankruptcy Schedules means the schedules of assets and liabilities, schedule of current income and expenditures, schedule of executory contracts and unexpired leases, and statement of financial affairs filed in this Chapter 11 Case by the Debtor pursuant to section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as amended from time to time.

Debtor's Bylaws means the Debtor's Bylaws, as amended as of February 21, 2001.

Disbursing Agent means any Entity in its capacity as a disbursing agent under Section 5.4 of the Plan.

Disclosure Statement means the Disclosure Statement for the Commission's Plan of Reorganization under Chapter 11 of the Bankruptcy Code for the Debtor, dated May 17, 2002, including, without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy Court pursuant to the Disclosure Statement Order, and as amended, modified and/or supplemented from time to time.

Disclosure Statement Order means the order(s) of the Bankruptcy Court entered pursuant to section 1125 of the Bankruptcy Code approving the Disclosure Statement.

1 Disputed Claim means, (a) with reference to any Claim against the Debtor, proof
2 of which was timely and properly filed, or in the case of an Administrative Expense Claim, any
3 Claim or Administrative Expense Claim, as the case may be, which is disputed under the Plan or
4 as to which the Debtor has interposed a timely objection and/or request for estimation in
5 accordance with section 502(c) of the Bankruptcy Code and/or Bankruptcy Rule 3018, which
6 objection and/or request for estimation has not been withdrawn or determined by a Final Order,
7 and (b) any Claim against the Debtor, proof of which was required to be filed by order of the
8 Bankruptcy Court or pursuant to applicable law, but as to which a proof of claim was not timely
9 or properly filed. A Claim that is Disputed by the Debtor as to its amount only shall be deemed
10 Allowed in the amount the Debtor admits owing, if any, and Disputed as to the excess.

11 Disputed Claim Amount means the disputed portion of the amount set forth in the
12 proof of claim relating to a Disputed Claim or, if an amount is estimated in respect of a Disputed
13 Claim in accordance with section 502(c) of the Bankruptcy Code and/or Bankruptcy Rule 3018,
14 the amount so estimated pursuant to an order of the Bankruptcy Court.

15 Distribution Record Date means the close of business two (2) Business Days prior
16 to the Effective Date.

17 Effective Date means the second (2nd) Business Day after the date on which the
18 conditions specified in Section 8.2 hereof have been satisfied or waived.

19 Entity has the meaning set forth in section 101(15) of the Bankruptcy Code.

20 Environmental, Fire Suppression, Pending Litigation, Tort and FERC License
21 Claims means all Environmental Claims, Fire Suppression Claims, Pending Litigation Claims,
22 Tort Claims and FERC License Claims.

23 Environmental Claims means all Claims against the Debtor arising from any
24 accusation, allegation, notice of violation, action, claim, environmental Lien, demand, abatement
25 or other order, restriction or direction (conditional or otherwise) by any Governmental Entity or
26 any other Person for personal injury (including, but not limited to, sickness, disease or death),
27 tangible or intangible property damage, Punitive Damages, damage to the environment,
28 nuisance, pollution, contamination or other adverse effect on the environment or costs (to the

1 extent recoverable under applicable non-bankruptcy law) of any Governmental Entity related
2 thereto, in each case resulting from or based upon (a) the existence, or the continuation of the
3 existence, of a release of (including, but not limited to, sudden or non-sudden accidental or non-
4 accidental releases), or exposure to, any hazardous or deleterious material, substance, waste,
5 pollutant or contaminant, odor or audible noise in, into or onto the environment (including, but
6 not limited to, the air, soil, surface water or groundwater) at, in, by, from or related to any
7 property (including any vessels or facilities of the Debtor) presently or formerly owned, operated
8 or leased by the Debtor or any activities or operations thereon, (b) the transportation, storage,
9 treatment or disposal of any hazardous or deleterious material, substance, waste, pollutant or
10 contaminant in connection with any property presently or formerly owned, operated or leased by
11 the Debtor or its operations or facilities, or (c) the violation or alleged violation, of any
12 environmental law, order or environmental permit or license of or from any Governmental Entity
13 relating to environmental matters connected with any property presently or formerly owned,
14 operated or leased by the Debtor, provided, however, that Environmental Claims shall not
15 include (i) any Claims fully settled, liquidated or determined by a Final Order or a binding
16 award, agreement or settlement prior to the Petition Date for amounts payable by the Debtor for
17 damages or other obligations in a fixed dollar amount payable in a lump sum or by a series of
18 payments (which Claims are classified as General Unsecured Claims), (ii) Tort Claims, (iii) Fire
19 Suppression Claims, (iv) Pending Litigation Claims, or (v) FERC License Claims.

20 Environmental Order has the meaning set forth in Section 4.16(b) hereof.

21 Equity Interest means any share of Common Stock, Preferred Stock or other
22 instrument evidencing an ownership interest in the Debtor, whether or not transferable, and any
23 option, warrant or other right, contractual or otherwise, to acquire any such interest.

24 ERISA means the Employee Retirement Income Security Act of 1974, as
25 amended.

26 ESP means energy service provider.

27 ESP Claims means all Claims against the Debtor arising from PX energy credits
28 payable by the Debtor to ESPs.

1 Existing Tax Sharing Agreement means that agreement, dated as of January 1,
2 1997, for the allocation of income tax liability between the Debtor and the Parent

3 Exit Facility has the meaning set forth in Section 7.6 hereof

4 Federal Judgment Rate means the interest rate allowed pursuant to section 1961 of
5 title 28 of the United States Code, as amended, as published by the Board of Governors of the
6 Federal Reserve System for the calendar week that preceded the Petition Date

7 Fed. Rules Civ. Pro. means the Federal Rules of Civil Procedure.

8 FERC means the Federal Energy Regulatory Commission

9 FERC License Claims means all Claims against the Debtor held by a
10 Governmental Entity arising from or under FERC licenses, including, but not limited to, Belden
11 FERC License 2015 (including fish stocking requirements set forth therein)

12 Final Order means an order or decree of the Bankruptcy Court, or any other court
13 of competent jurisdiction, as to which the time to appeal, petition for certiorari, or move for
14 reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other
15 proceedings for reargument or rehearing shall then be pending or as to which any right to appeal,
16 petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance
17 satisfactory to the Debtor and the Proponents or, in the event that an appeal, writ of certiorari, or
18 reargument or rehearing thereof has been sought, such order or decree of the Bankruptcy Court
19 or other court of competent jurisdiction shall have been determined by the highest court to which
20 such order or decree was appealed, or certiorari, reargument or rehearing shall have been denied
21 and the time to take any further appeal, petition for certiorari or move for reargument or
22 rehearing shall have expired, provided, however, that the possibility that a motion under Rule 59
23 or Rule 60 of the Fed. Rules Civ. Pro., or any analogous rule under the Bankruptcy Rules or
24 applicable state court rules of civil procedure, may be filed with respect to such order or decree
25 shall not prevent such order or decree from being a Final Order

26 Fire Suppression Claims means all Claims against the Debtor by any
27 Governmental Entity for damages and costs resulting from a fire that may be recovered under
28 either state or federal law, including, but not limited to, Claims for damages to property, the cost

1 of restoring all property damaged as a result of the fire, the cost of compensating all other losses
2 resulting from damage to property arising from a fire, and costs incurred in fighting a fire,
3 including all investigative, administrative, accounting, collection, and other costs, provided,
4 however, that the foregoing "including, but not limited to" description of the types of damages
5 and costs that are included in this definition are for illustrative purposes only and do not
6 constitute an acknowledgment or admission by the Debtor that any such damages or costs are in
7 fact recoverable under state or federal law.

8 First and Refunding Mortgage Bonds means (i) 6.250% First and Refunding
9 Mortgage Bonds Series 93C due August 1, 2003, (ii) 6.25% First and Refunding Mortgage
10 Bonds Series 93G due March 1, 2004, (iii) 5.875% First and Refunding Mortgage Bonds Series
11 93E due October 1, 2005, (iv) variable rate First and Refunding Mortgage Bonds Series 81B due
12 August 1, 2011, (v) 8.800% First and Refunding Mortgage Bonds Series 91A due May 1, 2024,
13 (vi) 8.375% First and Refunding Mortgage Bonds Series 92B due May 1, 2025, (vii) 8.250%
14 First and Refunding Mortgage Bonds Series 92D due November 1, 2022, (viii) 7.25% First and
15 Refunding Mortgage Bonds Series 93A due March 1, 2026, (ix) 7.250% First and Refunding
16 Mortgage Bonds Series 93D due August 1, 2026, (x) 6.750% First and Refunding Mortgage
17 Bonds Series 93F due October 1, 2023, and (xi) 7.050% First and Refunding Mortgage Bonds
18 Series 931I due March 1, 2024, each issued by the Debtor under the Mortgage, together with any
19 Matured and Unpresented First and Refunding Mortgage Bonds, provided, that the Debtor is not
20 waiving any rights or claims it may have under applicable non-bankruptcy law against any
21 holder of any Matured and Unpresented First and Refunding Mortgage Bond or any other party
22 with respect thereto

23 First and Refunding Mortgage Bond Documents means with respect to each series
24 of First and Refunding Mortgage Bonds, the Mortgage, and all of the other documents,
25 instruments, agreements and certificates evidencing, securing, governing or otherwise pertaining
26 to the respective Mortgage Loan or the respective series of First and Refunding Mortgage Bonds
27 or otherwise executed and delivered by or on behalf of the Debtor in connection with any of the
28

1 foregoing, together with all amendments, modifications, renewals, substitutions and
2 replacements of or to any of the foregoing

3 Floating Rate Note Claims means all Claims arising from the Floating Rate Notes

4 Floating Rate Notes means the Floating Rate Notes due October 31, 2001, issued
5 by the Debtor under an indenture by and between the Debtor and Wilmington Trust Company, as
6 successor in interest to The Bank of New York, dated September 1, 1987, together with all
7 amendments, modifications, renewals, substitutions and replacements thereof

8 Forbearance, Extension and Letter of Credit Fees has the meaning set forth in
9 Section 4 10(b)(iv) hereof

10 General Unsecured Claim means (a) Revolving Line of Credit Claims,

11 (b) Medium Term Note Claims, (c) Senior Note Claims, (d) Floating Rate Note Claims,

12 (e) Southern San Joaquin Valley Power Authority Bond Claims, (f) Claims against the Debtor
13 arising from the rejection of executory contracts and unexpired leases under section 363 of the

14 Bankruptcy Code, (g) Claims against the Debtor relating to pre petition litigation (other than
15 Pending Litigation Claims, as defined above in this Section 1.1, which are classified as Class 8

16 Claims), (h) Claims against the Debtor by the Debtor's vendors, suppliers and service providers,

17 (i) Claims against the Debtor relating to intercompany obligations to Affiliates and (j)

18 Commercial Paper Claims; provided, however, that General Unsecured Claims will not include
19 any unsecured Claims included in any other Class

20 Governmental Entity has the meaning set forth for a governmental unit in section
21 101(27) of the Bankruptcy Code

22 Impaired means any Class of Claims against or Equity Interests in the Debtor that
23 is impaired within the meaning of section 1124 of the Bankruptcy Code.

24 Indenture means, with respect to each series of PC Bonds, that certain indenture
25 of trust between the Issuer and the Bond Trustee pursuant to which such series of PC Bonds were
26 issued, as originally executed, together with all amendments, modifications, renewals,
27 substitutions and replacements thereof

1 Initial Calculation Date means (i) February 28, 2002 with respect to holders of
2 Allowed Claims in Class 5 for Senior Indebtedness, holders of Allowed Southern San Joaquin
3 Valley Power Authority Bond Claims and holders of Allowed Claims in Classes 4c, 4f, 4g and
4 11, and (ii) June 30, 2002 with respect to the remaining holders of Allowed Claims in Class 5
5 and the holders of Allowed Claims in Classes 1, 2, 6, 7 and 10

6 Interest Period means the period commencing on any interest payment date
7 specified herein and ending on the day preceding the next succeeding interest payment date;
8 except in respect of the first interest period which extends to June 30, 2002, where the Interest
9 Period shall commence on the earlier of the Petition Date or the date specified on Exhibit 1,
10 hereto and shall end on June 30, 2002 and the second interest period shall commence on July 1,
11 2002.

12 Investment Grade Credit Rating means credit ratings from S&P of BBB- or better
13 and Moody's of Baa3 or better

14 IRS means the United States Internal Revenue Service

15 ISO means the California Independent System Operator.

16 ISO, PX and Generator Claims means all Claims against the Debtor arising from
17 amounts due to the ISO, PX and various power generators based on purchases of electricity or
18 ancillary services by the Debtor in markets operated by the PX and the ISO

19 Issuer means the California Pollution Control Financing Authority, a public
20 instrumentality and political subdivision of the State of California, organized and existing under
21 the California Pollution Control Financing Authority Act, being Division 27 (commencing at
22 Section 44500) of the California Health and Safety Code, as supplemented and amended

23 LC Bank Agreement has the meaning set forth in Section 4 10(b)(iii) hereof

24 Letter of Credit means, with respect to each series of Letter of Credit Backed PC
25 Bonds, that certain irrevocable direct pay letter of credit issued by the Letter of Credit Issuing
26 Bank for the account of the Debtor to the Bond Trustee and delivered to the Bond Trustee in
27 accordance with the terms of the respective Indenture, securing, among other things, the payment

1 of the principal of, and interest on, the respective series of Letter of Credit Backed PC Bonds,
2 together with all amendments, modifications, renewals, substitutions and replacements thereof
3 Letter of Credit Backed PC Bond Claims means all Claims against the Debtor by
4 the Issuer, Bond Trustee and the holders of Letter of Credit Backed PC Bonds for all amounts
5 due and owing by the Debtor under the Loan Agreements and each of the other PC Bond
6 Documents executed by the Debtor in connection with the issuance of each series of Letter of
7 Credit Backed PC Bonds

8 Letter of Credit Backed PC Bonds means collectively, any series of 96C Bonds,
9 96E Bonds, 96F Bonds and/or 97B Bonds that are outstanding as of the Voting Record Date or
10 the Effective Date, as applicable

11 Letter of Credit Issuing Bank means, with respect to each series of Letter of
12 Credit Backed PC Bonds, the issuer of the Letter of Credit

13 Letter of Credit Bank Claims means all Claims against the Debtor relating to
14 (a) the contingent Claims of each Letter of Credit Issuing Bank and the applicable Banks, if any,
15 with respect to payments which may become due by the Debtor under their respective
16 Reimbursement Agreements (as modified by the LC Bank Agreement), including, without
17 limitation, any and all amounts due by the Debtor as reimbursement of amounts paid by a Letter
18 of Credit Issuing Bank under its Letter of Credit to the Bond Trustee for the payment of interest
19 on the related Letter of Credit Backed PC Bonds and any and all interest and fees due thereunder,
20 and (b) the Claims of the Letter of Credit Issuing Banks and the applicable Banks, if any, for any
21 and all accrued and unpaid amounts due by the Debtor under their respective Reimbursement
22 Agreements (as modified by the LC Bank Agreement), including amounts due as reimbursement
23 of amounts paid by each Letter of Credit Issuing Bank under its respective Letter of Credit to the
24 Bond Trustee for the payment of interest on the related series of Letter of Credit Backed PC
25 Bonds and any and all fees due thereunder.

26 LIBOR means, with respect to each Interest Period, the rate per annum appearing
27 on Bloomberg Professional page BBAM1 (or any successor page) as the London interbank
28 offered rate for deposits in U.S. dollars having the index maturity designated by the Debtor at

1 approximately 11 00 a.m. (London time) on the LIBOR Interest Determination Date. If no rate
2 appears on Bloomberg Professional page BBAM1, LIBOR shall mean the rate per annum
3 appearing on Bridge Telerate Inc. page 3750 (or any successor page) as the London interbank
4 offered rate for deposits in U.S. dollars having the index maturity designated by the Debtor at
5 approximately 11 00 a.m. (London time) on the LIBOR Interest Determination Date. If no rate
6 appears on Bridge Telerate page 3750, the Debtor will request the principal London offices of
7 each of four (4) major reference banks in the London interbank market, as selected by the
8 Debtor, to provide the Debtor with its offered quotation for deposits in U.S. dollars having the
9 index maturity designated by the Debtor to prime banks in the London interbank market at
10 approximately 11 00 a.m. (London time) on such LIBOR Interest Determination Date and in a
11 principal amount that is representative of a single transaction in U.S. dollars in such market at
12 such time. LIBOR determined will be the arithmetic mean of the offered quotations. If fewer
13 than two (2) quotations are provided, LIBOR determined on such LIBOR Interest Determination
14 Date will be the arithmetic mean of the rates quoted at approximately 11 00 a.m. in New York
15 City on such LIBOR Interest Determination Date, by three (3) major banks in New York City
16 selected by the Debtor for loans in U.S. dollars to leading European banks, having the index
17 maturity designated by the Debtor that is representative for a single transaction in U.S. dollars in
18 such market at such time. If the banks so selected are not quoting as mentioned above, LIBOR
19 will remain LIBOR in effect on such LIBOR Interest Determination Date.

20 LIBOR Interest Determination Date means, for an Interest Period, the second
21 (2nd) London Business Day immediately preceding the first day of that Interest Period, except
22 that in the period prior to the Initial Calculation Date, the LIBOR Interest Determination Dates
23 for (a) Allowed Claims under International Swap Dealers Association ("ISDA") Agreements
24 shall be the Petition Date and each anniversary thereof prior to the Initial Calculation Date, and
25 (b) Allowed Claims for power generators shall be determined between the Debtor and each such
26 power generator, notwithstanding the fact that none of such dates is an interest payment date

27 Lien has the meaning set forth in section 101(37) of the Bankruptcy Code
28

1 Loan Agreement means, with respect to each series of PC Bonds, that certain loan
2 agreement by and between the Issuer and the Debtor with respect to such series of PC Bonds, as
3 originally executed, together with all amendments, modifications, renewals, substitutions and
4 replacements thereof

5 Master Ballot means the Ballot to be completed by Nominees of beneficial
6 owners of bonds, notes, debentures or shares of stock of the Debtor

7 Matured and Unpresented First and Refunding Mortgage Bonds means,
8 collectively, that portion of the Debtor's (a) First and Refunding Mortgage Bonds, Series II,
9 4 25%, (b) First and Refunding Mortgage Bonds, Series JJ, 4 5%, (c) First and Refunding
10 Mortgage Bonds, Series I L, 4 625%, (d) First and Refunding Mortgage Bonds, Series MM,
11 5 375%, (e) First and Refunding Mortgage Bonds, Series NN, 5 75%, (f) First and Refunding
12 Mortgage Bonds, Series OO, 5 50%, and (g) First and Refunding Mortgage Bonds, 8% Series
13 92C, to the extent that (i) such matured bonds have not been presented for payment by the
14 holders thereof, and (ii) the Debtor is obligated to pay the principal of, and interest on, such
15 bonds in accordance with the terms thereof under applicable law, provided that the Debtor is not
16 waiving any rights or claims it may have under applicable non bankruptcy law against any
17 holder of any such bond or any other party with respect thereto

18 MBIA means MBIA Insurance Corporation

19 MBIA Claims means all Claims against the Debtor relating to (a) the contingent
20 Claims of MBIA with respect to payments which may become due by the Debtor under the terms
21 of the MBIA Reimbursement Agreement as reimbursement for payments made by MBIA under
22 the PC Bond Insurance Policy, and (b) the Claims of MBIA for any and all accrued and unpaid
23 amounts due by the Debtor under the MBIA Reimbursement Agreement, including any and all
24 amounts due by the Debtor as reimbursement of amounts paid by MBIA under the PC Bond
25 Insurance Policy to the Bond Trustee for the payment of interest on the MBIA Insured PC
26 Bonds

27 MBIA Insured PC Bond Claims means all Claims against the Debtor by the
28 Issuer, Bond Trustee and the holders of the MBIA Insured PC Bonds for all amounts due and

1 owing by the Debtor under the Loan Agreements and each of the other PC Bond Documents
2 executed by the Debtor in connection with the issuance of each series of MBIA Insured PC
3 Bonds

4 MBIA Insured PC Bonds means those certain California Pollution Control
5 Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric
6 Company) 1996 Series A issued by the Issuer in the aggregate principal amount of
7 \$200,000,000

8 MBIA Reimbursement Agreement means that certain Reimbursement and
9 Indemnity Agreement, dated as of May 1, 2000, by and between the Debtor and MBIA, pursuant
10 to which MBIA has issued the PC Bond Insurance Policy, together with all amendments,
11 modifications, and renewals thereof

12 Medium Term Note Claims means all Claims against the Debtor arising from the
13 Medium Term Notes.

14 Medium Term Notes means those certain notes bearing various interest rates from
15 5 810% to 8 450% due through October 7, 2013, other than the Senior Notes and the Floating
16 Rate Notes, issued by the Debtor under an indenture by and between the Debtor and Wilmington
17 Trust Company, as successor-in-interest to the Bank of New York, dated September 1, 1987,
18 together with all amendments, modifications, renewals, substitutions and replacements thereof

19 Moody's means Moody's Investors Service Inc. or its successor.

20 Mortgage means that certain First and Refunding Mortgage, dated December 1,
21 1920, made by the Debtor, under which BNY Western Trust Company was trustee on the
22 Petition Date, together with all amendments, modifications, renewals, substitutions and
23 replacements thereof.

24 Mortgage Backed PC Bonds means collectively, the 92A Bonds, the 92B Bonds,
25 the 93A Bonds and the 93B Bonds.

26 Mortgage Backed PC Bond Claims means all Claims against the Debtor by the
27 Issuer, Bond Trustee and the holders of the Mortgage Backed PC Bonds for all amounts due and
28 owing by the Debtor under the Loan Agreement and each of the other PC Bond Documents

1 executed by the Debtor in connection with the issuance of each series of Mortgage Backed PC
2 Bonds

3 Mortgage Bonds means, with respect to each series of Mortgage Backed PC
4 Bonds, those certain first and refunding mortgage bonds made by the Debtor in favor of the
5 Bond Trustee pursuant to and secured by the Mortgage, in an aggregate principal amount equal
6 to the related series of Mortgage Backed PC Bonds

7 Mortgage Loan means, with respect to each series of First and Refunding
8 Mortgage Bonds, the loans made by the holders thereof to the Debtor.

9 New Tax Sharing Agreement means the agreement to be entered into between the
10 Parent and the Reorganized Debtor for the allocation of income tax liability, substantially in the
11 form of Exhibit 4 to the Plan

12 Nominee means any brokerage firm or bank, or the agent of such firm or bank,
13 holding the securities of a beneficial owner of bonds, notes, debentures or shares of stock of the
14 Debtor

15 Original Letter of Credit Fee has the meaning set forth in Section 4 10(b)(iv)
16 hereof

17 Other Priority Claims means all Claims against the Debtor, other than
18 Administrative Expense Claims or Priority Tax Claims, entitled to priority in right of payment
19 under section 507(a) of the Bankruptcy Code

20 Other Secured Claims means all Claims against the Debtor relating to mechanics'
21 and materialmen's liens and secured tax Claims, as well as Secured Claims, other than Secured
22 Claims Relating to First and Refunding Mortgage Bonds and Mortgage Backed PC Bond Claims

23 Parent means PG&E Corporation, the Debtor's parent company

24 PC Bond Documents means, with respect to each series of PC Bonds, the Loan
25 Agreement, Indenture, and all of the other documents, instruments, agreements and certificates
26 evidencing, securing, governing or otherwise pertaining to the respective Bond Loan or the
27 respective series of PC Bonds or otherwise executed and delivered by or on behalf of the Debtor
28

1 in connection with any of the foregoing, together with all amendments, modifications, renewals,
2 substitutions and replacements of or to any of the foregoing

3 PC Bond Insurance Policy means that certain Financial Guaranty Insurance Policy
4 issued by MBIA with respect to the MBIA Insured PC Bonds, together with all amendments,
5 modifications, renewals, substitutions and replacements thereof

6 PC Bonds means collectively, the Letter of Credit Backed PC Bonds, the MBIA
7 Insured PC Bonds, the Mortgage Backed PC Bonds, the Prior Bonds and the Treasury PC Bonds

8 Pending Litigation Claims means all Claims against the Debtor that are asserted in
9 litigation pending against the Debtor and that are listed in an amendment to PG&E's Plan
10 Supplement, provided, however, that Pending Litigation Claims shall not include (a) any Claims
11 settled, liquidated or determined by a Final Order or a binding award, agreement or settlement
12 prior to the Petition Date for amounts payable by the Debtor for damages or other obligations in
13 a fixed dollar amount payable in a lump sum or by a series of payments (which Claims are
14 classified as General Unsecured Claims), (b) Environmental Claims, (c) Fire Suppression
15 Claims, (d) Tort Claims, or (e) FERC License Claims

16 Person has the meaning set forth in section 101(41) of the Bankruptcy Code

17 Petition Date means April 6, 2001, the date on which the Debtor commenced the
18 Chapter 11 Case

19 PG&E's Plan means that certain Plan of Reorganization under Chapter 11 of the
20 Bankruptcy Code for Pacific Gas and Electric Company proposed by the Debtor and the Parent,
21 dated April 19, 2002, including, without limitation, PG&E's Plan Supplement and all exhibits,
22 supplements, appendices and schedules thereto, either in its present form or as the same may be
23 altered, amended or modified from time to time

24 PG&E's Plan Supplement means the documents, schedules and other instruments
25 filed with the Bankruptcy Court in accordance with Section 11 19 of PG&E's Plan, as amended,
26 modified or supplemented

27 Plan means this plan of reorganization, as amended, modified or supplemented

28 Post Petition Interest has the meaning set forth in Section 4 1 hereof

Preferred Stock means the issued and outstanding shares of the Debtor's First Preferred Stock, par value \$25.00 per share. The Debtor's outstanding First Preferred Stock is comprised of (a) 6% Non-Redeemable First Preferred, (b) 5% Non-Redeemable First Preferred, (c) 5% Non-Redeemable First Preferred, (d) 5% Redeemable First Preferred Series D, (e) 5% Redeemable First Preferred Series E, (f) 4 80% Redeemable First Preferred, (g) 4 50% Redeemable First Preferred, (h) 4 36% Redeemable First Preferred, (i) 6 57% Redeemable First Preferred, (j) 7 04% Redeemable First Preferred, and (k) 6 30% Redeemable First Preferred.

Preferred Stock Equity Interests means any right relating to the Debtor's Preferred Stock.

Prior Bond Claims means all Claims against the Debtor by the Prior Letter of Credit Issuing Banks for any and all accrued and unpaid amounts due by the Debtor under their respective Prior Reimbursement Agreements, including amounts due as reimbursement of amounts paid by each Prior Letter of Credit Issuing Bank under its respective Prior Letter of Credit to the Bond Trustee for the payment of the redemption price of the related series of Prior Bonds.

Prior Bonds means, collectively, the 96B Bonds, the 96D Bonds, the 97A Bonds and the 97C Bonds.

Prior Letter of Credit means, with respect to each series of Prior Bonds, that certain irrevocable direct pay letter of credit issued by the Prior Letter of Credit Issuing Bank for the account of the Debtor to the Bond Trustee and delivered to the Bond Trustee in accordance with the terms of the respective Indenture which secured, among other things, the payment of the principal of, and interest on, the respective series of Prior Bonds, together with all amendments, modifications, renewals, substitutions and replacements thereof.

Prior Letter of Credit Issuing Bank means, with respect to each series of Prior Bonds, the issuer of the Prior Letter of Credit.

Prior Reimbursement Agreement means, with respect to each series of Prior Bonds, that certain reimbursement or other agreement between the Debtor and the Prior Letter of Credit Issuing Bank providing for, among other things, the issuance of the related Prior Letter of

Credit and the reimbursement of the Prior Letter of Credit Issuing Bank for draws made thereunder, together with all amendments, modifications, renewals, substitutions and replacements thereof.

Priority Tax Claim means all Claims against the Debtor for taxes entitled to priority in payment under section 507(a)(8) of the Bankruptcy Code.

Procedures Order means the Order of the Bankruptcy Court approving, among other things, voting solicitation procedures, the form of voting ballots, the solicitation period and the voting tabulation procedures regarding this Plan and PG&E's Plan, as amended, modified, and/or supplemented from time to time.

Professional Compensation and Reimbursement Claims means all Administrative Expense Claims for the compensation of professionals and reimbursement of expenses incurred by such professionals, the Commission, the Committee and members of the Committee pursuant to sections 330(a) or 503(b)(2), 503(b)(3), 503(b)(4) and 503(b)(5) of the Bankruptcy Code.

Proponents means the Commission and the Committee.

Proponents' Plan Supplement means the documents, schedules and other instruments to be filed with the Bankruptcy Court in accordance with section 11.17 of the Plan, as amended, modified or supplemented from time to time.

Punitive Damages means punitive, exemplary or similar damages, or fines, penalties or similar charges that arise in connection with Environmental Claims, Fire Suppression Claims, Pending Litigation Claims, Tort Claims or FERC License Claims.

PX means the California Power Exchange.

QFs means qualifying facilities operating pursuant to the Public Utility Regulatory Policies Act of 1978 and the related regulations enacted thereunder.

QUIDS means the 7.90% Deferrable Interest Subordinated Debentures, Series A, Due December 31, 2025 issued by the Debtor under the QUIDS Indenture, together with all amendments, modifications, renewals, substitutions and replacements thereof.

QUIDS Claims means all Claims arising from the QUIDS.

1 QUIDS Indenture means the Indenture by and between the Debtor and National
2 City Bank of Indiana, as successor-in-interest to Bank One Trust Company, N A , as successor-
3 in-interest to The First National Bank of Chicago, dated November 28, 1995, as supplemented by
4 the First Supplemental Indenture dated November 28, 1995, as supplemented by the Second
5 Supplemental Indenture dated March 25, 1996

6 Rate Recovery Litigation means Pacific Gas & Electric Company, Plaintiff, vs
7 Loretta M. Lynch, et al., Defendants, Case No C-01-3023-VRW, presently pending in the
8 United States District Court for the Northern District of California

9 Reimbursement Agreement means, with respect to each series of Letter of Credit
10 Backed PC Bonds, that certain reimbursement or other agreement between the Debtor and the
11 Letter of Credit Issuing Bank and certain other Banks, if any, that are signatories thereto
12 providing for, among other things, the issuance of the related Letter of Credit and the
13 reimbursement of the Letter of Credit Issuing Bank and certain other Banks, if any, that are
14 signatories thereto for draws made under such Letter of Credit, together with all amendments,
15 modifications, renewals, substitutions and replacements thereof

16 Reimbursement Obligation means, with respect to each series of Prior Bonds, that
17 portion of the reimbursement obligation of the Debtor under the Prior Reimbursement
18 Agreement arising with respect to the portion of the final drawing made under the related Prior
19 Letter of Credit for the payment of the principal portion of the redemption price of the related
20 series of Prior Bonds

21 Releasees means all Persons who (i) are present or former officers and directors
22 of the Debtor who were directors and/or officers on or after the Petition Date, (ii) serve or served
23 as members of management of the Debtor on or after the Petition Date, (iii) are present or former
24 members of the Committee, (iv) are present or former officers and directors and other Persons
25 who serve or served as members of the management of any present or former member of the
26 Committee, or (v) are advisors, consultants or professionals of or to the Debtor, the Committee
27 and the members of the Committee, but in each case only to the extent such Persons are or were
28 acting in any of the capacities set forth in (i) through (v) above

1 Reorganized Debtor means the Debtor, or any successor thereto by merger,
2 consolidation or otherwise, on and after the Effective Date

3 Reorganization Agreement has the meaning set forth in Section 7.2 hereof

4 Reorganized Debtor New Money Notes has the meaning set forth in Section

5 7.1(a) hereof

6 Reorganized Debtor New Preferred Stock has the meaning set forth in Section

7 7.1(b) hereof

8 Retirement Plan means the Pacific Gas and Electric Company Retirement Plan, a
9 tax qualified defined benefit pension plan covered by Title IV of ERISA, as amended, 29 U.S.C.
10 §§ 1301 et seq (1994 & Supp. v 2000)

11 Revolving Line of Credit means the Amended and Restated Credit Agreement,
12 dated as of December 1, 1997, as amended, as to which Bank of America, N A was the
13 Administrative Agent on the Petition Date, together with all amendments, modifications,
14 renewals, substitutions and replacements thereof

15 Revolving Line of Credit Claim means all Claims against the Debtor arising from
16 the Revolving Line of Credit

17 Secured Claim means all Claims against the Debtor, to the extent reflected in the
18 Debtor's Bankruptcy Schedules or a proof of claim as a Secured Claim, which are secured by a
19 Lien on Collateral but only to the extent of the value of such Collateral, as determined in
20 accordance with section 506(a) of the Bankruptcy Code, and, in the event that such Claim is
21 subject to a permissible setoff under section 553 of the Bankruptcy Code, to the extent of such
22 permissible setoff

23 Secured Claims Relating to First and Refunding Mortgage Bonds means all
24 Claims against the Debtor arising from the First and Refunding Mortgage Bonds

25 Senior Indebtedness means, collectively, Commercial Paper Claims, Floating
26 Rate Note Claims, Medium Term Note Claims, Senior Note Claims and Revolving Line of
27 Credit Claims

1 Senior Note Claims means all Claims against the Debtor arising from the Senior
2 Notes
3 Senior Notes means the 7 375% Senior Notes due November 1, 2005, issued by
4 the Debtor under an indenture by and between the Debtor and Wilmington Trust Company, as
5 successor in interest to The Bank of New York, dated September 1, 1987, together with all
6 amendments, modifications, renewals, substitutions and replacements thereof
7 Settlement and Support Agreement means that certain Amended and Restated
8 Settlement and Support Agreement dated as of March 27, 2002, by and among the Debtor, the
9 Parent and certain holders of Senior Indebtedness who are parties thereto
10 Settlement Order means the Order of the Bankruptcy Court dated March 27, 2002,
11 entitled "Order on Motion by Pacific Gas and Electric Company for Order (A) Approving
12 Settlement and Support Agreement By and Among Plan Proponents and Senior Debtholders, (B)
13 Authorizing Payment of Pre- and Post Petition Interest to Holders of Undisputed Claims in
14 Certain Classes, (C) Authorizing Payment of Fees and Expenses of Indenture Trustees and
15 Paying Agents and (D) Authorizing Debtor to Enter into Similar Agreements"
16 Southern San Joaquin Valley Power Authority Agreement means the Agreement
17 between the Debtor and the Southern San Joaquin Valley Power Authority dated as of July 1,
18 1997, and related Indenture of Trust dated as of November 1, 1991, between the Southern San
19 Joaquin Valley Power Authority and Bank of America N A , as Trustee in respect of amounts
20 payable on certain bonds issued by Southern San Joaquin Power Authority maturing in 2001
21 through January 1, 2013, together with all amendments, modifications, renewals, substitutions
22 and replacements thereof.
23 Southern San Joaquin Valley Power Authority Bond Claims means all Claims
24 against the Debtor arising from the Southern San Joaquin Valley Power Authority Agreement
25 S&P means Standard & Poor's, a division of The McGraw Hill Companies, Inc.,
26 or its successor
27
28

1 State or State of California means the State of California and all of its entities
2 departments, boards, offices, commissions, agencies, bureaus, divisions, instrumentalities,
3 officers, commissioners and employees
4 Stated Amount means, with respect to each Letter of Credit, the aggregate amount
5 available to be drawn thereunder, from time to time, in accordance with the terms thereof
6 Tax Code means the United States Internal Revenue Code of 1986, as amended,
7 and the Treasury Regulations thereunder
8 Tort Claims means (i) the Chromium Litigation Claims and all other Claims
9 against the Debtor arising from any accusation, allegation, notice, action, claim, demand or
10 otherwise for personal injury, tangible or intangible property damage, products liability or
11 discrimination, or based on employment, including Punitive Damages; and (ii) any claim for
12 indemnification or contribution (whether based on contract, statute or common law) against the
13 Debtor by any third-party, where such indemnification or contribution claim of such third-party
14 is based on a claim against such third party that if asserted directly against the Debtor would be a
15 claim included within the immediately preceding clause (i), provided, however, that Tort Claims
16 shall not include (a) any Claims settled, liquidated or determined by a Final Order or a binding
17 award, agreement or settlement prior to the Petition Date for amounts payable by the Debtor for
18 damages or other obligations in a fixed dollar amount payable in a lump sum or by a series of
19 payments (which Claims are classified as General Unsecured Claims), (b) Environmental
20 Claims, (c) Fire Suppression Claims, (d) FERC License Claims, or (e) Pending Litigation
21 Claims
22 Treasury PC Bond Claims means the Claims against the Debtor by the Issuer,
23 Bond Trustee and holders of Treasury PC Bonds for all amounts due and owing by the Debtor
24 under the Loan Agreements and each of the other PC Bond Documents executed by the Debtor
25 in connection with the issuance of each series of Treasury PC Bonds
26 Treasury PC Bonds means, collectively, the 96G Bonds and the 97D Bonds
27 Unimpaired means any Class of Claims or Equity Interests which is not Impaired
28 Voting Record Date means May 21, 2002

1 Workers' Compensation Claims means all Claims against the Debtor by
2 employees of the Debtor for the payment of workers' compensation benefits under applicable
3 law

4 Workers' Compensation Indemnity Agreements means (a) the Indemnity
5 Agreement by PG&E Corporation, dated April 7, 2000, to indemnify American Home
6 Assurance Company in connection with issuance of Surety Bond No. 00-207-724 issued on
7 behalf of the Debtor for Workers' Compensation, (b) the Indemnity Agreement by PG&E
8 Corporation, dated April 7, 2000, to indemnify CAN Insurance Companies in connection with
9 issuance of Surety Bond No. 159267371 issued on behalf of the Debtor for Workers'
10 Compensation, (c) the Indemnity Agreement by PG&E Corporation, dated April 7, 2000, to
11 indemnify Kemper Insurance Companies in connection with issuance of Surety Bond No.
12 955006 issued on behalf of the Debtor for Workers' Compensation, (d) the Indemnity Agreement
13 by PG&E Corporation, dated April 7, 2000, to indemnify Travelers Insurance, as successor to
14 Reliance Insurance Company, in connection with issuance of Surety Bond No. B1686191 issued
15 on behalf of the Debtor for Workers' Compensation, and (e) the Indemnity Agreement by PG&E
16 Corporation, dated April 7, 2000, to indemnify Firemen's Fund Insurance Company in
17 connection with issuance of Surety Bond No. 11133362811 issued on behalf of the Debtor for
18 Workers' Compensation

19 **1.2 Interpretation: Application of Definitions and Rules of Construction**

20 Wherever from the context it appears appropriate, each term stated in either the singular or the
21 plural shall include both the singular and the plural, and pronouns stated in the masculine,
22 feminine or neuter gender shall include the masculine, feminine and neuter. Unless otherwise
23 specified, all section, article, schedule or exhibit references in the Plan are to the respective
24 Section in, Article of, Schedule to, or Exhibit to, the Plan. The words "herein," "hereof,"
25 "hereto," "hereunder" and other words of similar import refer to the Plan as a whole and not to
26 any particular section, subsection or clause contained in the Plan. The rules of construction
27 contained in section 102 of the Bankruptcy Code shall apply to the construction of the Plan. A
28 term used herein that is not defined herein, but that is used in the Bankruptcy Code, shall have

1 the meaning ascribed to that term in the Bankruptcy Code. The headings in the Plan are for
2 convenience of reference only and shall not limit or otherwise affect the provisions of the Plan

3 **ARTICLE II**

4 **TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS,
5 PROFESSIONAL COMPENSATION AND REIMBURSEMENT
6 CLAIMS, AND PRIORITY TAX CLAIMS**

6 **2.1 Administrative Expense Claims** Except to the extent that any entity
7 entitled to payment of any Allowed Administrative Expense Claim agrees to a less favorable
8 treatment, each holder of an Allowed Administrative Expense Claim shall receive Cash in an
9 amount equal to such Allowed Administrative Expense Claim on the later of the Effective Date
10 and the date such Administrative Expense Claim becomes an Allowed Administrative Expense
11 Claim, or as soon thereafter as is practicable, or on such other date as may be ordered by the
12 Bankruptcy Court, provided, however, that Allowed Administrative Expense Claims
13 representing liabilities incurred in the ordinary course of business by the Debtor-in-Possession
14 (including, but not limited to, real and personal property taxes and franchise fees) or liabilities
15 arising under loans or advances to or other obligations incurred by the Debtor-in-Possession shall
16 be paid in full and performed by the Debtor in the ordinary course of business in accordance with
17 the terms and subject to the conditions of any agreements governing, instruments evidencing or
18 other documents relating to such transactions. Except as provided under applicable non-
19 bankruptcy law or certain agreements with the Debtor approved by the Bankruptcy Court and
20 which are incorporated into and made a part of the Plan, Post-Petition Interest will not be paid on
21 Allowed Administrative Expense Claims

22 **2.2 Professional Compensation and Reimbursement Claims** The holders of
23 Professional Compensation and Reimbursement Claims shall file their respective final
24 applications for allowances of compensation for services rendered and reimbursement of
25 expenses incurred through the Confirmation Date by no later than the date that is ninety (90)
26 days after the Confirmation Date, or such other date as may be fixed by the Bankruptcy Court. If
27 granted by the Bankruptcy Court, such award shall be paid in full in such amounts as are
28 Allowed by the Bankruptcy Court either (a) on the date such Professional Compensation and

Reimbursement Claim becomes an Allowed Professional Compensation and Reimbursement Claim, or as soon thereafter as is practicable, or (b) upon such other terms as may be mutually agreed upon between such holder of an Allowed Professional Compensation and Reimbursement Claim and the Debtor. Except as provided under applicable non bankruptcy law, Post Petition Interest will not be paid on Professional Compensation and Reimbursement Claims.

2.3 Priority Tax Claims. Except to the extent a holder of an Allowed Priority Tax Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Priority Tax Claim, including Post-Petition Interest, Cash in an amount equal to such Allowed Priority Tax Claim plus accrued and unpaid Post-Petition Interest thereon on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon as practicable thereafter.

ARTICLE III

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

Claims against and Equity Interests in the Debtor, other than Administrative Expense Claims, Professional Compensation and Reimbursement Claims and Priority Tax Claims, are classified for all purposes, including voting, confirmation and distribution pursuant to the Plan, as follows:

Class	Claim/Interest	Status
1	Other Priority Claims	Unimpaired
2	Other Secured Claims	Unimpaired
3	Secured Claims Relating to First and Refunding Mortgage Bonds	Impaired
4a	Mortgage Backed PC Bond Claims	Unimpaired
4b	MBIA Insured PC Bond Claims	Unimpaired
4c	MBIA Claims	Impaired
4d	Letter of Credit Backed PC Bond Claims	Unimpaired
4e	Letter of Credit Bank Claims	Impaired

Class	Claim/Interest	Status
4f	Prior Bond Claims	Unimpaired
4g	Treasury PC Bond Claims	Unimpaired
5	General Unsecured Claims	Impaired
6	ISO, PX and Generator Claims	Impaired
7	ESP Claims	Impaired
8	Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims	Unimpaired
9	[Intentionally Left Blank]	[Intentionally Left Blank]
10	Convenience Claims	Unimpaired
11	QUIDS Claims	Impaired
12	Workers' Compensation Claims	Unimpaired
13	Preferred Stock Equity Interests	Unimpaired ²
14	Common Stock Equity Interests	Unimpaired

² While the Proponents believe that Class 13 is unimpaired by the Plan, certain holders of Preferred Stock Equity Interests may believe that Class 13 is impaired by the Plan. To avoid delaying the voting process, holders of Preferred Stock Equity Interests will be solicited to vote on the Plan as a precautionary measure so that the voting results will be available if it is determined by the Bankruptcy Court that such Class is impaired. Allowing the holders of Preferred Stock Equity Interests to vote shall be without prejudice to the Proponents' contention that this Class is unimpaired, and the Proponents reserve the right to contest any objection to the unimpaired status of this Class.

ARTICLE IV

TREATMENT OF CLAIMS AND EQUITY INTERESTS³

4.1 Payment of Interest Allowed Claims shall include amounts owed with respect to the period prior to the Petition Date and applicable interest accrued and unpaid during such period. Except as otherwise provided herein, holders of Allowed Claims shall also be paid in Cash accrued and unpaid interest on such Allowed Claims from the Petition Date through the Effective Date ("Post-Petition Interest"). Except as otherwise provided herein, including Exhibit I attached hereto, any Post Petition Interest shall be calculated and paid at the lowest non-default rate and in accordance with the terms specified in the applicable statute, indenture or instrument governing such Allowed Claim or, if no such instrument exists, or if the applicable instrument does not specify a non-default rate of interest, Post Petition Interest shall be calculated and paid

During the Chapter 11 Case, the Debtor has entered into a number of settlements with various creditors regarding the allowance and treatment of such creditors' Claims under PG&E's Plan. With the exception of those settlement provisions that are unique to the allowance and treatment of such creditors' Claims under PG&E's Plan and are not relevant here, the provisions governing allowance and treatment of creditor Claims set forth in the creditor settlements are (i) incorporated into and made part of the Plan, and (ii) to be assumed and performed by the Debtor or Reorganized Debtor, as the case may be, under the Plan. By way of example, the Plan incorporates the principal terms of the following such settlements: the Committee Support Agreement, the Settlement and Support Agreement, the agreements between the Debtor and various of the drawn and undrawn Letter of Credit Banks, the agreements between the Debtor and certain QFs, the agreements between the Debtor and various representatives of mortgage, pollution control and other bonds issued by the Debtor or insurance relating to such bonds, the agreements between the Debtor and various generators, the PX and ISO, the Settlement and Stanislaus Commitments stipulation by and between the Debtor, the NCPA and the City of Palo Alto, the stipulation and settlement between the Debtor and the Unofficial Committee of Mortgage Bondholders, and any other such similar agreements, whether or not the terms of such settlements are specifically referenced in the Proponents' Plan. In particular, there is incorporated into and made part of the Proponents' Plan and will be assumed and performed by the Debtor or the Reorganized Debtor, as the case may be, under the Proponents' Plan, the provisions of the Settlement and Support Agreement, with the exception of the "placement fee" provision, "step-up" interest rate provision in section 2(a)(ii) thereof, the provisions relating to the payment of Class 5 Claims in notes and the provisions requiring support for the PG&E Plan. Specifically, and subject to the foregoing, the Proponents' Plan incorporates and makes part of its Plan the provisions in the Settlement and Support Agreement contained in paragraphs 1, 2(a)(i), 3, 4, 5(a), (c), 12, 13, 14 (only as it relates to the Proponents' Plan and its implementation), 15, 24 and 26 thereof.

on such Allowed Claim at the Federal Judgment Rate. Except as provided under applicable non-bankruptcy law or certain agreements with the Debtor approved by the Bankruptcy Court and which are incorporated into and made a part of the Plan, Post-Petition Interest will not be paid on the following Allowed Claims: Allowed Administrative Expense Claims, Professional Compensation and Reimbursement Claims, Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims and Workers' Compensation Claims.

4.2 Timing of Payments and Distributions

(a) Pursuant to an Order entered by the Bankruptcy Court on April 9, 2001 authorizing the Debtor's interim use of cash collateral, the Debtor has paid and will continue to pay Post-Petition Interest to holders of Allowed Claims in Classes 3 and 4a. In addition, the Debtor will make payments of Post Petition Interest that has accrued and is unpaid on and after the Initial Calculation Date through the last day of the last calendar quarter ending prior to the Effective Date, in arrears, in quarterly installments (or in the case of the first quarter following the Initial Calculation Date, for holders of Allowed Claims for which February 28, 2002 is the Initial Calculation Date, the four month period from March 1, 2002 to June 30, 2002) as follows: (x) on the first Business Day of the next calendar quarter to the holders of Allowed Claims in Class 5 for Senior Indebtedness, the holders of Allowed Southern San Joaquin Power Authority Bond Claims and the holders of Allowed Claims in Classes 4c, 4f, 4g and 11; and (y) within thirty (30) days following the end of the calendar quarter, to the remaining holders of Allowed Class 5 Claims and the holders of Allowed Claims in Classes 1, 2, 6, 7 and 10. Any Post-Petition Interest that accrues during the period commencing on the first day of the calendar quarter in which the Effective Date occurs and ending on the Effective Date will be paid on the Effective Date.

(b) Pursuant to an Order entered by the Bankruptcy Court on April 9, 2002 approving the Debtor's execution and performance under an agreement with the Letter of Credit Issuing Banks entitled "Summary of Terms with Respect to Forbearance and Proposed Revised Treatment of Letter of Credit Bank Claims in the Plan of Reorganization" and pursuant to an Order entered by the Bankruptcy Court on June 17, 2002 approving the Debtor's execution

1 and performance under the LC Bank Agreement (as defined in Section 4 10(b)(iv)), the Debtor
2 has made and will continue to make certain payments to the Letter of Credit Issuing Banks and
3 to the holders of Allowed Claims in Class 4e prior to the Effective Date, as set forth in such
4 agreements and in Section 4 10 hereof.

5 (c) Pursuant to the Settlement Order and Settlement and Support
6 Agreement, the accrual and payment of Post Petition Interest shall terminate if (i) the Debtor is
7 determined by a Final Order of the Bankruptcy Court to be insolvent (on a balance sheet basis)
8 with such interest accrual termination effective as of the date of insolvency, as determined by the
9 Bankruptcy Court, (ii) upon conversion of the Chapter 11 Case to a case under chapter 7,
10 provided that there is not a subsequent determination of the Bankruptcy Court that there are
11 assets of sufficient value to pay Post-Petition Interest on the applicable Allowed Claim. In
12 circumstances where the accrual and payment of Post Petition Interest terminates, any payments
13 of Post Petition Interest may be recharacterized and treated as a partial payment of the principal
14 amount of the applicable Allowed Claims.

15 (d) Except as set forth in Sections 4 2(a) and 4 2(b) above and except
16 to the extent a holder of an Allowed Claim or Equity Interest has otherwise been paid all or a
17 portion of such holder's Allowed Claim or Equity Interest prior to the Effective Date, each of the
18 distributions specified in this Article IV with respect to each Allowed Claim or Equity Interest
19 shall (i) occur on the later of the Effective Date and the date such Allowed Claim or Equity
20 Interest becomes an Allowed Claim or Equity Interest, or as soon as practicable thereafter, and
21 (ii) be in full and complete settlement, satisfaction and discharge of such Allowed Claim or
22 Equity Interest.

23 4 3 Class 1 - Other Priority Claims

24 (a) Distributions Each holder of an Allowed Other Priority Claim, if
25 any, shall be paid Cash in an amount equal to such Allowed Claim.

26 (b) Impairment and Voting Class 1 is unimpaired by the Plan. Each
27 holder of an Allowed Other Priority Claim is conclusively presumed to have accepted the Plan
28 and is not entitled to vote to accept or reject the Plan.

1 4 4 Class 2 - Other Secured Claims

2 (a) Distributions/Reinstatement of Claims The Claims of each holder
3 of an Allowed Other Secured Claim shall, at the option of the Debtor, (i) be reinstated and
4 rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code or (ii) be paid
5 Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such
6 Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy
7 Code.

8 (b) Impairment and Voting Class 2 is unimpaired by the Plan. Each
9 holder of an Allowed Other Secured Claim is conclusively presumed to have accepted the Plan
10 and is not entitled to vote to accept or reject the Plan.

11 4 5 Class 3 - Secured Claims Relating to First and Refunding Mortgage Bonds

12 (a) Allowance The Secured Claims Relating to First and Refunding
13 Mortgage Bonds shall be deemed Allowed Secured Claims Relating to First and Refunding
14 Mortgage Bonds in the amount of \$2,699,000,000⁴, plus accrued and unpaid pre-petition interest
15 on such amount, plus Allowed Claims in the amount of all unpaid fees and expenses of the
16 related mortgage bond trustee accrued through the Petition Date under the terms of the
17 Mortgage.

18 (b) Distributions Each holder of an Allowed Secured Claim Relating
19 to First and Refunding Mortgage Bonds shall be paid Cash in an amount equal to such Allowed
20 Claim.

21 (c) Impairment and Voting Class 3 is impaired by the Plan. Each
22 holder of an Allowed Secured Claim Relating to First and Refunding Mortgage Bonds is entitled
23 to vote to accept or reject the Plan.

24 4 6 Class 4a - Mortgage Backed PC Bond Claims

25 (a) Allowance The Mortgage Backed PC Bond Claims shall be
26 deemed Allowed Secured Claims in the amount of \$345,000,000, plus accrued and unpaid pre-

27 ⁴ This amount is net of the approximately \$277 million of First and Refunding Mortgage
28 Bonds held by the Debtor in treasury.

petition interest on such amount, plus Allowed Claims in the amount of all unpaid fees and expenses of the Mortgage Bond trustee accrued through the Petition Date under the terms of the Mortgage

(b) Reinstatement of Claims Each series of Mortgage Backed PC Bonds, and each of the PC Bond Documents, shall remain outstanding and be reinstated in accordance with section 1124(2) of the Bankruptcy Code. Each holder of a Mortgage Backed PC Bond shall be paid Cash in an amount equal to any and all accrued and unpaid interest owed to such holder in respect of such Mortgage Backed PC Bond in accordance with the terms thereunder to and including the last scheduled interest payment date preceding the Effective Date. All unpaid fees and expenses of the Issuer and Bond Trustee due and owing under the applicable Loan Agreements shall also be paid in Cash.

(c) Impairment and Voting Class 4a is unimpaired by the Plan. Each holder of an Allowed Mortgage Backed PC Bond Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

47 Class 4b - MBIA Insured PC Bond Claims

(a) Allowance The MBIA Insured PC Bond Claims shall be deemed Allowed MBIA Insured PC Bond Claims in the amount of \$200,000,000, plus accrued and unpaid pre-petition interest on such amount, plus Allowed Claims in the amount of all unpaid fees and expenses of the related Issuer and Bond Trustee accrued through the Petition Date under the terms of the applicable PC Bond Documents.

(b) Reinstatement of Claims The MBIA Insured PC Bonds, and each of the PC Bond Documents, shall remain outstanding and be reinstated in accordance with section 1124(2) of the Bankruptcy Code. Each holder of a MBIA Insured PC Bond shall be paid Cash in an amount equal to any and all accrued and unpaid interest owed to such holder in respect of such MBIA Insured PC Bond in accordance with the terms of the respective MBIA Insured PC Bond, to and including the last scheduled interest payment date preceding the Effective Date. All unpaid fees and expenses of the Issuer and Bond Trustee due and owing under the applicable Loan Agreement shall also be paid in Cash.

(c) Impairment and Voting Class 4b is unimpaired by the Plan. Each holder of an Allowed MBIA Insured PC Bond Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

48 Class 4c - MBIA Claims

(a) Allowance The Claims of MBIA with respect to payments which may become due by the Debtor under the terms of the MBIA Reimbursement Agreement as reimbursement for payments made by MBIA under the PC Bond Insurance Policy shall be deemed contingent Claims, and the Claims of MBIA for any and all other accrued and unpaid amounts due by the Debtor under the MBIA Reimbursement Agreement, including any and all amounts due by the Debtor as reimbursement of amounts paid by MBIA under the PC Bond Insurance Policy to the Bond Trustee for the payment of interest on the MBIA Insured PC Bonds, shall be deemed Allowed MBIA Claims.

(b) Distributions - Each holder of an Allowed MBIA Claim shall be paid Cash equal to its pro rata share of the aggregate amount paid by MBIA to the Bond Trustee with respect to the payment of interest on the MBIA Insured PC Bonds during the period from the Petition Date to and including the last scheduled interest payment date preceding the Effective Date, together with its pro rata share of all other amounts due and owing to MBIA under the terms of the MBIA Reimbursement Agreement through the Effective Date, including any accrued and unpaid interest due on such amounts to the extent provided in the MBIA Reimbursement Agreement at the non-default rate.

(c) Impairment and Voting Class 4c is impaired by the Plan. Each holder of an Allowed MBIA Claim is entitled to vote to accept or reject the Plan.

49 Class 4d - Letter of Credit Backed PC Bond Claims

(a) Allowance The Letter of Credit Backed PC Bond Claims shall be deemed Allowed Letter of Credit Backed PC Bond Claims in the amount of \$613,550,000, plus accrued and unpaid pre petition interest on such amount, plus Allowed Claims in the amount of all unpaid fees and expenses of the related Issuer and Bond Trustee accrued through the Petition Date under the terms of the applicable PC Bond Documents.

1 (b) Reinstatement of Claims Each series of Letter of Credit Backed
2 PC Bonds, and each of the PC Bond Documents, shall remain outstanding and be reinstated in
3 accordance with section 1124(2) of the Bankruptcy Code. Each holder of a Letter of Credit
4 Backed PC Bond will be paid Cash in an amount equal to any and all accrued and unpaid interest
5 owed to such holder in respect of such Letter of Credit Backed PC Bond in accordance with the
6 terms thereof to and including the last scheduled interest payment date preceding the Effective
7 Date. All unpaid fees and expenses of the Issuer and Bond Trustee due and owing under the
8 applicable Loan Agreement shall also be paid in Cash.

9 (c) Impairment and Voting Class 4d is unimpaired by the Plan. Each
10 holder of an Allowed Letter of Credit Backed PC Bond Claim is conclusively presumed to have
11 accepted the Plan and is not entitled to vote to accept or reject the Plan.

12 4.10 Class 4e - Letter of Credit Bank Claims

13 (a) Allowance The Letter of Credit Bank Claims consist of
14 (i) Allowed Letter of Credit Bank Claims in the amount of any and all accrued and unpaid
15 amounts due by the Debtor under each of the Reimbursement Agreements (as modified by the
16 LC Bank Agreement), including, without limitation, any and all amounts due by the Debtor as
17 reimbursement of amounts paid by a Letter of Credit Issuing Bank under its Letter of Credit to
18 the Bond Trustee for the payment of interest on the related Letter of Credit Backed PC Bonds
19 and any and all interest and fees due thereunder and (ii) with respect to payments that may
20 become due by the Debtor under the terms of each of the Reimbursement Agreements (as
21 modified by the LC Bank Agreement), including, without limitation, as reimbursement for
22 amounts drawn under the Letters of Credit as well as for interest and fees due thereunder,
23 contingent Claims in an amount equal to any and all such outstanding amounts.

24 (b) Distributions

25 (i) Commencing on June 27, 2002 and continuing with
26 respect to each Letter of Credit Issuing Bank until the earlier of (i) the Effective Date, (ii) the
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1 date the respective Letter of Credit is terminated or the stated amount thereof is permanently
2 reduced, or (iii) the date that any of the related series of Letter of Credit Backed PC Bonds are
3 redeemed, to the extent that the Debtor has not reimbursed the applicable Letter of Credit Issuing
4 Bank and the applicable Banks, if any, for drawings made on the related Letter of Credit with
5 respect to the payment of interest on the related series of Letter of Credit Backed PC Bonds to
6 the extent provided in the respective Reimbursement Agreement, each holder of an Allowed
7 Letter of Credit Bank Claim will be paid Cash in an amount equal to its pro rata share of the
8 aggregate amount paid by the respective Letter of Credit Issuing Bank to the respective Bond
9 Trustee under the terms of the applicable Letter of Credit with respect to the payment of the
10 interest on the Letter of Credit Backed PC Bonds to which such Letter of Credit Bank Claim
11 relates during the period from the Petition Date to and including the last scheduled interest
12 payment date on such Letter of Credit Backed PC Bonds preceding the Effective Date. Each
13 holder of an Allowed Letter of Credit Bank Claim will also be paid Cash in an amount equal to
14 its pro rata share of all other amounts then due and owing to the respective Letter of Credit
15 Issuing Bank and the applicable Banks, if any, under the terms of the respective Reimbursement
16 Agreement (other than for reimbursement of drawings on the respective Letter of Credit) through
17 the Effective Date, including, without limitation, interest at the interest rate due on such amounts
18 to the extent provided in the respective Reimbursement Agreements and any due and owing
19 Forbearance, Extension and Letter of Credit Fees (as hereinafter defined) through the Effective
20 Date, and the reasonable fees and expenses of unrelated third-party professionals retained by the
21 Letter of Credit Issuing Banks, to the extent incurred subsequent to the Petition Date in the
22 Chapter 11 Case.

23 (ii) On the Effective Date one of the following shall
24 occur with respect to each series of Letter of Credit Backed PC Bonds and its respective Letter of
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Credit, at the option of the Debtor separately for each series of Letter of Credit Backed PC Bonds

(A) Purchase Option The respective series of Letter of Credit

Backed PC Bonds shall be called for mandatory tender in accordance with the terms of the respective Indenture and shall be purchased by the respective Bond Trustee through a draw on the related Letter of Credit and, at the option of the respective Letter of Credit Issuing Bank, shall either be registered in the name of the respective Letter of Credit Issuing Bank or in the name of the Debtor subject to a first lien security interest in favor of the respective Letter of Credit Issuing Bank to additionally secure the obligations of the Debtor under the related Reimbursement Agreement. On the Effective Date, to the extent that the Letter of Credit Issuing Bank and the Banks have not been reimbursed therefor, the Letter of Credit Issuing Bank will receive Cash in an amount equal to the sum of (i) the interest portion of the purchase price of the tendered Letter of Credit Backed PC Bonds paid out of a draw on the respective Letter of Credit, and (ii) the aggregate amount paid by the respective Letter of Credit Issuing Bank to the respective Bond Trustee under the terms of the applicable Letter of Credit with respect to the payment of the interest on the respective Letter of Credit Backed PC Bonds during the period from and after June 27, 2002 to and including the last scheduled interest payment date on such Letter of Credit Backed PC Bonds preceding the Effective Date, together with interest at the non-default rate due on such amounts to the extent provided in the respective Reimbursement Agreement. On the Effective Date, the Letter of Credit Issuing Bank shall transfer the related Letter of Credit Backed PC Bonds in the aggregate original principal amount as set forth on Exhibit 2 attached hereto to the Debtor or its assignee free and clear of all liens. On the Effective Date, the Letter of Credit Issuing Bank will receive (i) Cash in an amount equal to the principal portion of the purchase price of the tendered Letter of Credit Backed PC Bonds paid out of a

draw on the respective Letter of Credit, and (ii) a fee (the "Purchase Option Incentive Fee") in an amount equal to 0.4% of the principal portion of the purchase price of the tendered Letter of Credit Backed PC Bonds paid out of a draw on the respective Letter of Credit

(B) Remarketing Option The respective series of Letter of

Credit Backed PC Bonds shall be called for mandatory tender in accordance with the terms of the respective Indenture and shall be purchased by the respective Bond Trustee through a draw on the related Letter of Credit. The Debtor will then either (i) provide or cause to be provided to the respective Bond Trustee an alternative "Credit Facility" pursuant to the terms of the respective Indenture in lieu of the existing Letter of Credit, or (ii) obtain the consent of the Issuer to remarket the respective series of Letter of Credit Backed PC Bonds without credit enhancement in accordance with the terms of the applicable Indenture. In either event the respective series of Letter of Credit Backed PC Bonds shall be remarketed, at par, in accordance with the terms of the Indenture and the other PC Bond Documents. In such event, on the Effective Date, the Letter of Credit Issuing Bank will receive, to the extent that the Letter of Credit Bank has not been reimbursed therefor (i) from the Debtor, Cash in an amount equal to the sum of (A) the interest portion of the purchase price of the tendered Letter of Credit Backed PC Bonds paid out of a draw on the respective Letter of Credit, and (B) the aggregate amount paid by the respective Letter of Credit Issuing Bank to the respective Bond Trustee under the terms of the applicable Letter of Credit with respect to the payment of the interest on the respective Letter of Credit Backed PC Bonds during the period from and after June 27, 2002 to and including the last scheduled interest payment date on such Letter of Credit Backed PC Bonds preceding the Effective Date, together with interest at the non-default rate due on such amounts to the extent provided in the respective Reimbursement Agreement, (ii) from the Debtor, a fee (the "Remarketing Option Incentive Fee") in an amount equal to either (1) 0.5% of the aggregate

1 principal amount of the respective Letter of Credit Backed PC Bonds remarketed on the
2 Effective Date the payment of the principal of and interest on which are secured by either a
3 replacement Letter of Credit, with a term of not less than one year from the Effective Date,
4 delivered to the Trustee in accordance with the terms of the respective Indenture upon terms
5 acceptable to the Debtor or an extension of the existing Letter of Credit delivered to the Trustee
6 in accordance with the terms of the respective Indenture upon terms acceptable to the Debtor, or
7 (2) 0.4% of the aggregate principal amount of the respective Letter of Credit Backed PC Bonds
8 remarketed on the Effective Date the payment of the principal of and interest on which are not
9 secured by such a Letter of Credit, and (iii) from the Bond Trustee, an amount equal to the
10 principal portion of the purchase price of the tendered Letter of Credit Backed PC Bonds paid
11 out of a draw on the respective Letter of Credit, which amount shall be paid from the
12 remarketing proceeds of the respective Letter of Credit Backed PC Bonds in accordance with the
13 terms of the respective Indenture

14
15
16 (C) No Bonds Option With respect to each
17 Letter of Credit Issuing Bank and the related Banks, if any, in the event that neither the Purchase
18 Option nor the Remarketing Option, as applicable, can be consummated or the respective series
19 of Letter of Credit Backed PC Bonds are redeemed on or prior to the Effective Date as the result
20 of the expiration of the respective Letter of Credit or otherwise, then at the option of the Debtor
21 separately for each Letter of Credit Bank Claim and Reimbursement Agreement either:

22
23 (i) On the Effective Date, the Letter of
24 Credit Issuing Bank will receive Cash in an amount equal to the sum of (A) the principal portion
25 of the redemption price of the redeemed Letter of Credit Backed PC Bonds paid out of a draw on
26 the respective Letter of Credit (the "Principal Reimbursement") and (B) any and all accrued and
27 unpaid interest owing to the Letter of Credit Issuing Bank in respect of such Principal
28

1 Reimbursement, at a fluctuating rate of interest, in accordance with the terms of the applicable
2 Reimbursement Agreement; or

3
4 (2) On the Effective Date, the Letter of
5 Credit Issuing Bank shall sell, transfer and assign to the Debtor or its assignee, without recourse,
6 all of the Letter of Credit Issuing Bank's and the related Banks' rights, title and interest in the
7 applicable Letter of Credit Bank Claim and Reimbursement Agreement, including, but not
8 limited to, the right to receive repayment of the Principal Reimbursement in the aggregate
9 principal amount as set forth on Exhibit 2 attached hereto, together with the right to receive
10 payment of interest thereon as set forth in the amended Reimbursement Agreement, free and
11 clear of all liens. On the Effective Date, the Debtor or its assignee shall purchase from the Letter
12 of Credit Issuing Bank and the related Banks, if any, all of their rights, title and interest in the
13 applicable Letter of Credit Bank Claim and Reimbursement Agreement for a purchase price in
14 Cash in an amount equal to the sum of (A) the respective Principal Reimbursement and (B) any
15 and all accrued and unpaid interest owing to the Letter of Credit Issuing Bank in respect of such
16 Principal Reimbursement, at a fluctuating rate of interest, in accordance with the terms of the
17 applicable Reimbursement Agreement.

18
19 In addition to the foregoing with respect to the No Bond Option, if
20 (i) the Letter of Credit Issuing Bank maintains its Letter of Credit outstanding in the stated
21 amount set forth on Exhibit 2 attached hereto through the Effective Date and does not provide
22 the Trustee with notice of default under its Reimbursement Agreement or non-reinstatement of
23 its Letter of Credit or take any other action which would result in the redemption, either in whole
24 or in part, of the outstanding Letter of Credit Backed PC Bonds without the prior written consent
25 of the Debtor, and (ii) the Letter of Credit Issuing Bank and each of the related Banks, if any,
26 take all action reasonably required by the Debtor to keep the Letter of Credit Backed PC Bonds
27
28

1 outstanding and to facilitate either the Purchase Option or the Remarketing Option, as applicable,
2 including, without limitation, giving direction to the Trustee, providing commercially reasonably
3 indemnification to the Issuer and Trustee, and using their best efforts to consummate the
4 proposed amendments to the terms of the Letter of Credit Backed PC Bonds as set forth in the
5 LC Bank Agreement (as hereinafter defined) and to consummate either the Purchase Option or
6 the Remarketing Option as applicable, so as to maintain for the Debtor the benefits of the tax-
7 exempt financing provided by the related series of Letter of Credit Backed PC Bonds, then, on
8 the Effective Date (A) in the event that the Letter of Credit Backed PC Bonds were redeemed
9 prior to the Effective Date for reasons beyond the control of the Letter of Credit Issuing Bank,
10 the Letter of Credit Issuing Bank will receive from the Debtor, a fee in an amount equal to 0.05%
11 of the principal portion of the redemption price of the redeemed Letter of Credit Backed PC
12 Bonds paid out of a draw on the respective Letter of Credit, and (B) in the event that the Letter of
13 Credit Backed PC Bonds are redeemed on the Effective Date for reasons beyond the control of
14 the Letter of Credit Issuing Bank, the Letter of Credit Issuing Bank will receive from the Debtor,
15 a fee (the "No Bonds Option Fee") in an amount equal to 0.10% of the principal portion of the
16 redemption price of the redeemed Letter of Credit Backed PC Bonds paid out of a draw on the
17 respective Letter of Credit
18
19

20
21 (iii) Pursuant to the terms of an agreement among the
22 Debtor and each of the Letter of Credit Issuing Banks (the "LC Bank Agreement") that was
23 approved by order of the Bankruptcy Court entered on June 17, 2002, the Letter of Credit Issuing
24 Banks have agreed, among other things and subject to certain conditions, to (A) maintain each of
25 the Letters of Credit outstanding in the stated amounts set forth on Exhibit 2 attached hereto, (B)
26 not provide the Trustee with notice of any default under any of the Reimbursement Agreements
27 or non-reinstatement of any of the Letters of Credit or take any other action which would result
28

1 in the mandatory tender or redemption, either in whole or in part, of any of the outstanding Letter
2 of Credit Backed PC Bonds without the prior written consent of the Debtor, and (C) extend the
3 expiration date of each of the Letters of Credit to the first business day subsequent to the one (1)
4 year anniversary of the expiration date of each Letter of Credit existing as of the Petition Date,
5 provided, however, that each Letter of Credit Issuing Bank is only obligated to undertake or
6 refrain from undertaking those actions set forth in clauses (A) and (B) immediately above until
7 the earlier of (i) the last interest payment date on the related series of Letter of Credit Backed PC
8 Bonds immediately preceding the expiration date of such Letter of Credit, as such expiration date
9 shall be extended in accordance with the terms of the LC Bank Agreement, or (ii) the occurrence
10 of a "Termination Event" (as such term is defined in the LC Bank Agreement) In consideration
11 for such forbearance and other actions by the Letter of Credit Issuing Banks, the Debtor shall,
12 subject to certain terms and conditions as set forth in the LC Bank Agreement, pay to each Letter
13 of Credit Issuing Bank, (1) during the period from and after June 17, 2002 and continuing until
14 July 1, 2002, quarterly, in arrears, the Letter of Credit fee as set forth in the respective
15 Reimbursement Agreement (the "Original Letter of Credit Fee"), together with an amount equal
16 to the positive difference, if any, of an amount per annum equal to two percent (2%) of the Stated
17 Amount of the Letter of Credit, less the Original Letter of Credit Fee, which total fee accrues
18 from and after December 1, 2001 and until July 1, 2002, and has been payable on the same dates
19 as are set forth for payment of Letter of Credit Fees in the applicable Reimbursement Agreement,
20 and (2) during the period from and after July 1, 2002 and continuing until the Effective Date,
21 quarterly, in arrears, the Original Letter of Credit Fee, together with an amount equal to the
22 positive difference, if any, of an amount per annum equal to three percent (3%) of the Stated
23 Amount of the Letter of Credit, less the Original Letter of Credit Fee, which total fee accrues
24 from and after July 1, 2002 until the Effective Date, and shall be payable on the same dates as
25 are set forth for payment of Letter of Credit Fees in the applicable Reimbursement Agreement
26
27
28

(the Original Letter of Credit Fee together with such additional sums being hereinafter referred to collectively as the "Forbearance, Extension and Letter of Credit Fees") Additionally, pursuant to the terms of the LC Bank Agreement, the Debtor has agreed, among other things and subject to certain conditions, to pay to Deutsche Bank AG New York Branch an agency fee in the amount of \$250,000, which fee was paid by the Debtor on June 18, 2002.

(c) Impairment and Voting Class 4e is impaired by the Plan. Each holder of an Allowed Letter of Credit Bank Claim is entitled to vote to accept or reject the Plan.

4.11 Class 4f - Prior Bond Claims

(a) Allowance The Prior Bond Claims shall be deemed Allowed Prior Bond Claims in the amount of \$453,550,000, plus any and all other accrued and unpaid amounts due by the Debtor under the terms of each of the Prior Reimbursement Agreements; provided, however, that each Allowed Prior Bond Claim will be paid in the amount necessary to render it unimpaired as set forth herein.

(b) Distributions Each Allowed Prior Bond Claim will be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code. On the Effective Date one of the following shall occur with respect to each Prior Reimbursement Agreement and all of the Allowed Prior Bond Claims arising with respect thereto:

(i) Each holder of an Allowed Prior Bond Claim will be paid Cash in an amount equal to (A) the outstanding Reimbursement Obligation, or portion thereof, owing to such holder, (B) any and all accrued and unpaid interest owing to such holder in respect of such Reimbursement Obligation or applicable portion thereof at a fluctuating rate of interest in accordance with the terms of the applicable Reimbursement Agreement, and (C) all other amounts due and owing to the respective holder of an Allowed Prior Bond Claim under the terms of the respective Prior Reimbursement Agreement, through the Effective Date.

(ii) Alternatively, upon the written request of the Debtor, with the prior written consent of the respective Prior Letter of Credit Issuing Bank, the related Banks

and each of the other holders of Allowed Prior Bond Claims related thereto, each such holder of an Allowed Prior Bond Claim will be paid Cash in an amount equal to (A) any and all accrued and unpaid interest owing to such holder in respect of the Reimbursement Obligation or applicable portion thereof owing to such holder at a fluctuating rate of interest in accordance with the terms of the applicable Reimbursement Agreement, and (B) all other amounts (other than the Reimbursement Obligation or applicable portion thereof) due and owing to the respective holder of an Allowed Prior Bond Claim under the terms of the respective Prior Reimbursement Agreement, through the Effective Date. On the Effective Date, the applicable Prior Letter of Credit Issuing Bank, the related Banks and any other holders of Allowed Prior Bond Claims related thereto shall sell, transfer and assign to the Debtor or its assignee, all of the Prior Letter of Credit Issuing Banks', the applicable Banks', and all of the related Allowed Prior Bond Claim holders' rights, title and interest in the applicable Prior Reimbursement Agreement, including, but not limited to, the right to receive repayment of the Related Reimbursement Obligation, together with the right to receive payment of interest thereon as set forth in the applicable Prior Reimbursement Agreement, free and clear of all liens. In such event, on the Effective Date, the Debtor or its assignee shall purchase from the Prior Letter of Credit Issuing Bank, the related Banks and the holders of the related Allowed Prior Bond Claims, all of their rights, title and interests in the applicable Prior Reimbursement Agreement for a purchase price in Cash in an amount equal to the respective Reimbursement Obligation. All of the documents related to the transfer and sale of rights under the Prior Reimbursement Agreement shall be in form and content satisfactory to the Debtor, the Prior Letter of Credit Issuing Bank, the related Banks and each of the other holders of Allowed Prior Bonds Claims related thereto.

(c) Impairment and Voting Class 4f is unimpaired by the Plan. Each holder of an Allowed Prior Bond Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

4.12 Class 4g - Treasury PC Bond Claims

(a) Allowance The Treasury PC Bond Claims shall be deemed Allowed Treasury PC Bond Claims in the amount of \$80,770,000, plus accrued and unpaid pre-

petition interest on such amount, plus Allowed Claims in the amount of all unpaid fees and expenses of the related Issuer and Bond Trustee accrued through the Petition Date under the terms of the applicable PC Bond Documents

(b) Reinstatement of Claims Each series of Treasury PC Bonds, and the Loan Agreements and PC Bond Documents related thereto, shall remain outstanding and be reinstated in accordance with section 1124(2) of the Bankruptcy Code. Each holder of a Treasury PC Bond shall be paid Cash in an amount equal to any and all accrued and unpaid interest owed to such holder in respect of such Treasury PC Bond in accordance with the terms thereof to and including the last scheduled interest payment date preceding the Effective Date. All unpaid fees and expenses of the Issuer and Bond Trustee due and owing under the applicable Loan Agreement shall also be paid in Cash.

(c) Impairment and Voting Class 4g is unimpaired by the Plan. Each holder of an Allowed Treasury PC Bond Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

4.13 Class 5 - General Unsecured Claims

(a) Distributions Each holder of an Allowed General Unsecured Claim shall be paid Cash in an amount equal to such Allowed Claim (which shall include pre-petition interest only to the extent not previously paid).

(b) Impairment and Voting Class 5 is impaired by the Plan. Each holder of an Allowed General Unsecured Claim is entitled to vote to accept or reject the Plan.

4.14 Class 6 - ISO, PX and Generator Claims

(a) Distributions Each holder of an Allowed ISO, PX and Generator Claim shall be paid Cash in an amount equal to such Allowed Claim (which shall include pre-petition interest only to the extent not previously paid).

(b) Impairment and Voting Class 6 is impaired by the Plan. Each holder of an Allowed ISO, PX and Generator Claim is entitled to vote to accept or reject the Plan.

4.15 Class 7 - ESP Claims

(a) Distributions Each holder of an Allowed ESP Claim shall be paid Cash in an amount equal to such Allowed Claim (which shall include pre-petition interest only to the extent not previously paid).

(b) Impairment and Voting Class 7 is impaired by the Plan. Each holder of an Allowed ESP Claim is entitled to vote to accept or reject the Plan.

4.16 Class 8 - Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims

(a) Distributions Subject to Section 4.16(b), each Allowed Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claim shall be satisfied in full in the ordinary course of business at such time and in such manner as the Debtor or the Reorganized Debtor, as the case may be, is obligated to satisfy such Allowed Claim under applicable law. Except as provided under applicable non-bankruptcy law, Post-Petition Interest will not be paid on Allowed Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims.

(b) Liquidation of Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims All Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims are Disputed Claims and shall be determined, resolved, or adjudicated, as the case may be, in a manner as if the Chapter 11 Case had not been commenced (except that, under sections 365 and/or 1123(b)(2) of the Bankruptcy Code, contractual provisions, accelerations and defaults eliminated or rendered unenforceable by such sections shall remain eliminated or unenforceable, and the stay shall remain in place for any Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims as to which sections 365 and/or 1123(b)(2) of the Bankruptcy Code are applicable) and shall survive the Effective Date as if the Chapter 11 Case had not been commenced and, upon the determination, resolution or adjudication of any such Claim as provided herein, such Claim shall be deemed to be an Allowed Environmental Claim, Allowed Fire Suppression Claim, Allowed Pending Litigation Claim, Allowed Tort Claim or Allowed FERC License Claim, as the case may be, in the amount or in the manner determined by a Final Order or by a binding award,

1 agreement, or settlement; provided, however, that in addition to the Debtor's preservation of all
2 rights and defenses respecting any Environmental Claim, Fire Suppression Claim, Pending
3 Litigation Claim, Tort Claim or FERC License Claim that exist under applicable nonbankruptcy
4 law, (i) any rejection, avoidance, recovery or other power or defense available to the Debtor
5 under section 365, 510 (except subordination), 542, 543, 544, 545, 547, 548, 549, 550, 553 or
6 724 of the Bankruptcy Code is preserved, except with respect to any Environmental Order, and
7 (ii) the Debtor may object under section 502 of the Bankruptcy Code to any Environmental
8 Claim, Fire Suppression Claim, Pending Litigation Claim, Tort Claim or FERC License Claim
9 on the ground that (A) such Environmental Claim, Fire Suppression Claim, Pending Litigation
10 Claim, Tort Claim or FERC License Claim was not timely asserted in the Chapter 11 Case, (B)
11 such Environmental Claim, Fire Suppression Claim, Pending Litigation Claim, Tort Claim or
12 FERC License Claim is subject to any power or defense reserved in clause (i) of this sentence
13 and/or is disallowable under section 502(d) of the Bankruptcy Code, or (C) such Environmental
14 Claim, Fire Suppression Claim, Pending Litigation Claim, Tort Claim or FERC License Claim is
15 disallowable under section 502(e) of the Bankruptcy Code, to the extent such section is relied on
16 to ensure that there is no duplication in the claim of an allegedly subrogated claimant, on the one
17 hand, and the underlying claimant whose claim allegedly gave rise to the subrogated claim, on
18 the other. Subject to the foregoing, all Environmental, Fire Suppression, Pending Litigation,
19 Tort and FERC License Claims shall be determined and liquidated under applicable
20 nonbankruptcy law in the administrative or judicial tribunal in which they are pending as of the
21 Effective Date or, if no such action is pending on the Effective Date, in any administrative or
22 judicial tribunal of appropriate jurisdiction (other than the Bankruptcy Court). To effectuate the
23 foregoing, the entry of the Confirmation Order shall, effective as of the Effective Date, constitute
24 a modification of any stay or injunction under the Bankruptcy Code that would otherwise
25 preclude the determination, resolution, or adjudication of any Environmental Claims, Fire
26 Suppression Claims, Pending Litigation Claims, Tort Claims or FERC License Claims, except
27 for any Environmental Claim, Fire Suppression Claim, Pending Litigation Claim, Tort Claim or
28 FERC License Claim arising out of the exercise by the Debtor, as Debtor-in-Possession, of any

1 rejection, avoidance, recovery, or other power or defense available to it pursuant to any one or
2 more of sections 365, 510 (except subordination), 542, 543, 544, 545, 547, 548, 549, 550, 553 or
3 724 of the Bankruptcy Code, except with respect to any Environmental Order. Nothing
4 contained in this section 4 16(b) will constitute or be deemed to constitute a waiver or release of
5 any (i) claim, right or Cause of Action that the Debtor or Reorganized Debtor may have against
6 any Person or Governmental Entity in connection with or arising out of any Environmental, Fire
7 Suppression, Pending Litigation, Tort and FERC License Claims, including, but not limited to,
8 any rights under Section 157(b) of Title 28, United States Code, or (ii) defense in any action or
9 proceeding in any administrative or judicial tribunal, including, but not limited to, with respect to
10 the jurisdiction of such administrative or judicial tribunal, except a defense to a Claim that was
11 timely filed in the Chapter 11 Case and that constitutes an Environmental Claim, a Fire
12 Suppression Claim, a Pending Litigation Claim, a Tort Claim or a FERC License Claim, where
13 such defense is based on the discharge of section 1141(d) of the Bankruptcy Code. In light of
14 the unimpaired pass-through treatment of Environmental Claims, Fire Suppression Claims,
15 Pending Litigation Claims, Tort Claims and FERC License Claims hereunder, the Reorganized
16 Debtor waives the discharge of section 1141(d) of the Bankruptcy Code as to any Claim that was
17 timely filed in the Chapter 11 Case and that constitutes an Environmental Claim, a Fire
18 Suppression Claim, a Pending Litigation Claim, a Tort Claim or a FERC License Claim.

19 As to any consent decree, injunction, cleanup and abatement order or any other
20 administrative or judicial order or decree binding upon the Debtor and in effect as of the
21 Effective Date (whether originating before or after the Petition Date) that pertains to any
22 environmental matter described in clauses (a) through (c) of the definition of Environmental
23 Claim herein (each an "Environmental Order"), each such Environmental Order, regardless of
24 whether it constitutes or is characterized as an Environmental Claim, shall also survive the
25 Effective Date as if the Chapter 11 Case had not been commenced, shall not be discharged under
26 section 1141(d) of the Bankruptcy Code, and shall not otherwise be adversely affected by the
27 Chapter 11 Case (except for any objection to such Environmental Claim based on the contention
28

1 that such Environmental Order is an Environmental Claim that was not timely asserted in the
2 Chapter 11 Case)

3 (c) Impairment and Voting Class 8 is unimpaired by the Plan. Each
4 holder of an Allowed Environmental, Fire Suppression, Pending Litigation, Tort or FERC
5 License Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to
6 accept or reject the Plan.

7 4 17 [Intentionally Left Blank]

8 4 18 Class 10 - Convenience Claims

9 (a) Distributions Each holder of an Allowed Convenience Claim
10 shall be paid Cash in an amount equal to one hundred percent (100%) of such Allowed Claim.

11 (b) Impairment and Voting Class 10 is unimpaired by the Plan. Each
12 holder of an Allowed Convenience Claim is conclusively presumed to have accepted the Plan
13 and is not entitled to vote to accept or reject the Plan.

14 4 19 Class 11 - QUIDS Claims

15 (a) Allowance The QUIDS Claims shall be deemed Allowed QUIDS
16 Claims in the amount of \$300,000,000, plus accrued and unpaid pre-petition interest on such
17 amount.

18 (b) Distributions Each holder of an Allowed QUIDS Claim shall be
19 paid Cash in an amount equal to such Allowed Claim.

20 (c) Impairment and Voting Class 11 is impaired by the Plan. Each
21 holder of an Allowed QUIDS Claim is entitled to vote to accept or reject the Plan.

22 4 20 Class 12 - Workers' Compensation Claims

23 (a) Distributions Each Allowed Workers' Compensation Claim
24 arising prior to the Petition Date shall be satisfied in full in the ordinary course of business at
25 such time and in such manner as the Debtor or the Reorganized Debtor, as the case may be, is
26 obligated to satisfy such Allowed Claim under applicable law. Post-Petition Workers'
27 Compensation Claims are treated as Administrative Expense Claims herein and shall receive the
28 same pass-through treatment as Workers' Compensation Claims arising prior to the Petition

1 Date. Except as provided under applicable non bankruptcy law, Post-Petition Interest will not be
2 paid on any Workers' Compensation Claims. Nothing herein shall affect (i) the subrogation
3 rights, to the extent applicable or available, of any surety of pre-petition or post-petition
4 Workers' Compensation Claims or (ii) the rights of the Debtor to object, pursuant to the
5 Bankruptcy Code, to the existence of any such subrogation rights.

6 (b) Impairment and Voting Class 12 is unimpaired under the Plan.
7 Each holder of an Allowed Workers' Compensation Claim is conclusively presumed to have
8 accepted the Plan and is not entitled to vote to accept or reject the Plan.

9 4 21 Class 13 - Preferred Stock Equity Interests

10 (a) Treatment Each holder of a Preferred Stock Equity Interest shall
11 retain its Preferred Stock in the Reorganized Debtor and shall be paid in Cash any dividends and
12 sinking fund payments accrued in respect of such Preferred Stock through the last scheduled
13 payment date prior to the Effective Date.

14 (b) Impairment and Voting While the Proponents believe that Class
15 13 is unimpaired by the Plan, certain holders of Preferred Stock Equity Interests may believe that
16 Class 13 is impaired by the Plan. To avoid delaying the voting process, holders of Preferred
17 Stock Equity Interests are being solicited to vote on the Plan as a precautionary measure so that
18 the voting results will be available if it is determined by the Bankruptcy Court that such Class is
19 impaired. Allowing the holders of Preferred Stock Equity Interests to vote shall be without
20 prejudice to the Proponents' contention that this Class is unimpaired and the Proponents reserve
21 the right to contest any objection to the unimpaired status of this Class.

22 4 22 Class 14 - Common Stock Equity Interests

23 (a) Treatment The holders of Common Stock Equity Interests shall
24 retain their interests in the Common Stock.

25 (b) Impairment and Voting Class 14 is unimpaired by the Plan.
26 Each holder of an Allowed Common Stock Equity Interest is conclusively presumed to have
27 accepted the Plan and is not entitled to vote to accept or reject the Plan.
28

ARTICLE V

PROVISIONS REGARDING VOTING AND
DISTRIBUTIONS UNDER THE PLAN AND TREATMENT
OF DISPUTED, CONTINGENT AND UNLIQUIDATED ADMINISTRATIVE
EXPENSE CLAIMS, CLAIMS AND EQUITY INTERESTS

5.1 Voting of Claims and Equity Interests Each holder of record as of the Voting Record Date of an Allowed Claim or Equity Interest in an Impaired Class of Claims or Equity Interests set forth in Article IV hereof shall be entitled to vote separately to accept or reject the Plan with regard to each Impaired Class of Claims or Equity Interests as provided in the Procedures Order. If the Debtor objects to a Claim, the Claim becomes a Disputed Claim. The holder of a Disputed Claim is not entitled to vote on the Plan unless the Debtor or such holder of the Disputed Claim obtains an order of the Bankruptcy Court estimating the amount of the Disputed Claim for voting purposes. If the Debtor does not object to a Claim prior to the date on which the Disclosure Statement and the Ballot are transmitted to creditors and interest holders for voting, then the holder of such Claim will be permitted to vote on the Plan in the full amount of the Claim as filed.

5.2 Elimination of Vacant Classes Any Class of Claims that is not occupied as of the commencement of the Confirmation Hearing by an Allowed Claim or a Claim temporarily allowed under Bankruptcy Rule 3018 or as to which no vote is cast shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

5.3 Nonconsensual Confirmation If any Impaired Class of Claims or Equity Interests entitled to vote shall not accept the Plan by the requisite statutory majorities provided in section 1126(c) of the Bankruptcy Code, then the Proponents reserve the right to amend the Plan in accordance with Section 11.10 hereof or to undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code, or both.

5.4 Method of Distributions Under the Plan

(a) Disbursing Agent All distributions under the Plan shall be made by the Debtor as Disbursing Agent or such other Entity designated by the Proponents as

A Disbursing Agent shall not be required to provide any bond, surety or other security for the performance of its duties, unless otherwise ordered by the Bankruptcy Court, and, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond, surety or other security shall be borne by the Debtor.

(b) Distributions to Holders as of the Distribution Record Date

(i) Subject to Bankruptcy Rule 9010, all distributions under the Plan shall be made (A) to the holder of each Allowed Claim or Equity Interest at the address of such holder as listed on the Debtor's Bankruptcy Schedules as of the Distribution Record Date, unless the Debtor has been notified in writing of a change of address, including, without limitation, by the filing of a timely proof of Claim or Equity Interest by such holder that provides an address for such holder different from the address reflected on the Debtor's Bankruptcy Schedules, or (B) pursuant to the terms of a particular indenture of the Debtor or in accordance with other written instructions of a trustee under such indenture.

(ii) As of the close of business on the Distribution Record Date, the claims register and records of the stock transfer agent shall be closed, and there shall be no further changes in the record holder of any Claim or Equity Interest. The Debtor shall have no obligation to recognize any transfer of any Claim or Equity Interest occurring after the Distribution Record Date. The Debtor shall instead be authorized and entitled to recognize and deal for all purposes of the Plan with only those record holders stated on the claims register or the records of the stock transfer agent as of the close of business on the Distribution Record Date.

(c) Distributions of Cash Any payment of Cash made by the Debtor pursuant to the Plan shall, at the Debtor's option, be made by check drawn on a domestic bank or wire transfer.

(d) Timing of Distributions Except as otherwise set forth in the Plan, payments and distributions to holders of Allowed Claims or Equity Interests on the Effective Date shall be made on the Effective Date, or as soon as practicable thereafter. Any payment or

1 distribution required to be made under the Plan on a day other than a Business Day shall be made
2 on the next succeeding Business Day

3 (e) Allocation of Plan Distributions All distributions in respect of
4 Allowed Claims shall be allocated first to the portion of such Claims representing interest (as
5 determined for federal income tax purposes), second to the original principal amount of such
6 Claims (as determined for federal income tax purposes), and any excess to the remaining portion
7 of such Claims

8 (f) Minimum Distributions No payment of Cash less than one
9 hundred dollars (\$100) shall be made by the Debtor to any holder of an Allowed Claim or Equity
10 Interest unless a request therefor is made in writing to the Debtor

11 (g) Unclaimed Distributions All distributions under the Plan that are
12 unclaimed for a period of one (1) year after distribution thereof shall be deemed unclaimed
13 property under section 347(b) of the Bankruptcy Code and reverted in the Debtor and any
14 entitlement of any holder of any Claim or Equity Interest to such distributions shall be
15 extinguished and forever barred

16 (h) Escrow for Disputed Claims

17 (i) General Treatment On the Effective Date (or as soon as
18 practicable thereafter), and after making all distributions required to be made on the Effective
19 Date, the Reorganized Debtor shall establish one or more separate escrows, each of which shall
20 be administered by the Disbursing Agent in accordance with the terms hereof and pursuant to the
21 direction of the Bankruptcy Court, and shall deposit or segregate into such escrow account(s)
22 sufficient Cash to make distributions in respect of Disputed Claims; provided, however, that this
23 provision shall not apply to Environmental Claims, Fire Suppression Claims, Pending Litigation
24 Claims, Tort Claims, FERC License Claims and Workers' Compensation Claims. No
25 distributions from the escrow(s) shall be made until such Disputed Claims have been Allowed or
26 otherwise resolved by the Bankruptcy Court and any such distributions shall be made in
27 accordance with the terms hereof. The Cash deposited into the escrow account(s) shall be
28 invested in either (i) money market funds consisting primarily of short-term U.S. treasury

1 securities, or (ii) obligations guaranteed by the United States of America or any agency thereof,
2 at the Debtor's option, provided, however, that a Disputed ISO, PX and Generator Claim shall
3 earn interest through the date of payment in accordance with Exhibit 1 to the Plan to the extent it
4 becomes an Allowed Claim as set forth herein. A Disputed ISO, PX and Generator Claim shall
5 become an Allowed Claim on the date designated by FERC when payments are to be made on
6 account of ISO, PX and Generator Claims, pursuant to an unstayed order in the FERC refund
7 proceeding, docket Nos. ER00-95-045 and EL00-98-042 (which proceeding is discussed in
8 Section IV B of the Disclosure Statement), provided, however, that if no date is designated in
9 such order, a Disputed ISO, PX and Generator Claim shall automatically become an Allowed
10 Claim forty-five (45) days after the issuance of such order, provided such order has not become
11 stayed. To the extent a Disputed Claim becomes an Allowed Claim, such Allowed Claim will be
12 satisfied in the same manner as all other Allowed Claims of the same Class. In addition, the
13 holder of such a Claim will receive Post-Petition Interest (to the extent such holder is entitled to
14 Post-Petition Interest under the Plan). From and after the Effective Date, such Disputed Claim
15 will earn interest at the same rate earned on the Cash deposited in escrow.

16 (ii) Termination of Escrow(s) The escrow(s) shall be

17 terminated by the Reorganized Debtor when all distributions from the escrow account(s) have
18 been made in accordance with the Plan. If any Cash remains in an escrow account after all
19 Disputed Claims for which such escrowed property is being held have been resolved and
20 distributions made in respect thereof, then such Cash shall be used by the Reorganized Debtor
21 first to repurchase the securities to be issued under the Plan and then, if any Cash remains, such
22 Cash shall revert to and become property of the Reorganized Debtor. In determining the
23 aggregate amount necessary to fund any escrow account(s), the Debtor may deposit the estimated
24 allowable amount of any Disputed Claim, as determined by the Bankruptcy Court. Any such
25 escrow(s) established pursuant to this section 5.4(h) shall be subject to the continuing jurisdiction
26 of the Bankruptcy Court.

27 (iii) Additional Cash If the amount of Cash deposited into the

28 escrow(s) is insufficient to make the required payments once certain Disputed Claims become

1 Allowed Claims, then the Reorganized Debtor will pay the holder of such Allowed Claim the
2 Cash necessary to satisfy the shortfall. Any deficiency in the amount of Cash deposited into the
3 escrow(s) shall not limit the Reorganized Debtor's obligation to satisfy Disputed Claims which
4 subsequently become Allowed Claims, and the Reorganized Debtor shall remain liable to satisfy
5 such Allowed Claims pursuant to the Plan.

6 5.5 Objections to and Resolution of Administrative Expense Claims and
7 Claims. Except as to applications for allowance of compensation and reimbursement of
8 Professional Compensation and Reimbursement Claims under sections 330 and 503 of the
9 Bankruptcy Code, the Reorganized Debtor shall, on and after the Confirmation Date, have the
10 right to make and file objections to Administrative Expense Claims and Claims. In addition, the
11 Proponents shall, on and after the Confirmation Date, have full party in interest status to make
12 and file objections to Administrative Expense Claims and Claims and to appear and be heard
13 with respect thereto. Except as to applications for allowance of compensation and
14 reimbursement of Professional Compensation and Reimbursement Claims under sections 330
15 and 503 of the Bankruptcy Code, and with respect to objections filed by the Proponents, on and
16 after the Effective Date, the Reorganized Debtor, shall have the authority to compromise, settle,
17 otherwise resolve or withdraw any objections to Administrative Expense Claims and Claims and
18 compromise, settle or otherwise resolve Disputed Administrative Expense Claims and Disputed
19 Claims without the approval of the Bankruptcy Court. Unless otherwise ordered by the
20 Bankruptcy Court, (a) all objections to Claims (except for Administrative Expense Claims) shall
21 be served and filed upon the holder of the Claim as to which the objection is made (and, as
22 applicable, upon the Debtor, the Committee and the Commission) as soon as practicable, but in
23 no event later than the Effective Date, and (b) all objections to Administrative Expense Claims
24 shall be served and filed upon the holder of the Administrative Expense Claim as to which the
25 objection is made (and, as applicable, upon the Debtor, the Committee and the Commission) as
26 soon as practicable, but in no event later than ninety (90) days after the Effective Date.

27 5.6 Payment of the Trustees', Issuer's and Certain Bank Fees. To the extent
28 allowed by law and any underlying agreement, any unpaid fees and expenses accrued through

1 the Confirmation Date (except for any unpaid fees and expenses previously disallowed by the
2 Bankruptcy Court) of the Bond Trustees and the trustees under the Mortgage, and various
3 indentures, including, but not limited to, the Southern San Joaquin Valley Power Authority
4 Agreement (acting in their capacities as trustees and, if applicable, acting in their capacities as
5 disbursing agents), the Issuer of the PC Bonds and their respective professionals, and Bank of
6 America, N.A., in its capacity as administrative agent under the Revolving Line of Credit
7 (including such administrative agent's attorney's fees), shall be paid by the Debtor within ten
8 (10) days after the Confirmation Date. Any such fees and expenses accruing after the
9 Confirmation Date shall be payable as provided in the applicable agreement providing for such
10 payment, or, in the case of Bank of America, N.A., in its capacity as administrative agent under
11 the Revolving Line of Credit, at least quarterly. Upon payment of such fees and expenses, such
12 Persons shall be deemed to have released their Liens securing payment of their fees and expenses
13 for all fees and expenses accrued through the Effective Date.

14 5.7 Cancellation of Existing Securities and Agreements. On the Effective
15 Date, the promissory notes, bonds, debentures and all other debt instruments evidencing any
16 Claim, including Administrative Expense Claims, other than those that are reinstated and
17 rendered unimpaired or renewed and extended pursuant to Article IV hereof, respectively, shall
18 be deemed canceled without further act or action under any applicable agreement, law,
19 regulation, order or rule and the obligations of the Debtor under the agreements and indentures
20 governing such Claims, as the case may be, shall be discharged. The Common Stock and
21 Preferred Stock representing Equity Interests shall remain outstanding. Holders of promissory
22 notes, bonds, debentures and any and all other debt instruments evidencing any Claim shall not
23 be required to surrender such instruments.

ARTICLE VI

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

26 6.1 Assumption and Rejection of Executory Contracts and Unexpired Leases
27 Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and
28 unexpired leases that exist between the Debtor and any Person or Governmental Entity shall be

1 deemed assumed by the Debtor as of the Effective Date, except that any executory contract or
2 unexpired lease shall be deemed rejected by the Debtor as of the Effective Date (i) that has been
3 rejected pursuant to a Final Order of the Bankruptcy Court entered prior to the Confirmation
4 Date, (ii) as to which a motion for approval of the rejection of such executory contract or
5 unexpired lease has been filed and served prior to the Confirmation Date or (iii) that is set forth
6 in Schedule 6 I(a)(i) of PG&E's Plan Supplement (executory contracts) (which Schedule is
7 hereby amended to include the Existing Tax Sharing Agreement), or Schedule 6 I(a)(ii) of
8 PG&E's Plan Supplement (unexpired leases)⁵, provided, however, that the Debtor reserves the
9 right, on or prior to the conclusion of the Confirmation Hearing, to amend Schedules 6 I(a)(i)
10 and 6 I(a)(ii) to PG&E's Plan Supplement to delete any executory contract or unexpired lease
11 therefrom or to add any executory contract or unexpired lease thereto, in which event such
12 executory contract(s) or unexpired lease(s) shall be deemed to be assumed by the Debtor or
13 rejected, as the case may be, as of the Effective Date. The Debtor will give notice of any such
14 amendment to each counterparty to any executory contract or unexpired lease the status of which
15 is changed as a result of the amendment (i.e., any executory contract which is to be assumed or
16 rejected as a result of the amendment) and to the Proponents. If the counterparty opposes such
17 proposed amendment, the Debtor and the Proponents (provided that the Proponents' Plan reflects
18 such amendment) will make all reasonable efforts to provide such counterparty a reasonable
19 opportunity under the circumstances to object prior to confirmation of the Plan, and to the extent
20 that such counterparty has the right to vote on the Plan, or becomes entitled to vote on the Plan as
21 a result of the amendment to Schedule 6 I(a)(i) or 6 I(a)(ii) to PG&E's Plan Supplement, to
22 provide such counterparty a reasonable amount of time to cast a Ballot to accept or reject the
23 Plan and indicate its preference between this Plan and PG&E's Plan, or to amend its Ballot. The
24 listing of a document on Schedules 6 I(a)(i) or 6 I(a)(ii) to PG&E's Plan Supplement shall not
25

26 ⁵ A copy of PG&E's Plan Supplement can be obtained through the "Pacific Gas & Electric
27 Company Chapter 11 Case" link available through the website maintained by the Bankruptcy
28 Court at <http://www/canb.uscourts.gov>. PG&E's Plan Supplement is listed under docket
number 4579.

1 constitute an admission by the Debtor or the Proponents that such document is an executory
2 contract or an unexpired lease or that the Debtor has any liability thereunder. Notwithstanding
3 anything to the contrary, the Debtor waives its right to make amendments pursuant to this
4 Section 6 I with respect to the assumption of the PG&E-Western Area Power Administration
5 Contract 2948A and related contracts, as described in Exhibit G to PG&E's Disclosure
6 Statement.

7 **6.2 Schedules of Rejected Executory Contracts and Unexpired Leases:**

8 **Inclusiveness.** Each executory contract and unexpired lease listed or to be listed on
9 Schedule 6 I(a)(i) or 6 I(a)(ii) to PG&E's Plan Supplement shall include (i) modifications,
10 amendments, supplements, restatements or other similar agreements made directly or indirectly
11 by any agreement, instrument, or other document that in any manner affects such executory
12 contract or unexpired lease, without regard to whether such agreement, instrument or other
13 document is listed on Schedule 6 I(a)(i) or 6 I(a)(ii) to PG&E's Plan Supplement, and
14 (ii) executory contracts or unexpired leases appurtenant to the premises listed on
15 Schedule 6 I(a)(i) or 6 I(a)(ii) to PG&E's Plan Supplement, including, without limitation, all
16 easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal,
17 powers, uses, usufructs, reciprocal easement agreements or vault, tunnel or bridge agreements,
18 and any other interests in real estate or rights in rem relating to such premises to the extent any of
19 the foregoing are executory contracts or unexpired leases, unless any of the foregoing
20 agreements previously have been assumed or assumed and assigned by the Debtor.

21 **6.3 Approval of Assumption or Rejection of Executory Contracts and**

22 **Unexpired Leases.** Entry of the Confirmation Order shall, subject to and upon the occurrence of
23 the Effective Date, constitute (i) the approval, pursuant to sections 365(a) and 1123(b)(2) of the
24 Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed
25 pursuant to Section 6 I hereof, (ii) the extension of time, pursuant to section 365(d)(4) of the
26 Bankruptcy Code, within which the Debtor may assume or reject the unexpired leases of non-
27 residential property specified in Section 6 I hereof through the date of entry of the Confirmation
28 Order, and (iii) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code,

1 of the rejection of the executory contracts and unexpired leases rejected pursuant to Section 6.1
2 hereof.

3 6.4 Cure of Defaults Except as may otherwise be agreed to by the parties,
4 within thirty (30) days after the Effective Date, the Debtor shall cure any and all undisputed
5 defaults under any executory contract or unexpired lease assumed by the Debtor pursuant to
6 Section 6.1 hereof, in accordance with section 365(b)(1) of the Bankruptcy Code. All disputed
7 defaults that are required to be cured shall be cured either within thirty (30) days of the entry of a
8 Final Order determining the amount, if any, of the Debtor's liability with respect thereto, or as
9 may otherwise be agreed to by the parties.

10 6.5 Bar Date for Filing Proofs of Claim Relating to Executory Contracts and
11 Unexpired Leases Rejected Pursuant to, or Omitted from, the Plan Claims arising out of the
12 rejection of an executory contract or unexpired lease pursuant to Section 6.1 hereof must be
13 properly filed in the Chapter 11 Case and served upon the Debtor no later than thirty (30) days
14 after the later of (i) notice of entry of an order approving the rejection of such executory contract
15 or unexpired lease, (ii) notice of entry of the Confirmation Order, and (iii) notice of an
16 amendment to Schedule 6.1(a)(i) or 6.1(a)(ii) to PG&E's Plan Supplement. All such Claims not
17 filed within such time shall be forever barred from assertion against the Debtor, its estate and its
18 property.

19 6.6 Assumed Indemnification Obligations The Assumed Indemnification
20 Claims shall, in all respects, irrespective of whether such claims arise under contracts or
21 executory contracts, survive confirmation of the Plan, remain unaffected thereby, and not be
22 discharged irrespective of whether indemnification, defense, reimbursement or limitation is owed
23 in connection with an event occurring before, on or after the Petition Date.

24 6.7 Compensation and Benefit Programs Except as provided in Section 6.1
25 hereof, all savings, health care, severance, performance-based cash incentive, retention,
26 employee welfare benefit, life insurance, disability and other similar plans and agreements of the
27 Debtor are treated as executory contracts under the Plan and shall, on the Effective Date, be
28 deemed assumed by the Debtor in accordance with sections 365(a) and 1123(b)(2) of the

1 Bankruptcy Code, and any defaults thereunder shall be cured as provided in Section 6.4 hereof.
2 With respect to the Debtor's Retirement Plan, the Debtor affirms and agrees that it is and will
3 continue to be the contributing sponsor of the Retirement Plan, as defined under 29 U.S.C.
4 § 1301(a)(13) and 29 C.F.R. § 4001.2, or a member of the contributing sponsor's controlled
5 group, as defined under 29 U.S.C. § 1302(a)(14) and 29 C.F.R. § 4001.2. As a contributing
6 sponsor (or member of the controlled group) of the Retirement Plan, the Debtor intends to fund
7 the Retirement Plan in accordance with the minimum funding standards under ERISA, 29 U.S.C.
8 § 1802, pay all required PBGC insurance premiums, 29 U.S.C. § 1307, and comply with all
9 requirements of the Retirement Plan and ERISA. The Retirement Plan is a defined benefit
10 pension plan insured by the Pension Benefit Guaranty Corporation under Title IV of ERISA,
11 29 U.S.C. §§ 1301-1461. The Retirement Plan is subject to the minimum funding requirements
12 of ERISA, 29 U.S.C. § 1084, and section 412 of the Internal Revenue Code, 26 U.S.C. § 412.
13 No provision of or proceeding within the Debtor's reorganization proceedings, the Plan, nor the
14 Confirmation Order shall in any way be construed as discharging, releasing or relieving the
15 Debtor, the Reorganized Debtor, or any other party in any capacity, from any liability with
16 respect to the Retirement Plan or any other defined benefit pension plan under any law,
17 governmental policy or regulatory provision. PBGC and the Retirement Plan shall not be
18 enjoined or precluded from enforcing liability resulting from any of the provisions of the Plan or
19 the Plan's confirmation.

20 6.8 Retiree Benefits Payments, if any, due to any Person for the purpose of
21 providing or reimbursing payments for retired employees and their spouses and dependents for
22 medical, surgical, or hospital care benefits, or benefits in the event of sickness, accident,
23 disability, or death under any plan, fund, or program (through the purchase of insurance or
24 otherwise) maintained or established in whole or in part by the Debtor prior to the Petition Date
25 shall be continued for the duration of the period the Debtor has obligated itself to provide such
26 benefits.

69 Settlement and Stanislaus Commitments/Natural Gas

(a) Settlement and Stanislaus Commitments The obligations under

(1) the 1991 Settlement Agreement between NCPA and PG&E in a Nuclear Regulatory Commission (the "NRC") proceeding, implementing the Statement of Commitments accompanying the letter from PG&E to the U.S. Department of Justice of April 30, 1976 (the "1991 Settlement Agreement"), (2) the letter from PG&E to the U.S. Department of Justice of April 30, 1976, to the extent that it represents obligations (the "1976 Letter") and (3) the antitrust license conditions included in the Diablo Canyon Nuclear Power Plant NRC Licenses (the "License Conditions") (collectively, the 1991 Settlement Agreement, the 1976 Letter and the License Conditions are referred to herein as the "Settlement and Stanislaus Commitments") shall remain in effect and pass through the Chapter 11 Case unimpaired and unaffected so that the Debtor and Reorganized Debtor are obligated for the full performance, and shall be liable for the nonperformance, of the Settlement and Stanislaus Commitments. Under the Plan, the Debtor and Reorganized Debtor shall assume the 1991 Settlement Agreement.

(b) Natural Gas On the Effective Date, the Reorganized Debtor shall continue to offer the City of Palo Alto gas transmission and storage services on terms and conditions that provide full parity of treatment with those provided by the Reorganized Debtor to its own retail gas distribution functions, including, but not limited to, the opportunity to reserve, in advance of any open-season process, a defined amount of transmission and storage capacity in any amount up to the amount sufficient to meet the City of Palo Alto's projected Abnormal Peak Day (the "APD") requirements, subject to applicable limits on the amount of each such form of capacity. Similarly, on the Effective Date, "vintage rates" for the Redwood Path capacity currently held by the City of Palo Alto (6,148 Dth/day) shall continue to be available to the City of Palo Alto for as long as vintage rates are available to any core customer served by the Reorganized Debtor.

ARTICLE VII

IMPLEMENTATION OF THE PLAN

71 Issuance of Securities On or before the Effective Date, the Reorganized Debtor shall issue and sell, through one or more public or private offerings, new debt securities of and new preferred stock in the Reorganized Debtor, the net proceeds of which, in addition to the Debtor's available Cash, will be sufficient to satisfy in full in Cash all Allowed Claims under the Plan to be paid in Cash. The terms and estimated amounts of the debt securities to be issued under the Plan are described on Exhibit J hereto. THE TERMS AND ESTIMATED AMOUNTS OF THE SECURITIES TO BE ISSUED HEREUNDER REMAIN SUBJECT TO CHANGE BASED UPON, AMONG OTHER FACTORS, ACTUAL OR PERCEIVED MARKET CONDITIONS AND RATING AGENCY REQUIREMENTS AT THE TIME OF ISSUANCE, THE AMOUNT OF THE REORGANIZED DEBTOR'S AVAILABLE CASH ON THE EFFECTIVE DATE, AND THE AMOUNT OF ALLOWED CLAIMS. The Proponents shall work together cooperatively with their financing and capital markets arranger and their respective legal and financial advisors in the process of structuring, marketing, pricing and selling the securities, including, without limitation, making such adjustments to the securities to be sold as may be necessary or desirable in light of then prevailing market conditions. The securities to be issued are described generally below.

(a) Reorganized Debtor New Money Notes On or before the Effective Date, the Reorganized Debtor shall issue and sell, through one or more private or public offerings, new debt securities in the original aggregate principal amount sufficient to yield net proceeds of approximately \$6.56 billion, the terms of which are set forth on Exhibit J (any and all such notes, collectively, the "Reorganized Debtor New Money Notes"), the net proceeds of which shall be used to fund payments to holders of Allowed Claims and Allowed Equity Interests.

(b) Reorganized Debtor New Preferred Stock On or before the Effective Date, the Reorganized Debtor shall issue and sell, through one or more private or public offerings, new preferred equity securities sufficient to yield net proceeds of approximately

1 \$1.75 billion (the "Reorganized Debtor New Preferred Stock"). The net proceeds of the
2 Reorganized Debtor's issuance and sale of new Equity Interests shall be used to fund payments
3 to holders of Allowed Claims and Allowed Equity Interests.

4 **7.2 Reorganization Agreement.** On or before the Effective Date, or as soon as
5 practicable thereafter, the Reorganized Debtor and the Commission shall have executed and
6 delivered the Reorganization Agreement substantially in the form attached hereto as Exhibit 5
7 (The "Reorganization Agreement").

8 **7.3 Settlement of Litigation.** On or before the Effective Date and pursuant to
9 the Reorganization Agreement, the Debtor shall dismiss the Rate Recovery Litigation, with
10 prejudice, and shall withdraw the applications filed by the Debtor in connection with PG&E's
11 Plan and listed in Article 3.2(a) (e) of the Reorganization Agreement. At such time, the Debtor
12 shall execute and deliver to the Proponents all pleadings and release documents required by the
13 Proponents in connection with such dismissal and withdrawals, which shall be in form and
14 substance satisfactory to the Proponents, and shall specifically releasing any and all claims and
15 Causes of Action that the Debtor has or may have against the State of California and the
16 Commission and their respective present and former commissioners (in their official capacities),
17 officers, employees, advisors, consultants and professionals, that arise from:

18 (a) the facts alleged by the Debtor in the Rate Recovery Litigation,
19 including, without limitation, claims and Causes of Action based upon the filed rate doctrine,
20 takings, due process and commerce clause violations, except for claims and Causes of Action
21 based upon the Plan or as provided in the Confirmation Order;

22 (b) the Commission's implementation prior to the Effective Date of
23 Assembly Bill 1 of the 2001-02 First Extraordinary Session (Ch. 4, Stats. 2001-02 1st Ex. Sess.)
24 and Assembly Bill 6 of the 2001-02 First Extraordinary Session (Ch. 2, Stats. 2001-02 1st Ex.
25 Sess.), including CPUC Decision Nos. 01-03-081 and 01-04-005; and

26 (c) the Commission's Decision Nos. 01-03-082 (TURN Accounting
27 Decision)
28

1 **7.4 New Tax Sharing Agreement.** On or before the Effective Date, or as soon
2 as practicable thereafter, the Reorganized Debtor and the Parent shall have executed and
3 delivered the New Tax Sharing Agreement.

4 **7.5 Corporate Governance.**

5 (a) **Board of Directors.** The members of the Board of Directors of the
6 Debtor immediately prior to the Effective Date shall serve as the initial Board of Directors of the
7 Reorganized Debtor on and after the Effective Date. Each of the members of such initial Board
8 of Directors shall serve in accordance with the Debtor's Articles of Incorporation and the
9 Debtor's Bylaws, as the same may be amended from time to time.

10 (b) **Officers.** The officers of the Debtor immediately prior to the
11 Effective Date shall serve as the initial officers of the Reorganized Debtor on and after the
12 Effective Date. Such officers shall serve in accordance with any employment agreement with
13 the Reorganized Debtor and applicable law.

14 (c) **Articles of Incorporation and Bylaws.** The articles of
15 incorporation and bylaws of the Reorganized Debtor shall be amended to contain provisions
16 necessary to (i) prohibit the issuance of nonvoting equity securities as required by
17 section 1123(a)(6) of the Bankruptcy Code, subject to further amendment of such articles of
18 incorporation and bylaws as permitted by applicable law, (ii) authorize the issuance and sale of
19 the Reorganized Debtor New Preferred Stock pursuant to Section 7.1(b) of the Plan, (iii) prohibit
20 the Parent from exercising its voting rights with respect to its Common Stock in the Reorganized
21 Debtor unless and until the Parent executes and delivers to the Reorganized Debtor the New Tax
22 Sharing Agreement, and (iv) effectuate the other provisions of the Plan, in each case without any
23 further action by the Debtor's shareholders or Board of Directors.

24 **7.6 Regulatory Approvals.** The Commission shall adopt such decisions or
25 orders as are necessary to implement the provisions of Article VII of this Plan, it being
26 understood that, as of and subject to the occurrence of the Confirmation Date, this Plan and the
27 Confirmation Order shall be irrevocably binding upon the Commission, notwithstanding such
28 future decisions and orders of the Commission. The Debtor shall timely seek any other

1 regulatory approvals from all applicable Governmental Entities that the Debtor believes are
2 necessary to effectuate the transactions specified herein

3 7.7 Working Capital Facility On or before the Effective Date, or as soon as
4 practicable thereafter, the Reorganized Debtor shall obtain and establish a working capital
5 facility (the "Exit Facility") for the purposes of funding operating expenses and seasonal
6 fluctuations in working capital and providing letters of credit, as well as funding distributions to
7 the holders of Allowed Claims, if necessary. The terms of the Exit Facility are set forth on
8 Exhibit J.

9 7.8 Regulatory Issues The Commission shall regulate the Reorganized
10 Debtor's operations to the full extent that it regulated the Debtor's operations prior to the Petition
11 Date in accordance with all applicable law. In that regard, the Reorganized Debtor shall operate
12 its business in accordance with all applicable laws and regulations promulgated or issued by the
13 Commission and all other Governmental Entities having jurisdiction over its business.

14 ARTICLE VIII

15 CONFIRMATION AND EFFECTIVENESS OF THE PLAN

16 8.1 Conditions Precedent to Confirmation The Plan shall not be confirmed
17 by the Bankruptcy Court unless and until the following conditions shall have been satisfied.

18 (a) the Bankruptcy Court shall have entered an order or orders, which
19 may be the Confirmation Order, approving the Plan, authorizing and directing the Debtor to
20 execute, enter into and deliver the Plan, and to execute, implement and take all actions necessary
21 or appropriate to give effect to the transactions contemplated by the Plan, and

22 (b) the Confirmation Order shall be, in form and substance, acceptable
23 to the Proponents

24 8.2 Conditions Precedent to Effectiveness The Plan shall not become
25 effective unless and until the following conditions shall have been satisfied or waived pursuant to
26 Section 8.4 hereof

27 (a) the Effective Date shall have occurred on or before January 31,
28 2003.

1 (b) all actions, documents, instruments and agreements necessary to
2 implement the Plan shall have been effected or executed.

3 (c) the Reorganized Debtor shall have consummated the sale of the
4 Reorganized Debtor New Money Notes and the Reorganized Debtor New Preferred Stock as
5 contemplated under Section 7.1 hereof and the proceeds thereof shall, in addition to the Debtor's
6 available Cash, be sufficient to pay all Allowed Claims to be paid hereunder and to fund the
7 escrows for Disputed Claims.

8 (d) The Reorganized Debtor shall have obtained and established the
9 Exit Facility;

10 (e) the Bankruptcy Court shall have entered an order, which may be
11 the Confirmation Order, approving the Debtor's dismissal with prejudice of the Rate Recovery
12 Litigation,

13 (f) the Reorganized Debtor and the Commission shall have executed
14 the Reorganization Agreement,

15 (g) pursuant to the Reorganization Agreement, the Debtor shall
16 dismiss the Rate Recovery Litigation, with prejudice, and shall withdraw the applications filed
17 by the Debtor in connection with PG&E's Plan and listed in Article 3.2(a)-(e) of the
18 Reorganization Agreement, and the Debtor shall have executed and delivered to the Proponents
19 all pleadings and release documents required by the Proponents in connection with such
20 dismissal and withdrawals, which shall be in form and substance satisfactory to the Proponents,

21 (h) S&P and Moody's shall have issued credit ratings for the
22 Reorganized Debtor and its debt securities of not less than BBB- and Baa3, respectively,

23 (i) the Debtor shall have received all authorizations, consents,
24 regulatory approvals, rulings, letters, no-action letters, opinions or documents that are necessary
25 to implement the Plan, and

26 (j) the Plan shall not have been modified in a material way, including
27 any modification pursuant to Section 11.10 hereof, since the Confirmation Date
28

1 8 3 Effect of Failure of Conditions In the event that one or more of the
2 conditions specified in Section 8 2 hereof shall not have occurred or been waived on or before
3 January 30, 2003 (or such later date as may be hereafter provided in an amended Section 8 2(a)),
4 (a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made,
5 (c) the Debtor and all holders of Claims and Equity Interests shall be restored to the status quo
6 ante as of the day immediately preceding the Confirmation Date as though the Confirmation
7 Order had never been entered, and (d) the Debtor's obligations with respect to Claims and Equity
8 Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a
9 waiver or release of any Claims or Equity Interests by or against the Debtor or any Person or
10 Governmental Entity or to prejudice in any manner the rights of the Debtor or any Person or
11 Governmental Entity in any further proceedings involving the Debtor, provided, however, that
12 the amounts paid pursuant to Section 4 2(a) hereof on account of Post Petition Interest may be
13 recharacterized as a payment upon the applicable Allowed Claims, in the Debtor's sole
14 discretion, but the Debtor will not otherwise seek to recover such amounts
15 8 4 Waiver of Conditions As provided in Section 11 10 hereof, the
16 Proponents may waive one or more of the conditions precedent set forth in Section 8 2 hereof,
17 provided however, that the condition set forth in Section 8 2(h) may only be waived pursuant to a
18 Final Order of the Bankruptcy Court obtained by motion filed by the Proponents and after notice
19 and a hearing on not less than ten (10) days' notice to the Debtor and the United States Trustee.

20 ARTICLE IX

21 EFFECT OF CONFIRMATION OF PLAN

22 9 1 Term of Bankruptcy Injunction or Stays Unless otherwise provided, all
23 injunctions or stays provided for in the Chapter 11 Case under section 105 of the Bankruptcy
24 Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and
25 effect in accordance with the terms of such injunctions Unless otherwise provided, the
26 automatic stay provided under section 362 of the Bankruptcy Code shall remain in full force and
27 effect until the Effective Date
28

1 9 2 Revesting of Assets On the Effective Date, except as otherwise
2 transferred, sold or otherwise provided for in the Plan, the property of the Debtor's estate shall
3 vest in the Reorganized Debtor.

4 9 3 Operations Following Effective Date From and after the Effective Date,
5 the Reorganized Debtor may operate its business, and may use, acquire and dispose of property
6 free of any restrictions imposed under the Bankruptcy Code As of the Effective Date, all
7 property of the Reorganized Debtor shall be free and clear of all Liens, claims and interests of
8 holders of Claims and Equity Interests, except as otherwise provided in the Plan

9 9 4 Claims Extinguished As of the Effective Date, any and all avoidance
10 claims accruing to the Debtor under sections 502(d), 544, 545, 547, 548, 549, 550 and 551 of the
11 Bankruptcy Code and not then pending, shall be extinguished. All other Causes of Action of the
12 Debtor, other than those expressly released or dismissed with prejudice hereunder, shall vest in
13 the Reorganized Debtor

14 9 5 Discharge of Debtor The rights afforded herein and the treatment of all
15 Claims and Equity Interests herein shall be in exchange for and in complete satisfaction,
16 discharge and release of Claims and Equity Interests of any nature whatsoever, including any
17 interest accrued on such Claims from and after the Petition Date, against the Debtor or any of its
18 assets or properties. Except as otherwise provided herein, as of the Effective Date (a) all such
19 Claims against and Equity Interests in the Debtor shall be satisfied, discharged and released in
20 full and (b) all Persons and Governmental Entities shall be precluded from asserting against the
21 Debtor, its successors, or its assets or properties any other or further Claims or Equity Interests
22 based upon any act or omission, transaction or other activity of any kind or nature that occurred
23 prior to the Confirmation Date

24 9 6 Injunction In addition to and except as otherwise expressly provided
25 herein, in the Confirmation Order or a separate order of the Bankruptcy Court, all entities who
26 have held, hold or may hold Claims against or Equity Interests in the Debtor, are permanently
27 enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner any
28 action or other proceeding of any kind with respect to such Claim or Equity Interest, (b) the

1 enforcement, attachment, collection or recovery by any manner or means of any judgment,
2 award, decree or order against the Reorganized Debtor on account of any such Claim or Equity
3 Interest, (c) creating, perfecting or enforcing any Lien of any kind against the Reorganized
4 Debtor or against the Reorganized Debtor's property or interests in property on account of any
5 such Claim or Equity Interest, (d) asserting any right of setoff, subrogation or recoupment of any
6 kind against any obligation due from the Reorganized Debtor or against the Reorganized
7 Debtor's property or interests in property on account of any such Claim or Equity Interest, and
8 (e) commencing or continuing in any manner any action or other proceeding of any kind with
9 respect to any claims and Causes of Action which are extinguished, dismissed or released
10 pursuant to the Plan. The injunction shall also enjoin all parties in interest, including, without
11 limitation, all entities who have held, hold or may hold Claims against or Equity Interests in the
12 Debtor, from taking any action in violation of the Confirmation Order. Such injunction shall
13 extend to the successors of the Reorganized Debtor, their properties and interests in property.
14 Except as provided by Sections 11.4, 11.5 and 11.6 hereof, this Section 9.6 shall not enjoin, bar
15 or otherwise impair the commencement or prosecution of direct personal claims against any
16 Person other than the Reorganized Debtor, including claims against the Parent.

17 **ARTICLE X**
18 **RETENTION OF JURISDICTION**

19 As of and subject to the occurrence of the Confirmation Date, the Commission
20 shall be bound by the Confirmation Order and the Confirmation Order shall be enforceable
21 against the Commission notwithstanding the Commission's and the State of California's
22 objections and defenses based upon the Eleventh Amendment to the United States Constitution
23 or related principles of sovereign immunity or otherwise. After the Confirmation Date, the
24 Bankruptcy Court shall retain jurisdiction over all matters arising out of, or related to, the
25 Chapter 11 Case and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of
26 the Bankruptcy Code and for, among other things, the following purposes:

27 (a) to hear and determine matters related to the Plan,
28

1 (b) to hear and determine applications for the assumption or rejection
2 of executory contracts or unexpired leases, if any are pending, and the allowance of cure
3 amounts and Claims resulting therefrom;
4 (c) to hear and determine any and all adversary proceedings,
5 applications and contested matters,
6 (d) to hear and determine any objection to Administrative Expense
7 Claims or Claims,
8 (e) to enter and implement such orders as may be appropriate in the
9 event the Confirmation Order is for any reason stayed, revoked, modified or vacated,
10 (f) to issue such orders in aid of execution and consummation of the
11 Plan, to the extent authorized by section 1142 of the Bankruptcy Code,
12 (g) to consider any amendments to or modifications of the Plan, to
13 cure any defect or omission, or to reconcile any inconsistency in any order of the Bankruptcy
14 Court, including, without limitation, the Confirmation Order,
15 (h) to hear and determine disputes arising in connection with the
16 interpretation, implementation or enforcement of the Reorganization Agreement,
17 (i) to hear and determine all applications for compensation and
18 reimbursement of expenses of professionals under sections 330, 331 and 503(b) of the
19 Bankruptcy Code,
20 (j) to hear and determine disputes arising in connection with the
21 interpretation, implementation or enforcement of the Plan and/or the Confirmation Order;
22 (k) to hear and determine proceedings to recover assets of the Debtor
23 and property of the Debtor's estate, wherever located,
24 (l) to hear and determine matters concerning state, local and federal
25 taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code,
26 (m) to hear and determine matters concerning the escrow(s), if any,
27 established pursuant to Section 5.4(h) hereof,
28

1 (n) to hear any other matter not inconsistent with the Bankruptcy
2 Code, and

3 (o) to enter a final decree closing the Chapter 11 Case

4 ARTICLE XI

5 MISCELLANEOUS PROVISIONS

6 11.1 Effectuating Documents and Further Transactions Pursuant to section
7 1142 of the Bankruptcy Code, the Debtor (or the Reorganized Debtor after the Effective Date),
8 shall execute, deliver, file or record such contracts, instruments, releases, indentures and other
9 agreements or documents and take such other actions as may be necessary or appropriate to
10 effectuate and further evidence the terms and conditions of the Plan and any securities issued
11 pursuant to the Plan

12 11.2 Corporate Action On the Effective Date, all matters provided for under
13 the Plan that would otherwise require approval of the Debtor's shareholders or Board of
14 Directors shall be deemed to have occurred and shall be in effect from and after the Effective
15 Date pursuant to the applicable general corporation law of California, the state in which the
16 Debtor is incorporated, without any requirement of further action by the Debtor's shareholders or
17 Board of Directors. On the Effective Date, or as soon as practicable thereafter, the Debtor, shall,
18 if required, file its amended articles of incorporation with the Secretary of State of California, in
19 accordance with the applicable general corporation law of California

20 11.3 Exemption from Transfer Taxes Pursuant to section 1146(c) of the
21 Bankruptcy Code, the issuance, transfer or exchange of notes or issuance of equity securities
22 under the Plan, the creation of any mortgage, deed of trust or other security interest, the making
23 or assignment of any lease or sublease, or the making or delivery of any deed or other instrument
24 of transfer under, in furtherance of, or in connection with the Plan, shall not be subject to any
25 stamp, real estate transfer, documentary transfer, mortgage recording, sales, use or other similar
26 tax. All sale transactions consummated by the Debtor and approved by the Bankruptcy Court on
27 and after the Petition Date through and including the Effective Date, including, without
28 limitation, the sales, if any, by the Debtor of owned property or assets pursuant to section 363(b)

1 of the Bankruptcy Code, shall be deemed to have been made under, in furtherance of, or in
2 connection with the Plan and, therefore, shall not be subject to any stamp, real estate transfer,
3 documentary transfer, mortgage recording, sales, use or other similar tax

4 11.4 Releases by Debtor

5 (a) As of the Effective Date, and subject to the release by the
6 Releasees set forth in Section 11.5 below, the Debtor releases all of the Releasees from any and
7 all Causes of Action held by, assertable on behalf of or derivative of the Debtor, in any way
8 relating to the Debtor, the Debtor-in-Possession, the Chapter 11 Case, the Plan, negotiations
9 regarding or concerning the Plan and the ownership, management and operation of the Debtor,
10 provided, however, that the foregoing shall not operate as a waiver of or release from any Causes
11 of Action arising out of any express contractual obligation owing by any former director, officer
12 or employee to the Debtor or any reimbursement obligation of any former director, officer or
13 employee with respect to a loan or advance made by the Debtor to such former director, officer
14 or employee and is not a waiver of or release for any professionals retained in connection with
15 this Chapter 11 Case from claims by their respective clients

16 (b) As of the Effective Date, the Debtor releases the Commission, its
17 present and former commissioners in their official capacities and their respective successors, the
18 State of California and its officers and commissioners and their respective successors, as well as
19 the Commission's and the State's present and former employees, advisors, consultants and
20 professionals from any and all Causes of Action held by, assertable on behalf of or derivative of
21 the Debtor, in any way relating to the Debtor as Debtor-in-Possession, the Chapter 11 Case, the
22 Plan, negotiations regarding or concerning the Plan and the ownership, management and
23 operation of the Debtor as Debtor-in-Possession

24 11.5 Limited Release by Releasees In consideration for release of the
25 Releasees in Section 11.4(a) and other valuable consideration, as of the Effective Date, each of
26 the Releasees, at its option, generally releases the Debtor and the Debtor-in-Possession and the
27 Reorganized Debtor, in each case in any capacity, from any and all Causes of Action held by,
28 assertable on behalf of or derivative from such Releasee, in any way relating to the Debtor, the

Debtor-in-Possession, the Chapter 11 Case, the Plan, negotiations regarding or concerning the Plan and the ownership, management and operation of the Debtor. The release by the Debtor in Section 11.4(a) hereof shall be provided only to Releasees who execute and deliver to the Debtor a release as provided in this Section 11.5 and in a form acceptable to the Debtor.

11.6 Exculpation As of and subject to the occurrence of the Confirmation Date, (a) the Proponents shall have been deemed to have negotiated the Plan in good faith, (b) the Proponents shall be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including, without limitation section 1125(a) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule or regulation governing the adequacy of disclosure in connection with such solicitation, and (c) the Commission and its individual commissioners in their official capacities, the Committee and its members, and the Commission's and the Committee's respective agents, employees, advisors and attorneys shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in connection with the offer and issuance of any securities under the Plan, and therefore, neither the Commission nor its individual commissioners, the Committee nor its members, nor any of the Commission's or the Committee's respective agents, employees, advisors and professionals shall have or incur any liability to any holder of a Claim or Equity Interest or other party in interest for any act or omission in connection with, related to, or arising out of, the Chapter 11 Case, negotiations regarding or concerning the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence, and, in all respects, the Commission and its individual commissioners, the Committee and its members, and the Commission's and the Committee's respective agents, employees, advisors and professionals shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

11.7 Termination of Committee The appointment of the Committee shall terminate on the Effective Date, subject to continuation for specific purposes by a Final Order of the Bankruptcy Court.

11.8 Fees and Expenses

(a) Upon the Bankruptcy Court's entry of a Final Order approving any application by the Commission under section 503(b)(3) of the Bankruptcy Code and/or the Commission's legal and financial advisors under section 503(b)(4) of the Bankruptcy Code, the amounts authorized for payment thereunder shall be treated as an Administrative Expense Claim and a Professional Compensation and Reimbursement Claim, respectively, and paid in accordance with the provisions of Sections 2.1 and 2.2 hereof, respectively.

(b) From and after the Confirmation Date, the Reorganized Debtor shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and expenses of professional Persons thereafter incurred, including, without limitation, any fees and expenses incurred by the Commission's professionals in connection with the implementation and consummation of the Plan, provided, however, that any dispute regarding the reasonableness of such fees and expenses shall be decided by the Bankruptcy Court.

11.9 Payment of Statutory Fees All fees payable pursuant to Section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on or before the Effective Date.

11.10 Amendment or Modification of the Plan

(a) Alterations, amendments or modifications of or to the Plan may be proposed in writing by the Proponents at any time prior to the Confirmation Date, provided that the Plan, as altered, amended or modified, satisfies the conditions of sections 1122 and 1123 of the Bankruptcy Code and the Proponents shall have complied with section 1125 of the Bankruptcy Code. The Plan may be altered, amended or modified by the Proponents at any time after the Confirmation Date and before substantial consummation of the Plan, provided that the Plan, as altered, amended or modified, satisfies the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as altered, amended or modified, under section 1129 of the Bankruptcy Code and the circumstances warrant such alterations, amendments or modifications. A holder of a Claim or Equity Interest

1 that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or
2 modified, if the proposed alteration, amendment or modification does not materially and
3 adversely change the treatment of such holder's Claim or Equity Interest

4 11.11 Severability In the event that the Bankruptcy Court determines that any
5 provision in the Plan is invalid, void or unenforceable, such provision shall be invalid, void or
6 unenforceable with respect to the holder or holders of such Claims or Equity Interests as to
7 which the provision is determined to be invalid, void or unenforceable. The invalidity, voidness
8 or unenforceability of any such provision shall in no way limit or affect the enforceability and
9 operative effect of any other provision of the Plan

10 11.12 Revocation or Withdrawal of the Plan The Proponents (or either one of
11 them) reserve the right to revoke or withdraw the Plan prior to the Confirmation Date. If the
12 Proponents (or either one of them) revoke or withdraw the Plan prior to the Confirmation Date,
13 then the Plan shall be deemed null and void. In such event, nothing contained herein shall
14 constitute or be deemed a waiver or release of any claims by or against the Debtor or any other
15 Person or Governmental Entity, including the Proponents, or to prejudice in any manner the
16 rights of the Debtor or any Person or Governmental Entity, including the Proponents, in any
17 further proceedings involving the Debtor

18 11.13 Binding Effect From and after the Confirmation Date, the Plan shall be
19 binding upon and inure to the benefit of the Proponents, the Debtor, the Reorganized Debtor, the
20 holders of Claims and Equity Interests, other parties in interest, and their respective successors
21 and assigns

22 11.14 Notices All notices, requests and demands to or upon the Debtor, the
23 Commission, the Committee or the United States Trustee to be effective shall be in writing and,
24 unless otherwise expressly provided herein, shall be deemed to have been duly given or made
25 when actually delivered or, in the case of notice by facsimile transmission, when received and
26 telephonically confirmed, addressed as follows

1 *If to the Debtor:*

2 Pacific Gas and Electric Company
3 77 Beale Street
4 P O Box 7442
5 San Francisco, California 94120
6 Attn: General Counsel
7 Telephone: (415) 973-7000
8 Facsimile: (415) 973-5320

9 *with a copy to*

10 PG&E Corporation
11 One Market, Spear Street Tower, Suite 2400
12 San Francisco, California 94105
13 Attn: General Counsel
14 Telephone: (415) 267-7000
15 Facsimile: (415) 267-7265

16 *and*

17 Howard, Rice, Nemerovski, Canady, Falk & Rabkin
18 A Professional Corporation
19 Three Embarcadero Center, 7th Floor
20 San Francisco, California 94111
21 Attn: James L. Lopes
22 Telephone: (415) 434-1600
23 Facsimile: (415) 217-5910

24 *If to the Commission:*

25 California Public Utilities Commission
26 505 Van Ness Avenue
27 San Francisco, California 94102
28 Attn: General Counsel
Telephone: (415) 703-2015
Facsimile: (415) 703-2262

with a copy to:

Paul, Weiss, Ruskind, Wharton & Garrison
1285 Avenue of the Americas
New York, New York 10019-6064
Attn: Alan W. Kornberg
Telephone: (212) 373-3000
Facsimile: (212) 757-3990

If to the Committee

Milbank, Tweed, Hadley & McCloy LLP
601 South Figueroa Street, 30th Floor
Los Angeles, California 90017
Attn: Paul S. Aronson
Telephone: (213) 892-4000
Facsimile: (213) 629-5063

1 *If to the United States Trustee.*

2 The Office of the United States Trustee
3 250 Montgomery Street, Suite 1000
4 San Francisco, California 94104
5 Attn: Patricia Cutler
6 Telephone: (415) 705-3333
7 Facsimile: (415) 705-3379

8 11.15 Governing Law Except to the extent the Bankruptcy Code, Bankruptcy
9 Rules or other federal law is applicable, or to the extent an exhibit to the Plan provides
10 otherwise, the rights and obligations arising under this Plan shall be governed by, and construed
11 and enforced in accordance with, the laws of the State of California, without giving effect to the
12 principles of conflicts of law of such jurisdiction

13 11.16 Withholding and Reporting Requirements Except as otherwise provided
14 by the Plan, in connection with the consummation of the Plan, the Debtor shall comply with all
15 applicable withholding and reporting requirements imposed by any federal, state, local or foreign
16 taxing authority and all distributions hereunder shall be subject to any such withholding and
17 reporting requirements

18 11.17 Proponents' Plan Supplement The following documents will be
19 contained in the Proponents' Plan Supplement, which shall be filed with the Clerk of the
20 Bankruptcy Court at least ten (10) days prior to the Confirmation Date.

21 (a) The Reorganized Debtor's amended Articles of Incorporation and
22 Bylaws

23 Upon its filing with the Bankruptcy Court, the Proponents' Plan Supplement may
24 be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours or
25 through the "Pacific Gas & Electric Company Chapter 11 Case" link available through the
26 website maintained by the Bankruptcy Court at <http://www.cenb.uscourts.gov>. In addition, a
27 copy of the Proponents' Plan Supplement will be available on the Commission's website at
28 <http://www.cpuc.ca.gov>

1 11.18 Exhibits/Schedules All exhibits and schedules to the Plan, including the
2 Proponents' Plan Supplement, are incorporated into and are a part of the Plan as if set forth in
3 full herein

4 11.19 Subrogation Rights Nothing in the Plan shall affect (a) the subrogation
5 rights of any surety, to the extent applicable or available, which, if available or applicable, shall
6 remain in full force and effect, or (b) the rights of the Debtor to object, pursuant to the
7 Bankruptcy Code, to the existence of such subrogation rights

8 DATED August 30, 2002

CALIFORNIA PUBLIC UTILITIES
COMMISSION

By _____
Gary M. Cohen
General Counsel

OFFICIAL COMMITTEE OF UNSECURED
CREDITORS

By _____
[Name]
Chair, Official Committee of Unsecured
Creditors

APPROVED AS TO CONTENT AND FORM

PAUL, WEISS, RIFKIND, WHARTON
& GARRISON

By _____
Counsel for the California Public
Utilities Commission

MILBANK, TWEED, HADLEY & McCLOY LLP

By _____
Counsel for the Official Committee
of Unsecured Creditors

CALIFORNIA PUBLIC UTILITIES
COMMISSION

By _____
Gary M. Cohen
General Counsel

OFFICIAL COMMITTEE OF UNSECURED
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MILBANK, TWEED, HADLEY & McCLOY LLP

By _____
Counsel for the Official Committee
of Unsecured Creditors

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COMMISSION

By Gary M. Cohen
Gary M. Cohen
General Counsel

OFFICIAL COMMITTEE OF UNSECURED
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Counsel for the California Public
Utilities Commission

MILBANK, TWEED, HADLEY & McCLOY LLP

By: _____
Counsel for the Official Committee
of Unsecured Creditors

PLAN EXHIBIT I

Interest Rates for Allowed Claims

Contract Type	Class	Interest Rate/Calculation Method ¹	Compounding Interest Before First Payment	Interest Commencement Date	Payment Dates After First Payment
A. Contract¹—Other than PC Bonds or First and Refunding Mortgage Bonds					
Floating Rate Notes ²	5	Base Interest Rate 7.583% ⁴	Quarterly	Last Date Interest Paid	Quarterly
Revolving Line of Credit ³	5	Base Interest Rate 8.000% ⁴	Quarterly	Last Date Interest Paid	Quarterly
Medium Term Notes ³	5	Interest Rate See Exhibit D of Disclosure Statement—“Security Description”	Semiannually	Last Date Interest Paid	Quarterly
Senior Notes ³	5	Base Interest Rate 9.615% ⁴	Semiannually	Last Date Interest Paid	Quarterly
TWR	5	Per Contract	N/A	N/A	DWR Claims being offset against amounts due Debtor
San Joaquin Valley ³	5	Per Contract	Semiannually	Last Date Interest Paid	Quarterly
L/C Bonds ³	4e	Per Contract	N/A	Last Date Interest Paid	Quarterly
Prior Bonds ³	4f	Per Contract	N/A	Last Date Interest Paid	Quarterly
MBIA Reimbursement ³	4c	Per Contract	N/A	Date Funds First Disbursed Under PC Bond Insurance Policy for Payment of Interest on MBIA Insured PC Bonds	Quarterly
QUID ³	11	Per Contract	Quarterly	Last Date Interest Paid	Quarterly
B Contract¹—First and Refunding Mortgage Bonds					
First and Refunding—	3	Per Contract	Semiannually	Last Date Interest Paid	Per Contract

Date MTC 10/19/03

C. Contract ¹ —PC Bonds						
Mortgage Backed ²	4a	Per Contract	Per Contract	Last Date Interest Paid	Per Contract	Per Contract
MBIA Backed ²	4b	Per Contract	Per Contract	Last Date Interest Paid	Per Contract	Per Contract
L/C Backed ²	4d	Per Contract	Per Contract	Last Date Interest Paid	Per Contract	Per Contract
Treasury ²	4g	Per Contract	Per Contract	Last Date Interest Paid	Per Contract	Quarterly
D. Non-Contract ¹ —OCC Contract Specified						
Commercial Paper ³	5	Base Interest Rate 7.465% ⁴	Quarterly	Last Date Interest Paid	Quarterly	Quarterly
ISO/Generator ³	6	Determined pursuant to method set forth in Section 35.19a of the FERC regulations	Quarterly	When payment first become due	Quarterly	Quarterly
ISDA Claims ³	5	Floating LIBOR + 2%	Annually	Petition Date	Annually	Quarterly
E. Non-Contract ¹						
Priority Tax Claims		Statutory	Statutory	Statutory	Statutory	Statutory
ESP ³	7		Annually	Petition Date	Annually	Quarterly
Intercompany ³	5	Lowest Default Rate Under Applicable Statute, Indemnity or Instrument ⁵	Annually	Petition Date	Annually	Quarterly
Gas Procurement ³	5	Lowest Default Rate Under Applicable Statute, Indemnity or Instrument ⁵	Annually	Petition Date	Annually	Quarterly
Other Trade Payables ³	5	Lowest Default Rate Under Applicable Statute, Indemnity or Instrument ⁵	Annually	Petition Date	Annually	Quarterly
Convenience Class ³	10	Lowest Default Rate Under Applicable Statute, Indemnity or Instrument ⁵	Annually	Petition Date	Annually	Quarterly
Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims Workers ³	8	As Applicable Under Non-Bankruptcy Law		Petition Date		Quarterly
Compensation	12	As Applicable Under Non-Bankruptcy Law				

Date MTC 10/19/03

1 See Exhibit D of the Disclosure Statement for specific interest rates on certain instruments
2 "Contract" refers to contractual provisions regarding interest rate floors
3 The first payment will be made ten days after the date the PCAE's Disclosure Statement is approved for the
4 period ended on February 28, 2001
5 Calculated based on actual days elapsed over 360 days, with an implied yield of 7.690%
6 Payments have been made when due in respect of these obligations by the Debtor, MBI, or the Letter of Credit
7 Issuing Bank, as applicable
8 Paid by Bond Trustee with payments on Mortgage Bonds
9 The first payment will be made on July 10, 2002 for the period ended on June 30, 2002
10 Determined on the Petition Date and each anniversary prior to the date of first payment and quarterly thereafter
11 If no such State, indenture or instrument applies, or if the applicable State, indenture or instrument does not
12 specify a non-default rate of interest, Post Petition interest shall be calculated and paid at the Federal Judgment
13 Rate
14 Certain claims of \$5,000 or less will be paid in full on or before July 31, 2002.

PLAN EXHIBIT 2

Schedule of Letter of Credit Issuing Banks

Series	Original Principal Amount	Letter of Credit Issuing Bank	Stated Amount of Letter of Credit	Letter of Credit Expiration Date
California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) \$200,000,000 1996 Series C (the "96C Bonds")	\$200,000,000	Bank of America, N.A.	\$202,191,781	5/23/02
California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) \$165,000,000 1996 Series E (the "96E Bonds")	\$165,000,000	Morgan Guaranty Trust Company of New York	\$166,808,220	5/23/03
California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) \$100,000,000 1996 Series F (the "96F Bonds")	\$100,000,000	BNP Paribas	\$101,095,891	5/23/03
California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series B (the "97B Bonds")	\$148,550,000	Deutsche Bank AG	\$150,177,946	9/16/02

PLAN EXHIBIT 3

Description of Debt Instruments

I. New Notes

Issuer	Reorganized Debtor.
Amount	Estimated to aggregate \$6,560,000,000
Credit Rating	At least BBB- by S&P and Baa3 by Moody's
Coupon Rate	The coupon rates are expected to reflect market clearing yields for a primary offering for a comparable issue of this maturity size and credit rating, among other factors, at the time of issuance of issuers in the same industry
Maturity	To be determined
Amortization	To be determined - the New Notes will either amortize over an average life of not less than _____ years or will provide for principal payment at maturity
Denominations	\$1,000
Interest Payment Date	Semi-annually
Ranking	The New Notes will be Unsecured
Optional Redemption	The New Notes are expected to be redeemable at the option of the issuer at any time in whole or in part, at a price equal to the aggregate of the principal amount to be redeemed, accrued and unpaid interest, and a "make whole premium". The amount of the "make whole premium" is expected to reflect market conditions at the time of issuance and be determined by negotiation between the issuer and the underwriter(s). The actual calculation in the event redemption is effected is expected to be made by an independent investment banking institution of national standing

Covenants

The indenture (and any supplemental indentures) under which the New Notes will be issued is expected to include covenants in respect of actions the issuer must take or is precluded from taking similar to those included in indentures governing long term notes of a comparable credit rating at the time of the issuance of the New Notes, including, but not limited to, limitations on liens

Events of Default

- Nonpayment of interest when due after thirty (30) days of grace period
- Nonpayment of principal or premium at maturity.
- Breach of covenant or warranty in the indenture and continuation of such breach for ninety (90) days after notice given to the company
- Occurrence of event or condition which results in acceleration of a bond, debenture, note or other evidence of money borrowed or the company does not honor its guarantee of any such debt guaranteed by the company in the event of such acceleration with an aggregate outstanding principal amount of more than \$50,000,000, and such indebtedness is not discharged or acceleration is not rescinded within thirty (30) days after notice to the issuing company
- An involuntary bankruptcy petition is filed against the company and such petition is not dismissed within ninety (90) days of filing or entry of decree or order adjudging the company or any significant subsidiary to be insolvent or appointing a custodian, receiver, etc., which decree or order remains in effect for ninety (90) days
- Commencing a voluntary case under federal or state bankruptcy or insolvency law or other similar law; making an assignment for the benefit of creditors, admission in writing of inability to pay debts when due

Amendments

- Ministerial amendments may be adopted without noteholder consent
- Modification and amendments may be made by the

issuer and the trustee with the consent of a majority in principal amount of the New Notes

- Amendments to certain specified economic terms of the New Notes (e.g., maturity date, percentage of outstanding notes required to approve certain matters) may be adopted only with the consent of each noteholder.

Registration/Exemption	Initial issuance of New Notes will be registered under the Securities Act.
Listing	None – traded in over-the-counter market
Initial Trading Procedures	None

II. New Working Capital Facility Borrower

Reorganized Debtor

Amount	Facility	Total Line
	a) Revolver	\$1,885,000,000
	b) Capital Expenditure Sub-Facility	
	c) Letters of Credit	
Sublimits	The sublimit for Letters of Credit will be \$955,000,000 The sublimit for Working Capital will be \$400,000,000 The sublimit for Capital Expenditures will be \$500,000,000	
Credit Rating	At least BBB- by S&P and Baa3 by Moody's	
Interest Rate	TBD	
Interest Frequency	TBD	
Default Interest Rate	TBD	
Maturity	Facility	Maturity
	a) Revolver	January 31, 2008
	b) Letters of Credit	January 31, 2008
Ranking	Secured by inventory and receivables.	
Structuring Fee	TBD	
Unused Commitment Fee	TBD	
Excess Cash Flow Sweep	TBD	
Covenants	TBD	
Events of Default	TBD	
Collateral Terms	TBD	

Plan Exhibit 4

TAX SHARING AGREEMENT

THIS TAX SHARING AGREEMENT (the "Agreement"), dated as of _____, 2002, is entered into between PG&E Corporation, a California corporation ("Parent"), and Pacific Gas and Electric Company, a California corporation ("Subsidiary")

Parent is the common parent corporation of an affiliated group of corporations within the meaning of Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code"), that has elected to file consolidated federal income tax returns, and Subsidiary is a member of such group

Parent and Subsidiary desire to set forth in this Agreement their agreement as to certain matters relating to the inclusion of the Subsidiary Consolidated Group (as defined below) in the Parent Consolidated Group (as defined below), including the allocation of tax liabilities for years in which Subsidiary is so included, and certain other matters relating to taxes

The parties agree as follows

1. DEFINITIONS.

"Adjustment" shall have the meaning set forth in Section 8

"Agreement Year" shall mean any taxable year beginning on or after January 1, 2002 during which the Subsidiary Consolidated Group is included in the Parent Consolidated Group

"Balance Payment" shall have the meaning set forth in Section 4

"Code" shall have the meaning set forth above

"Estimated Tax Payments" shall have the meaning set forth in Section 4

"Final Determination" shall mean the final resolution of any tax matter, including, but not limited to, a closing agreement with the IRS or the relevant state, local or foreign taxing authority, a claim for refund which has been allowed, a deficiency notice with respect to which the period for filing a petition with the Tax Court or the relevant state, local or foreign tribunal has expired, or a decision of competent jurisdiction that is not subject to appeal or as to which the time for appeal has expired

"IRS" shall mean the Internal Revenue Service

"Parent" shall have the meaning set forth above

"Parent Consolidated Group" shall mean the affiliated group of corporations (including any predecessors and successors thereto) within the meaning of Section 1504(a) of the Code electing to file consolidated federal income tax returns and of which Parent is the common parent

"Parent Consolidated Return" shall have the meaning set forth in Section 2

"Post Consolidation Year" shall have the meaning set forth in Section 6 of this Agreement

"Pro Forma Subsidiary Attribute" shall have the meaning set forth in Section 5.

"Pro Forma Subsidiary Return" shall have the meaning set forth in Section 3

"Records" shall have the meaning set forth in Section 8

"Regulations" shall mean the Treasury regulations promulgated under the Code

"Total Periodic Payments" shall have the meaning set forth in Section 4

"Subsidiary" shall have the meaning set forth above

"Subsidiary Consolidated Group" shall mean the affiliated group of corporations (including any predecessors and successors thereto) within the meaning of Section 1504(a) of the Code, of which Subsidiary would be the common parent if it were not included in the Parent Consolidated Group

"Subsidiary Return Items" shall have the meaning set forth in Section 8

"Subsidiary Tax Package" shall have the meaning set forth in Section 7.

2. FILING OF CONSOLIDATED RETURNS AND PAYMENT OF CONSOLIDATED TAX LIABILITY.

For all taxable years in which Parent files consolidated federal income tax returns (any such return of the Parent Consolidated Group for any taxable year, a "Parent Consolidated Return") and is entitled to include the Subsidiary Consolidated Group in such returns, Parent

shall include the Subsidiary Consolidated Group in the consolidated federal income tax returns that it files as the common parent corporation of the Parent Consolidated Group. Parent, Subsidiary and the other members of the Parent Consolidated Group shall file any and all consents, elections or other documents and take any other actions necessary or appropriate to effect the filing of such federal income tax returns. For all taxable years in which the Subsidiary Consolidated Group is included in the Parent Consolidated Group, Parent shall pay the entire federal income tax liability of the Parent Consolidated Group and shall indemnify and hold harmless Subsidiary and each member of the Subsidiary Consolidated Group against any such liability; provided, however, that Subsidiary shall make payments to Parent or receive payments from Parent as provided in this Agreement for any Agreement Year.

3. PRO FORMA SUBSIDIARY RETURN.

For each Agreement Year, Parent shall prepare a pro forma federal income tax return for the Subsidiary Consolidated Group (a "Pro Forma Subsidiary Return"). Except as otherwise provided in this Agreement, the Pro Forma Subsidiary Return for each Agreement Year shall be prepared as if Subsidiary filed a consolidated federal income tax return on behalf of the Subsidiary Consolidated Group for such taxable period. The Pro Forma Subsidiary Return shall reflect any carryovers of net operating losses, net capital losses, excess tax credits, or other tax attributes from prior Pro Forma Subsidiary Returns (excluding those attributes that are carried back pursuant to Section 5) that could have been utilized by the Subsidiary Consolidated Group if the Subsidiary Consolidated Group had never been included in the Parent Consolidated Group and all Pro Forma Subsidiary Returns had been filed as actual returns. The Pro Forma Subsidiary Return shall be prepared in a manner that reflects all elections, positions and methods used in the Parent Consolidated Return that must be applied on a consolidated basis and otherwise shall be prepared in a manner consistent with the Parent Consolidated Return. The provisions of the Code that require consolidated computations, such as Sections 861, 1201-1212 and 1231, shall be applied separately to the Subsidiary Consolidated Group as if the Subsidiary Consolidated Group and the Parent Consolidated Group (excluding the members of the Subsidiary Consolidated Group) were separate affiliated groups, except that the Pro Forma Subsidiary Return prepared for the last taxable year, or portion thereof, during which the Subsidiary Consolidated Group is included in the Parent Consolidated Return shall also include any gains or losses of the members of the Subsidiary Consolidated Group on transactions within the Subsidiary Consolidated Group that must be taken into account pursuant to Section 1.1502-13 of the Regulations and reflected on the Parent Consolidated Return when the Subsidiary Consolidated Group ceases to be included in the Parent Consolidated Return. For each Agreement Year, Section 1.1502-13 of the Regulations shall be applied as if the Subsidiary Consolidated Group were not a member of the Parent Consolidated Group. For purposes of the Agreement, all determinations made as if the Subsidiary Consolidated Group had never been included in the Parent Consolidated Group and as if all Pro Forma Subsidiary Returns were

actual returns shall reflect any actual short taxable years resulting from the Subsidiary Consolidated Group joining or leaving the Parent Consolidated Group

4. TAX PAYMENTS

(a) Estimated Income Tax Payments For each Agreement Year, Subsidiary shall make periodic payments ("Estimated Income Tax Payments") to Parent in such amounts as shall be equal to the estimated tax payments that would be payable by the Subsidiary Consolidated Group if it were not included in the Parent Consolidated Group, no later than the dates on which such estimated tax payments would be due from the Subsidiary Consolidated Group if it were not included in the Parent Consolidated Group

(b) Balance Payment For each Agreement Year, Subsidiary shall pay to Parent an amount equal to the tax payment that would be payable by the Subsidiary Consolidated Group if it were not included in the Parent Consolidated Group, no later than March 15 of the following year (the "Balance Payment")

(c) Payments based on Pro Forma Subsidiary Return For each Agreement Year, Subsidiary shall pay to Parent, within 10 days after the filing of the Parent Consolidated Return for such Agreement Year, an amount equal to the sum of (i) the federal income tax liability shown on the corresponding Pro Forma Subsidiary Return prepared for such Agreement Year and (ii) the additions to tax, if any, under Section 6655 of the Code that would have been imposed on the Subsidiary Consolidated Group (treating the amount due to Parent under (i) above as its federal income tax liability and treating any Estimated Tax Payments to Parent pursuant to clause (a) as estimated payments under Section 6655 of the Code) and which result from the inaccuracy of any information provided by Subsidiary to Parent pursuant to Section 7 hereof or from the failure of Subsidiary to provide any requested information, reduced by (iii) the sum for such Agreement Year of the amount of the Estimated Tax Payments and the Balance Payment (collectively, the "Total Periodic Payments"), plus (iv) any interest and additions to tax (other than under Section 6655 of the Code) that would be due under the Code if the Total Periodic Payments were actual payments of tax. If the Total Periodic Payments to Parent for any Agreement Year exceed the amount of Subsidiary's liability for such Agreement Year under the preceding sentence, Parent shall pay to Subsidiary an amount equal to such excess within 10 days after filing the Parent Consolidated Return for such Agreement Year. For purposes of this Agreement, the term "federal income tax liability" includes the tax imposed by Sections 11, 55 and 59A of the Code, or any successor provisions to such Sections. Parent shall notify Subsidiary of any amounts due from Subsidiary to Parent pursuant to this Section 4 at least 5 business days prior to the date such payments are due, and such payments shall not be considered due until the later of the due date described above or the fifth day after Parent gives such notice.

5. LOSSES; REFUNDS

If a Pro Forma Subsidiary Return for any Agreement Year reflects a net operating loss, net capital loss, excess tax credit or other tax attribute (a "Pro Forma Subsidiary Attribute"), then, within 10 days after filing the relevant Parent Consolidated Return for such Agreement Year, Parent shall pay to Subsidiary an amount equal to the refund that the Subsidiary Consolidated Group would have received as a result of the carryback of such Pro Forma Subsidiary Attribute to a Pro Forma Subsidiary Return for any prior Agreement Year or Years, assuming that all Pro Forma Subsidiary Returns had been filed as actual returns and that the Subsidiary Consolidated Group had filed returns as a separate affiliated group for all prior taxable years. All calculations of deemed refunds pursuant to this Section 5 shall include interest computed as if the Subsidiary Consolidated Group had filed a claim for refund or an application for a tentative carryback adjustment pursuant to Section 6411(a) of the Code on the date on which the relevant Parent Consolidated Return is filed

6. PAYMENTS FOR TAXABLE YEARS AFTER DECONSOLIDATION

(a) Payments By Subsidiary To Parent If for any taxable year after the Subsidiary Consolidated Group ceases to be included in the Parent Consolidated Group (a "Post-Consolidation Year"), (i) the federal income tax liability of the Subsidiary Consolidated Group is less than (ii) the federal income tax liability that would have been imposed with respect to the same period if the Subsidiary Consolidated Group had not been included in the Parent Consolidated Group for any Agreement Year and all Pro Forma Subsidiary Returns had been actual returns for such years, then Subsidiary shall pay to Parent an amount equal to the excess of the amount specified in clause (ii) over the amount specified in clause (i) within 10 days after the filing of the Subsidiary Post Consolidation Year return

(b) Payments By Parent To Subsidiary If for any Post-Consolidation Year, (i) the federal income tax liability of the Subsidiary Consolidated Group is greater than (ii) the federal income tax liability that would have been imposed with respect to the same period if the Subsidiary Consolidated Group had not been included in the Parent Consolidated Group for any Agreement Year and all Pro Forma Subsidiary Returns had been actual returns for such years, then Parent shall pay to Subsidiary an amount equal to the excess of the amount specified in clause (i) over the amount specified in clause (ii) within 10 days after notification by Subsidiary to Parent of the filing of the Subsidiary Post-Consolidation Year return

(c) Documentation Prior to the payment of any amounts due pursuant to this Section 6, the parties shall exchange such information and documentation as is reasonably satisfactory to each of them in order to substantiate the amounts due pursuant to this Section 6. Any disputes as to such amounts and documentation that cannot be resolved prior to the date on

which a payment is due shall be referred to an independent accounting firm whose fees shall be paid one-half by Subsidiary and one-half by Parent.

(d) **No Post-Consolidation Year Carrybacks.** If the Subsidiary Consolidated Group federal income tax return with respect to a Post Consolidation Year reflects a net operating loss, net capital loss, excess tax credits or any other tax attribute, such attribute shall not be carried back to a Parent Consolidated Return without the express written consent of Parent, and (unless such consent is given) Subsidiary shall make any available elections or filings that are necessary or desirable to avoid such carrybacks.

7. PREPARATION OF TAX PACKAGE AND OTHER FINANCIAL REPORTING INFORMATION.

Subsidiary shall provide to Parent, in a format determined by Parent, all information requested by Parent as necessary to prepare the Parent Consolidated Return and the Pro Forma Subsidiary Return (the "**Subsidiary Tax Package**"). The Subsidiary Tax Package with respect to any taxable year shall be provided to Parent on a basis consistent with practices of the Parent Consolidated Group no later than April 1 of the following year. Subsidiary shall also provide to Parent information required to determine the Total Periodic Payments, current federal taxable income, current and deferred tax liabilities, tax reserve items and any additional current or prior information required by Parent on a timely basis consistent with practices of the Parent Consolidated Group.

8. RETURNS, AUDITS, REFUNDS, AMENDED RETURNS, LITIGATION, ADJUSTMENTS AND RULINGS.

(a) **Returns.** Parent shall have exclusive and sole responsibility for the preparation and filing of the Parent Consolidated Returns (including requests for extensions) and any other returns, amended returns and other documents or statements required to be filed with the IRS in connection with the determination of the federal income tax liability of the Parent Consolidated Group.

(b) **Audits, Refund Claims.** Parent will have exclusive and sole responsibility and control with respect to the conduct of IRS examinations of the returns filed by the Parent Consolidated Group and any refund claims with respect to such returns, including without limitation the right to select counsel, the right to determine the court or other body in which any contest shall be brought, the right to determine whether to contest a proposed deficiency or to pay a tax and sue for a refund and the right to determine whether and how to appeal any adverse determination. Subsidiary shall assist and cooperate with Parent during the course of any such proceeding. Parent shall give Subsidiary notice of and consult with Subsidiary with respect to any issues relating to items of income, gain, loss, deduction or credit

of Subsidiary (any such items, "**Subsidiary Return Items**"). Parent shall not settle or otherwise compromise any Subsidiary Return Item that would result in additional liability for Subsidiary under this Agreement without the written consent of Subsidiary, which consent shall not be unreasonably withheld. If Subsidiary does not respond to Parent's request for consent within 30 days, Subsidiary shall be deemed to have consented.

(c) **Litigation.** If the federal income tax liability of the Parent Consolidated Group becomes the subject of litigation in any court, the conduct of the litigation shall be controlled exclusively by Parent. Subsidiary shall assist and cooperate with Parent during the course of litigation, and Parent shall consult with Subsidiary regarding any issues relating to Subsidiary Return Items.

(d) **Expenses.** Subsidiary shall reimburse Parent for all reasonable out-of-pocket expenses (including, without limitation, legal, consulting and accounting fees) in the course of proceedings described in paragraphs (b) and (c) of this Section 8, to the extent such expenses are reasonably attributable to Subsidiary Return Items for any Agreement Year.

(e) **Recalculation Of Payments To Reflect Adjustments.** To the extent that there is a Final Determination with respect to a Parent Consolidated Return that results in a change in an item relating to such return (an "**Adjustment**") that affects the treatment of a Subsidiary Return Item for an Agreement Year, a corresponding adjustment shall be made to the corresponding Pro Forma Subsidiary Return. All calculations of payments made pursuant to Sections 4, 5 and 6 of this Agreement shall be recomputed to reflect the effect of any Adjustments on the relevant Pro Forma Subsidiary Return. Within 10 days after any such Adjustment, Subsidiary or Parent, as appropriate, shall make a payment to the other party reflecting such Adjustment, plus interest pursuant to Section 9 of the Agreement, calculated as if payments by and to Subsidiary pursuant to Sections 4, 5 and 6 of this Agreement and this Section 8 were payments and refunds of federal income taxes. Subsidiary shall further pay to Parent the amount of any penalties or additions to tax incurred by the Parent Consolidated Group as a result of an adjustment to any Subsidiary Return Item for an Agreement Year.

(f) **Rulings.** Subsidiary shall assist and cooperate with Parent and take all actions requested by Parent in connection with any ruling requests submitted by Parent to the IRS.

(g) **Applicability With Respect To All Consolidated Returns.** The provisions of Sections 8(a), (b) and (c) above shall apply to Parent Consolidated Returns and Subsidiary Return Items for all taxable years in which Subsidiary is includable in the Parent Consolidated Group.

(h) Document Retention, Access To Records and Use Of Personnel

Until the expiration of the relevant statute of limitations (including extensions), Subsidiary shall (i) retain records, documents, accounting data, computer data and other information (collectively, the "Records") necessary for the preparation, filing, review, audit or defense of all tax returns relevant to an obligation, right or liability of either party under the Agreement, and (ii) give Parent reasonable access to such Records and to its personnel (insuring their cooperation) and premises to the extent relevant to an obligation, right or liability of either party under the Agreement. Prior to disposing of any such Records, Subsidiary shall notify Parent in writing of such intention and afford Parent the opportunity to take possession or make copies of such Records at its discretion.

9. INTEREST.

Interest required to be paid by or to Subsidiary pursuant to the Agreement shall, unless otherwise specified, be computed at the rate and in the manner provided in the Code for interest on underpayments and overpayments, respectively, of federal income tax for the relevant period. Any payments required pursuant to the Agreement which are not made within the time period specified in the Agreement shall bear interest at a rate equal to the rate provided in the Code for interest on underpayments of tax.

10. FOREIGN, STATE AND LOCAL INCOME TAXES.

(a) In the case of foreign, state or local taxes based on or measured by the net income of the Parent Consolidated Group, or any members of the Parent Consolidated Group (other than solely with respect to the Subsidiary Consolidated Group or solely with respect to members of the Parent Consolidated Group other than members of the Subsidiary Consolidated Group) on a combined, consolidated or unitary basis, the provisions of this Agreement shall apply with equal force to such foreign, state or local tax for each Agreement Year, whether or not the Subsidiary Consolidated Group is included in the Parent Consolidated Group for federal income tax purposes, provided, however, that interest pursuant to the first sentence of Section 9 of this Agreement shall be computed at the rate and in the manner provided under such foreign, state or local law for interest on underpayments and overpayments of such tax for the relevant period, and references to provisions of the Code throughout the Agreement shall be deemed to be references to analogous provisions of foreign, state and local law.

(b) For any Agreement Year, Parent shall have the sole and exclusive control of (a) the determination of whether a combined, consolidated or unitary tax return should be filed for any foreign, state or local tax purpose and (b) all foreign, state or local income tax audits and litigation with respect to the Subsidiary Consolidated Group to the same extent as provided in this Agreement for federal income tax matters (including the right in its sole

discretion to have Subsidiary pay any disputed taxes and sue for a refund in the forum of Parent's choice) Subsidiary shall reimburse Parent for all reasonable out-of-pocket expenses (including, without limitation, legal, consulting and accounting fees) in the course of proceedings described in the preceding sentence, to the extent such expenses are reasonably attributable to the Subsidiary Consolidated Group.

(c) Parent will provide notice of and consult with Subsidiary with respect to any issue relating to such audits and litigation, and Subsidiary will provide to Parent any information necessary to conduct such audits and litigation. Parent shall not settle or otherwise compromise any audits or litigation that would result in additional liability for Subsidiary under this Section 10 without the written consent of Subsidiary, which consent shall not be unreasonably withheld. If Subsidiary does not respond to Parent's request for consent within 30 days, Subsidiary shall be deemed to have consented.

11. SUCCESSORS AND ACCESS TO INFORMATION

The Agreement shall be binding upon and inure to the benefit of any successor to any of the parties, by merger, acquisition of assets or otherwise, to the same extent as if the successor had been an original party to the Agreement, and in such event, all references in this Agreement to a party shall refer instead to the successor of such party. If for any taxable year Subsidiary is no longer included in the Parent Consolidated Group, Parent and Subsidiary agree to provide to the other party any information reasonably required to complete tax returns for taxable periods beginning after Subsidiary is no longer included in a Parent Consolidated Return, and each of Parent and Subsidiary will cooperate with respect to any audits or litigation relating to any Parent Consolidated Return.

12. GOVERNING LAW.

The Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to contracts entered into and to be fully performed within the State of California.

13. HEADINGS.

The headings in the Agreement are for convenience only and shall not be deemed for any purpose to constitute a part or to affect the interpretation of the Agreement.

14. SECTION REFERENCES.

References to Sections shall, unless otherwise specified, be references to Sections of this Agreement.

15. COUNTERPARTS.

The Agreement may be executed simultaneously in two or more counterparts, each of which will be deemed an original, and it shall not be necessary in making proof of the Agreement to produce or account for more than one counterpart.

16. SEVERABILITY.

If any provision of the Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the maximum extent practicable. In any event, all other provisions of the Agreement shall be deemed valid, binding, and enforceable to their full extent.

17. TERMINATION.

The Agreement shall remain in force and be binding so long as the applicable period of assessments (including extensions) remains unexpired for any taxes contemplated by the Agreement, provided, however, that neither Parent nor Subsidiary shall have any liability to the other party with respect to tax liabilities for any taxable year in which Subsidiary is not included in the Parent Consolidated Return for such year, except as provided in Sections 5 and 10.

18. SUCCESSOR PROVISIONS.

Any reference herein to any provisions of the Code or Treasury Regulations shall be deemed to include any amendments or successor provisions thereto, as appropriate.

19. COMPLIANCE BY SUBSIDIARIES.

Parent and Subsidiary each agrees to cause all members of the Parent Consolidated Group and the Subsidiary Consolidated Group (including predecessors and successors to such members) to comply with the terms of this Agreement.

IN WITNESS WHEREOF, each of the parties to this Agreement has caused this Agreement to be executed by its duly authorized officer on this _____, 2002.

PG&E CORPORATION

By _____

Name:
Title:

PACIFIC GAS AND ELECTRIC COMPANY

By _____
Name:
Title:

REORGANIZATION AGREEMENT

THIS REORGANIZATION AGREEMENT ("Agreement") is entered into by and among the undersigned Parties on this ____ day of _____, 200__, with reference to the following

RECITALS OF THE PARTIES

A Pacific Gas & Electric Company ("PG&E") is the Debtor in a Chapter 11, Case No. 01-30923 DM (the "Case") pending in the United States Bankruptcy Court for the Northern District of California (the "Court"). The Commission has filed the Plan in the Case to reorganize PG&E.

B The Parties are also currently engaged in the Litigation. This Agreement and the Plan will resolve, among other matters, the Litigation.

C The refinancings and issuance of Securities contemplated by the Plan and this Agreement create an opportunity for PG&E (i) to reorganize and to pay in full in cash Allowed Claims or to reinstate Allowed Claims as provided in the Plan, (ii) to issue, and pay, retire, redeem or defease the Securities, and (iii) to achieve Investment Grade Credit Ratings. Nothing contained in this Agreement shall change the proposed treatment for Creditors' claims contained in the Plan.

D In the exercise of its police and regulatory powers, the Commission is entering into this Agreement and shall adopt such decisions and orders as

it deems necessary to implement and carry out the provisions of this Agreement, including but not limited, to establishing retail electric rates to provide for payment in full of the Securities in accordance with their respective terms

NOW, THEREFORE, in consideration of the foregoing, the agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Certain Defined Terms When used in this Agreement, the following terms shall have the following meanings:

- (a) "Agreement" shall have the meaning set forth in the introductory paragraph
- (b) "Allowed Claims" shall have the meaning ascribed to it in the Plan, including claims that may be allowed from time to time in the Case
- (c) "Case" shall have the meaning set forth in the Recitals to this Agreement
- (d) "Court" shall have the meaning set forth in the Recitals to this Agreement

(e) "Commission" shall mean the California Public Utilities Commission, or such successor agency, and the Commissioners thereof in their official capacities and their respective successors

(f) "Debt" shall mean the debt to be issued or reinstated, as the case may be, in accordance with the Plan, by PG&E, from time to time to satisfy Allowed Claims and to fund the escrow for Disputed Claims in the Case, including any and all interest thereon or associated costs as provided in such debt instruments

(g) "Disputed Claims" shall have the meaning set forth in the Plan

(h) "Effective Date" shall have the meaning set forth in the Plan

(i) "FERC" shall mean the Federal Energy Regulatory Commission

(j) "Investment Grade Credit Ratings" shall mean credit ratings for the Securities and PG&E from both Standard & Poor's Corporation of BBB- or better and Moody's Investors Service, Inc. of Baa3 or better.

(k) "Litigation" shall mean Pacific Gas & Electric Company, Plaintiff, vs. Loretta M. Lynch, et al., Defendants, Case No. C-01-3023-VRW, presently pending in the United States District Court for the Northern District of California

(l) "Parties" shall mean the Commission and PG&E

(m) "*Person or Persons*" shall mean an individual, partnership, joint venture, corporation, limited liability company, trust, association or unincorporated organization, any governmental authority, or any other entity.

(n) "*PG&E*" shall mean Pacific Gas & Electric Company, a California corporation, and its successors

(o) "*Plan*" shall mean the Commission plan of reorganization for PG&E in the Case, as amended from time to time

(p) "*Preferred Shares*" shall mean the equity interests to be issued by PG&E, from time to time to satisfy Allowed Claims and to fund the escrow for Disputed Claims in the Case, in accordance with the Plan, including any and all interest or dividends thereon and associated costs as provided in such equity interests

(q) "*Recoverable Costs*" shall mean the amounts PG&E is authorized by the Commission to recover in retail electric rates in accordance with historic practice for all of its prudently-incurred costs, including capital investment in property, plant and equipment, a return of capital and a return on capital and equity to be determined by the Commission from time to time in accordance with its past practices

(r) "*Recovery Rates*" shall mean gross electric retail rates (including surcharges) sufficient (i) to pay the interest and dividends payable on, and to provide funding of required reserves for, the Securities, (ii) to allow PG&E to meet its obligations in respect of scheduled amortization and redemption of the Securities in

accordance with their terms, (iii) to pay all Recoverable Costs, and (iv) to facilitate achieving and maintaining Investment Grade Credit Ratings

(s) "*Securities*" shall mean the Preferred Shares and the Debt

(t) "*Securities Repayment Period*" shall mean the period commencing on the Effective Date of the Plan and ending on the date that the last of the outstanding Securities have been paid, redeemed or defeased in full

Section 1.2 Capitalized Term All terms defined in this Agreement shall have the meanings ascribed to them in this Agreement or in the Plan

Section 1.3 Incorporation of Recitals The Recitals are incorporated herein by reference

ARTICLE II

RATE STABILIZATION AND COST RECOVERY

Section 2.1 Issuance of Securities From and after the Effective Date of the Plan, PG&E shall issue or reinstate Securities as provided in the Plan in an amount equal to the sum of (a) the Allowed Claims, together with amounts required to be deposited in escrow for Disputed Claims under the Plan, less (b) PG&E's available cash and cash equivalents. The Commission shall adopt such orders or decisions as it deems necessary to authorize PG&E to issue (or to reinstate) and to fully meet its obligations in respect of such Securities in accordance with their respective terms and with the Plan. Amounts deposited in the escrow for Disputed Claims under the Plan which are not required to satisfy Allowed Claims shall be used by PG&E to repurchase Securities

Section 2.2 Rate Stabilization PG&E shall be authorized to recover in retail electric rates the interest and dividends payable on, funding of required reserves for, and other amounts which may be necessary to allow PG&E to meet its obligations in respect of scheduled amortization and redemption of, the Securities in accordance with their respective terms. The Commission shall establish retail electric rates for retail electric customers in PG&E's service territory at rates sufficient (i) to pay the interest and dividends payable on, funding of required reserves for, and collection of other amounts which may be necessary to allow PG&E to meet its obligations in respect of scheduled amortization and redemption of the Securities in accordance with their terms, (ii) to pay all Recoverable Costs, and (iii) to facilitate achieving and maintaining Investment Grade Credit Ratings, provided, however, that in no event may such rates be less than Recovery Rates. The Commission shall evaluate the Recovery Rates of PG&E from time to time, and shall adjust such rates as may be necessary to assure sufficient revenues to satisfy the requirements of clauses (i) - (iii) above.

Section 2.3 Credit Rating The parties acknowledge and agree that the achievement and maintenance of Investment Grade Credit Ratings is important to the reorganization of PG&E. All of the Securities shall have terms and conditions customary for securities that are similar to the Securities and enjoy or have Investment Grade Credit Ratings. Each of the Parties agrees to provide such information as may be required by the rating agencies, and to cooperate fully with the rating agencies and the other party in obtaining Investment Grade Credit Ratings as expeditiously as possible.

Section 2.4 Commission Continuing Jurisdiction Subject to Article V, PG&E agrees that the Commission shall retain jurisdiction over PG&E's retail rates, and

the assets and business of PG&E, in accordance with California law, and shall not seek during the Securities Repayment Period to contest such jurisdiction.

Section 2.5 Financial Reporting The Parties will cooperate in accounting for and reporting the transactions described in the Plan and this Agreement.

Section 2.6 Acknowledgment The Parties acknowledge and agree that, until this Agreement has terminated in accordance with Section 4.1, the Recovery Rates shall include the amounts necessary for PG&E to pay all costs associated with the Securities including, but not limited to, the interest and dividends payable on, and other amounts which may be necessary to allow PG&E to meet its obligations in respect of scheduled amortization and redemption of the Securities in accordance with their terms. The costs associated with the Securities shall be deemed to have been prudently incurred.

ARTICLE III

LITIGATION

Section 3.1 Dismissal of Litigation On the Effective Date of the Plan PG&E shall file a motion to dismiss the Litigation, with prejudice.

Section 3.2 Withdrawal of Certain Applications Promptly upon the Effective Date of the Plan, PG&E shall withdraw certain applications filed with FERC, the Nuclear Regulatory Commission ("NRC"), and the Securities and Exchange Commission ("SEC"), as follows:

(a) Applications to Transfer Regulatory Assets filed with the FERC in Docket Nos. EC02-31, EL02-36, ES02-17, ER02-456, ER02-455

(b) Applications to Transfer Hydro Assets filed with FERC in Project Nos 77-116, 96-031, 137-031, 175-018, 178-015, 233-082, 606-020, 619-095, 803-055, 1061-056, 1121-058, 1333-037, 1354-029, 1403-042, 1962-039, 1988-030, 2105-087, 2106-039, 2107-012, 2130-030, 2155-022, 2310-120, 2467-016, 2661-016, 2687-022, 2735-071, 2118-006, 2281-005, 2479-003, 2678-001, 2781-004, 2784-001, 4851-004, 5536-001, 5828-003, 7009-004, and 10821-002

(c) Applications for Certificates of Public Convenience and Necessity filed with FERC in Docket Nos CP02-38, CP02-39, CP02-40, CP02-41, and CP02-42

(d) License Transfer Application filed with the NRC in Docket Nos 50-275-LT, 50-323-LT.

(e) Filing with the SEC for Approval under the Public Utilities Holding Company Act of 1935 to create Electric Generation LLC, ETrans LLC, and GTrans LLC

ARTICLE IV

TERMINATION

Section 4.1 Termination This Agreement and any orders entered by the Court contemplated by or required to implement this Agreement shall terminate at the end of the Securities Repayment Period, *provided that* all rights of the Parties under this Agreement and any orders entered by the Court contemplated by or required to implement this Agreement that vest on or prior to such termination, including any rights arising from any default under this Agreement or the terms of any such orders, shall

survive any such termination for the purpose of enforcing such vested rights

ARTICLE V

GENERAL PROVISIONS

Section 5.1 Validity and Binding Effect The Parties and their respective successors and assigns agree not to contest the validity and enforceability of this Agreement or any order entered by the Court contemplated by or required to implement this Agreement and the Plan. This Agreement and any such orders are intended to be enforceable under federal law, notwithstanding any contrary state law. This Agreement, the Plan, upon becoming effective, and the orders to be entered by the Court as contemplated hereby and the Plan, shall be irrevocable and binding upon the Parties, notwithstanding any future decisions and orders of the Commission.

Section 5.2 Enforcement The Parties agree that the Court shall retain jurisdiction over the Parties for all purposes relating to this Agreement and the Plan, including, but not limited to, enforcing any order contemplated by or required to implement this Agreement and the Plan.

Section 5.3 Waiver of Sovereign Immunity In connection with any action or proceeding concerning the enforcement of this Agreement, the Plan or other determination of the Parties' rights under this Agreement or the Plan, the Commission hereby knowingly and expressly waives all existing and future rights of sovereign immunity, and all other similar immunities, as a defense. Accordingly, the Commission hereby consents to the jurisdiction of any court or other tribunal or forum for such actions or proceedings including, but not limited to, the Court. This waiver is irrevocable and

applies to the jurisdiction of any court, legal process, suit, judgment, attachment in aid of execution of a judgment, attachment prior to judgment, set off or any other legal process with respect to the enforcement of this Agreement, the Plan or other determination of the Parties' rights under this Agreement. It is the intention of this Agreement that neither the Commission, nor any other California entity acting on the Commission's behalf, may assert immunity in an action or proceeding, as discussed herein, concerning the Parties' rights under this Agreement or the Plan.

Section 5.4 Counterparts This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 5.5 Captions and Paragraph Headings Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

Section 5.6 Entire Agreement This Agreement, together with the Plan, contains the entire understanding of the Parties concerning the subject matter of this Agreement and, except as expressly provided for herein, supersedes all prior understandings and agreements, whether oral or written, among them with respect to the subject matter hereof and thereof. There are no representations, warranties, agreements, arrangements or understandings, oral or written, between the Parties hereto relating to the subject matter of this Agreement and such other documents and instruments which are not fully expressed herein or therein. This Agreement may be amended or modified only by an agreement in writing signed by each of the Parties hereto which is filed with and, if necessary, approved by, the Court.

Section 5.7 Time of Essence Time is hereby expressly made of the essence with respect to each and every term and provision of this Agreement. The Parties acknowledge that each will be relying upon the timely performance by the other of its obligations hereunder as a material inducement to each Party's execution of this Agreement.

Section 5.8 No Third Party Beneficiaries Except as may be specifically set forth in this Agreement or the Plan, nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any Persons (including, without limitation, any Persons holding claims against or interests in PG&E) other than the Parties and their respective permitted successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third Persons to any Party, nor give any third Persons any right of subrogation or action against any Party.

Section 5.9 Authority; Enforceability Each Party represents and warrants to the other that this Agreement has been duly authorized by all action required of such Party to be bound thereby, and that this Agreement is valid, binding and enforceable obligations of such Party.

Section 5.10 Waiver of Compliance To the extent permitted by applicable law, any failure of any of the Parties to comply with any obligation, covenant, agreement or condition set forth herein may be waived by the Party entitled to the benefit thereof only by a written instrument signed by such Party, but any such waiver shall not operate as a waiver of, or estoppel with respect to, any prior or subsequent failure to

comply therewith. The failure of a Party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of such rights.

Section 5.11 California Law. This Agreement shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of California, without giving effect to the conflict of law principles thereof.

Section 5.12 Admissions. This Agreement is a compromise believed by the Parties to be in the best interests of all concerned parties. Nothing in this Agreement shall be construed or deemed to be an admission by any of the Parties of any liability or any material fact in connection with the Litigation.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

PACIFIC GAS & ELECTRIC COMPANY

By _____

Title _____

CALIFORNIA PUBLIC UTILITIES COMMISSION

By _____

Title _____

COMMISSIONERS IN THEIR OFFICIAL CAPACITY

Loretta M. Lynch

Henry M. Duque

Carl W. Wood

Geoffrey F. Brown

Michael Peevey

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re
PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation,
Debtor
Federal ID No 94 0742640
Case No 01-30923 DM
Chapter 11 Case
[No Hearing Requested]

CALIFORNIA PUBLIC UTILITIES COMMISSION'S
AND OFFICIAL COMMITTEE OF UNSECURED CREDITORS' FIRST AMENDED
PLAN OF REORGANIZATION UNDER
CHAPTER 11 OF THE BANKRUPTCY CODE FOR
PACIFIC GAS AND ELECTRIC COMPANY
(Dated (May) ~~August~~ 17, 2002)

Counsel for the California Public Utilities
Commission

Gary M. Cohen
Arocles Aguilar
Michael M. Edson
CALIFORNIA PUBLIC UTILITIES
COMMISSION
505 Van Ness Avenue
San Francisco, California 94111
(415) 703-2782

Alan W. Kornberg
Brian S. Hermann
Susan E. Welber
Marc F. Skapof
PAUL, WEISS, RIFKIND, WHARTON
& GARRISON
1285 Avenue of the Americas
New York, New York 10019-6064
(212) 373-3000 Counsel for the Official
Committee of Unsecured Creditors

Paul S. Aronson
Robert J. Moore
MILBANK, TWEED, HADLEY &
McCLOY LLP
601 South Flower Street, Suite 3000
Los Angeles, California 90017
(213) 692-4000

Alan W. Kornberg
 Brian S. Hermann
 Marc F. Skano
**PAUL, WEISS, RIFKIND, WHARTON
 & GARRISON**
 1785 Avenue of the Americas
 New York, New York 10019-6064
 (212) 373-3000

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The California Public Utilities Commission (the "Commission")
(proposes) and the Committee (as defined below) (collectively, the "Proponents") propose
the following first amended plan of reorganization for Pacific Gas and Electric Company, a
California corporation (the "Debtor"), pursuant to section 1121 of title 11 of the United States
Code, 11 U.S.C. §§ 101 *et seq.* (as amended from time to time, the "Bankruptcy Code"), and the
Bankruptcy Court's (Order dated March 11, 2002;) Orders terminating the Debtor's exclusive
right to file a plan, dated March 11, 2002 with respect to the Commission, and July 9, 2002,
with respect to the Committee.¹(i)

ARTICLE I

DEFINITIONS AND CONSTRUCTION OF TERMS

1.1 **Definitions** As used herein, the following terms have the respective
meanings specified below

22A Bonds means those certain California Pollution Control Financing Authority,
6 5/8% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1992 Series A
issued by the Issuer in the aggregate principal amount of \$35,000,000

22B Bonds means those certain California Pollution Control Financing Authority,
6 3/5% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1992 Series B
issued by the Issuer in the aggregate principal amount of \$50,000,000

22A Bonds means those certain California Pollution Control Financing Authority,
5 7/8% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1993 Series A
issued by the Issuer in the aggregate principal amount of \$60,000,000

22B Bonds means those certain California Pollution Control Financing Authority,
5 8/5% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1993 Series B
issued by the Issuer in the aggregate principal amount of \$200,000,000

¹ In submitting this Plan and its accompanying Disclosure Statement, the Commission does not
waive any objections or defenses that the Commission or the State of California (as defined
below) may have to this Court's jurisdiction over the Commission or the State of California
based upon the Eleventh Amendment to the United States Constitution or related principles
of sovereign immunity or otherwise, all of which are hereby reserved

26B Bonds means those certain California Pollution Control Financing Authority,
Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series B
issued by the Issuer in the aggregate principal amount of \$160,000,000

26C Bonds means those certain California Pollution Control Financing Authority,
Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series C
issued by the Issuer in the aggregate principal amount of \$200,000,000

26D Bonds means those certain California Pollution Control Financing Authority,
Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series D
issued by the Issuer in the aggregate principal amount of \$100,000,000

26E Bonds means those certain California Pollution Control Financing Authority,
Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series E
issued by the Issuer in the aggregate principal amount of \$165,000,000

26F Bonds means those certain California Pollution Control Financing Authority,
Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series F
issued by the Issuer in the aggregate principal amount of \$100,000,000

26G Bonds means those certain California Pollution Control Financing Authority,
Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series G
issued by the Issuer in the aggregate principal amount of \$62,870,000

27A Bonds means those certain California Pollution Control Financing Authority,
Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series A
issued by the Issuer in the aggregate principal amount of \$45,000,000

27B Bonds means those certain California Pollution Control Financing Authority,
Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series B
issued by the Issuer in the aggregate principal amount of \$148,550,000

27C Bonds means those certain California Pollution Control Financing Authority,
Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series C
issued by the Issuer in the aggregate principal amount of \$148,550,000

1 97D Bonds means those certain California Pollution Control Financing Authority,
2 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series D
3 issued by the Issuer in the aggregate principal amount of \$17,900,000

4 Administrative Expense Claims means all Claims against the Debtor constituting
5 a cost or expense of administration of the Chapter 11 Case under sections 503(b) and 507(a)(1)
6 of the Bankruptcy Code, including, without limitation, all actual and necessary costs and
7 expenses of preserving the Debtor's estate, all actual and necessary costs and expenses of
8 operating the business of the Debtor in Possession, any indebtedness or obligations incurred or
9 assumed by the Debtor-in-Possession in connection with the conduct of its business, all cure
10 amounts owed in respect of executory contracts and unexpired leases assumed by the Debtor-in-
11 Possession, all Professional Compensation and Reimbursement Claims, and any fees or charges
12 assessed against the Debtor's estate under section 1930 of chapter 123 of title 28 of the United
13 States Code

14 Affiliate has the meaning set forth in section 101(2) of the Bankruptcy Code

15 Allowed means, with reference to any Claim against or Equity Interest in the
16 Debtor, (a) any Claim which has been listed by the Debtor in the Debtor's Bankruptcy
17 Schedules, as such Schedules may be amended by the Debtor from time to time in accordance
18 with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and for
19 which no contrary proof of claim or objection to claim has been filed, (b) any Claim or Equity
20 Interest allowed hereunder, (c) any Claim or Equity Interest which is not Disputed, (d) any Claim
21 or Equity Interest that is compromised, settled or otherwise resolved pursuant to a Final Order of
22 the Bankruptcy Court or under the Plan, or (e) any Claim or Equity Interest which, if Disputed,
23 has been Allowed by Final Order; provided, however, that Claims allowed solely for the purpose
24 of voting to accept or reject this Plan or PG&E's Plan pursuant to an order of the Bankruptcy
25 Court shall not be considered "Allowed Claims" hereunder. Unless otherwise specified herein or
26 by order of the Bankruptcy Court, "Allowed Administrative Expense Claim" or "Allowed
27 Claim" shall not, for any purpose under the Plan, include interest on such Administrative
28 Expense Claim or Claim, as the case may be, from and after the Petition Date

1 Assumed Corporate Indemnities means all obligations of the Debtor, pursuant to
2 the Debtor's articles of incorporation or bylaws, applicable state law or specific agreement, or
3 any combination of the foregoing, to defend or indemnify, or to reimburse or limit the liability
4 of, its present and any former officers, directors and/or employees who were officers, directors
5 and/or employees, respectively, on or after the Petition Date, solely in their capacities as officers,
6 directors and/or employees of the Debtor, against or with respect to any claims or obligations
7 Assumed Indemnification Claims mean all Claims, if any, as to which the
8 claimant asserts rights based only upon the Assumed Corporate Indemnities

9 Ballot means the form distributed to each holder of an Impaired Claim or Equity
10 Interest on which such holder shall indicate, among other things, acceptance or rejection of the
11 Plan and such holder's preference as between this Plan and PG&E's Plan.

12 Bank means, with respect to each Reimbursement Agreement, those certain
13 banking or other financial institutions that are signatories thereto (other than the Letter of Credit
14 Issuing Bank) and their respective successors and assigns

15 Bankruptcy Code has the meaning set forth in the introduction to the Plan

16 Bankruptcy Court means the United States Bankruptcy Court for the Northern
17 District of California having jurisdiction over the Chapter 11 Case

18 Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure as
19 promulgated by the United States Supreme Court under section 2075 of title 28 of the United
20 States Code and any Local Rules of the Bankruptcy Court

21 Bond Loan means, with respect to each series of PC Bonds, the loan of the
22 proceeds from the sale of such series of PC Bonds made by the Issuer to the Debtor pursuant to
23 the terms of the respective Loan Agreement.

24 Bond Trustee means, with respect to the PC Bonds, Bankers Trust Company, a
25 state banking corporation organized under the laws of the State of New York, as trustee, or U.S.
26 Bank Trust National Association, as trustee, under the Indenture pursuant to which such PC
27 Bonds were issued, as applicable, and their successors and assigns or any successor trustee under
28 such Indentures appointed in accordance with the terms thereof.

1 Business Day means any day other than a Saturday, Sunday or any other day on
2 which commercial banks in San Francisco, California or New York, New York are required or
3 authorized to close by law or executive order.

4 Cash means legal tender of the United States of America

5 Cause of Action means, without limitation, any and all actions, causes of action,
6 liabilities, obligations, rights, suits, damages, judgments, claims and demands whatsoever,
7 whether known or unknown, existing or hereafter arising, in law, equity or otherwise, based in
8 whole or in part upon any act or omission or other event occurring prior to the Petition Date or
9 during the course of the Chapter 11 Case, including through the Effective Date.

10 Chapter 11 Case means the case under chapter 11 of the Bankruptcy Code
11 commenced by the Debtor in the Bankruptcy Court on April 6, 2001 and filed under Chapter 11,
12 Case No 01-30923-DM

13 Chromium Litigation means Causes of Action against the Debtor relating to
14 alleged chromium contamination, including, but not limited to, the following sixteen (16) civil
15 actions pending in California courts (i) Aguiar v. Pacific Gas and Electric Company, filed
16 March 15, 1995 in Los Angeles County Superior Court, (ii) Aguilar v. Pacific Gas and Electric
17 Company, filed October 4, 1996 in Los Angeles County Superior Court, (iii) Acosta, et al. v.
18 Beitz Laboratories, Inc. et al., filed November 27, 1996 in Los Angeles County Superior Court,
19 (iv) Adams v. Pacific Gas and Electric Company and Beitz Chemical Company, filed July 25,
20 2000 in Los Angeles County Superior Court, (v) Baldonado v. Pacific Gas and Electric
21 Company, filed October 25, 2000 in Los Angeles Superior Court, (vi) Gale v. Pacific Gas and
22 Electric Company, filed January 30, 2001 in Los Angeles County Superior Court, (vii) Monice v
23 Pacific Gas & Electric Company, filed March 15, 2001 in San Bernardino County Superior
24 Court, (viii) Fordyce v. Pacific Gas & Electric Company, filed March 16, 2001 in San
25 Bernardino County Superior Court, (ix) Puckett v. Pacific Gas & Electric Company, filed
26 March 30, 2001 in Los Angeles County Superior Court, (x) Alderson, et al. v. PG&E
27 Corporation, Pacific Gas and Electric Company, Beitz Chemical Company, et al., filed April 11,
28 2001 in Los Angeles County Superior Court, (xi) Bowers et al. v. Pacific Gas and Electric

1 Company, et al., filed April 20, 2001 in Los Angeles County Superior Court, (xii) Boyd et al. v
2 Pacific Gas and Electric Company, et al., filed May 2, 2001 in Los Angeles County Superior
3 Court, (xiii) Martinez et al. v Pacific Gas and Electric Company, filed June 29, 2001 in
4 Los Angeles County Superior Court, (xiv) Kearny v Pacific Gas and Electric Company, filed
5 November 15, 2001 in Los Angeles County Superior Court, (xv) Miller v Pacific Gas and
6 Electric Company, filed November 21, 2001 in Los Angeles County Superior Court, and (xvi)
7 Lytle v Pacific Gas and Electric Company, filed March 22, 2002 in Yolo County Superior
8 Court

9 Chromium Litigation Claims means all Claims against the Debtor arising from the
10 Chromium Litigation for damages or other obligations, including Punitive Damages; provided,
11 however, that Chromium Litigation Claims shall not include (a) any Claims, settled, liquidated or
12 determined by Final Order or a binding award, agreement or settlement prior to the Petition Date
13 for amounts payable by the Debtor for damages or other obligations in a fixed dollar amount
14 payable in a lump sum or by a series of payments (which Claims are classified as General
15 Unsecured Claims), (b) Environmental Claims, (c) Fire Suppression Claims, (d) Pending
16 Litigation Claims, or (e) FERC License Claims

17 Claim has the meaning set forth in section 101(5) of the Bankruptcy Code,
18 provided, however, that any claim based on allocations under [GPUC] Commission Electric Rule
19 20, Section A, relating to undergrounding of electric distribution facilities, shall not be a Claim
20 for purposes of this Plan and shall pass through the Plan unaffected

21 Class means a category of holders of Claims against or Equity Interests in the
22 Debtor as set forth in Articles III and IV of the Plan

23 Clerk means the Clerk of the Bankruptcy Court

24 Collateral means any property or interest in property of the estate of the Debtor
25 subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to
26 avoidance or otherwise invalid under the Bankruptcy Code or applicable state law

27 Commercial Paper means short term promissory notes of the Debtor bearing
28 various interest rates based on the three (3) month London InterBank Offered Rate and issued

1 under commercial paper dealer agreements between the Debtor and (i) Goldman Sachs & Co.,
2 dated May 30, 1997, (ii) Bank of America, N A, dated February 7, 1985, (iii) Salomon Smith
3 Barney, Inc, dated November 10, 2000, and (iv) Merrill Lynch, Pierce, Fenner & Smith
4 Incorporated (oral agreement)

5 Commercial Paper Claim means all Claims against the Debtor arising from
6 Commercial Paper

7 Commission has the meaning set forth in the introduction to the Plan

8 [Commission's Plan Supplement means the documents, schedules and other
9 instruments to be filed with the Bankruptcy Court in accordance with section 11-17 of the Plan,
10 as amended, modified or supplemented from time to time.]

11 Committee means the official Committee of Unsecured Creditors appointed in the
12 Chapter 11 Case by the United States Trustee pursuant to section 1102 of the Bankruptcy Code,
13 as reconstituted from time to time. As of the date hereof, the Committee is comprised of Reliant
14 Energy, Inc., Dynegy Power Marketing, Inc., P-E Berkeley, Inc., GWF Power Systems
15 Company, Inc., Bank of America, N A, Morgan Guaranty, Merrill Lynch, Pierce, Fenner &
16 Smith, Incorporated, Davey Tree Expert Co., the City of Palo Alto, California, the State of
17 Tennessee and Pacific Investment Management Company LLC.

18 Committee Support Agreement means that certain Support Agreement, dated
19 September 19, 2001, entered into by and among the Committee, the Debtor and the Parent, as
20 amended from time to time.

21 Common Stock means shares of the Debtor's common stock, par value \$5.00 per
22 share

23 Common Stock Equity Interests means any right relating to the three hundred
24 twenty-six million, nine hundred twenty-six thousand, six hundred sixty-seven (326,926,667)
25 issued and outstanding shares of Common Stock as of the date hereof, all of which are held
26 directly or indirectly by the Parent.

27 Confirmation Date means the date on which the Clerk of the Bankruptcy Court
28 enters the Confirmation Order on the Bankruptcy Court's docket.

1 Confirmation Hearing means the hearing held by the Bankruptcy Court to
2 consider confirmation of the Plan pursuant to section 1128 of the Bankruptcy Code, as such
3 hearing may be adjourned or continued from time to time

4 Confirmation Order means the order of the Bankruptcy Court confirming the Plan
5 pursuant to section 1129 of the Bankruptcy Code, which order shall be in form and substance
6 reasonably satisfactory to the (Commission) ~~Proponents~~

7 Convenience Claims means all Claims against the Debtor held by a vendor,
8 supplier or service provider or arising from the rejection of executory contracts or unexpired
9 leases under section 365 of the Bankruptcy Code (a) in the Allowed amount of \$100,000 or less,
10 or (b) consensually reduced to an Allowed amount of \$100,000 by the holder of the Claim

11 CPU Code means the California Public Utilities Code

12 Debtor has the meaning set forth in the introduction to the Plan.

13 Debtor-in-Possession means the Debtor in its capacity as debtor-in-possession in
14 the Chapter 11 Case pursuant to sections 1101, 1107(a) and 1108 of the Bankruptcy Code

15 Debtor's Articles of Incorporation means the Debtor's Restated Articles of
16 Incorporation, effective as of May 6, 1998

17 Debtor's Bankruptcy Schedules means the schedules of assets and liabilities,
18 schedule of current income and expenditures, schedule of executory contracts and unexpired
19 leases, and statement of financial affairs filed in this Chapter 11 Case by the Debtor pursuant to
20 section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as amended from time to time

21 Debtor's Bylaws means the Debtor's Bylaws, as amended as of February 21,
22 2001.

23 Disbursing Agent means any Entity in its capacity as a disbursing agent under
24 Section 5.4 of the Plan

25 Disclosure Statement means the Disclosure Statement for the Commission's Plan
26 of Reorganization under Chapter 11 of the Bankruptcy Code for the Debtor, dated May 17, 2002,
27 including, without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy
28

1 Court pursuant to the Disclosure Statement Order, and as amended, modified and/or
2 supplemented from time to time

3 Disclosure Statement Order means the order(s) of the Bankruptcy Court entered
4 pursuant to section 1125 of the Bankruptcy Code approving the Disclosure Statement

5 Disputed Claim means, (a) with reference to any Claim against the Debtor, proof
6 of which was timely and properly filed, or in the case of an Administrative Expense Claim, any
7 Claim or Administrative Expense Claim, as the case may be, which is disputed under the Plan or
8 as to which the Debtor has interposed a timely objection and/or request for estimation in
9 accordance with section 502(c) of the Bankruptcy Code and/or Bankruptcy Rule 3018, which
10 objection and/or request for estimation has not been withdrawn or determined by a Final Order,
11 and (b) any Claim against the Debtor, proof of which was required to be filed by order of the
12 Bankruptcy Court or pursuant to applicable law, but as to which a proof of claim was not timely
13 or properly filed. A Claim that is Disputed by the Debtor as to its amount only shall be deemed
14 Allowed in the amount the Debtor admits owing, if any, and Disputed as to the excess

15 Disputed Claim Amount means the disputed portion of the amount set forth in the
16 proof of claim relating to a Disputed Claim or, if an amount is estimated in respect of a Disputed
17 Claim in accordance with section 502(c) of the Bankruptcy Code and/or Bankruptcy Rule 3018,
18 the amount so estimated pursuant to an order of the Bankruptcy Court

19 Distribution Record Date means the close of business two (2) Business Days prior
20 to the Effective Date

21 Effective Date means the second (2nd) Business Day after the date on which the
22 conditions specified in Section 8.2 hereof have been satisfied or waived

23 Entity has the meaning set forth in section 101(15) of the Bankruptcy Code

24 Environmental, Fire Suppression, Pending Litigation, Tort and FERC License
25 Claims means all Environmental Claims, Fire Suppression Claims, Pending Litigation Claims,
26 Tort Claims and FERC License Claims

27 Environmental Claims means all Claims against the Debtor arising from any
28 accusation, allegation, notice of violation, action, claim, environmental Lien, demand, abatement

1 or other order, restriction or direction (conditional or otherwise) by any Governmental Entity or
2 any other Person for personal injury (including, but not limited to, sickness, disease or death),
3 tangible or intangible property damage, Punitive Damages, damage to the environment,
4 nuisance, pollution, contamination or other adverse effect on the environment or costs (to the
5 extent recoverable under applicable non bankruptcy law) of any Governmental Entity related
6 thereto, in each case resulting from or based upon (a) the existence, or the continuation of the
7 existence, of a release of (including, but not limited to, sudden or non sudden accidental or non-
8 accidental releases), or exposure to; any hazardous or deleterious material, substance, waste,
9 pollutant or contaminant, odor or audible noise in, into or onto the environment (including, but
10 not limited to, the air, soil, surface water or groundwater) at, in, by, from or related to any
11 property (including any vessels or facilities of the Debtor) presently or formerly owned, operated
12 or leased by the Debtor or any activities or operations thereon, (b) the transportation, storage,
13 treatment or disposal of any hazardous or deleterious material, substance, waste, pollutant or
14 contaminant in connection with any property presently or formerly owned, operated or leased by
15 the Debtor or its operations or facilities, or (c) the violation or alleged violation, of any
16 environmental law, order or environmental permit or license of or from any Governmental Entity
17 relating to environmental matters connected with any property presently or formerly owned,
18 operated or leased by the Debtor, provided, however, that Environmental Claims shall not
19 include (i) any Claims fully settled, liquidated or determined by a Final Order or a binding
20 award, agreement or settlement prior to the Petition Date for amounts payable by the Debtor for
21 damages or other obligations in a fixed dollar amount payable in a lump sum or by a series of
22 payments (which Claims are classified as General Unsecured Claims), (ii) Tort Claims, (iii) Fire
23 Suppression Claims, (iv) Pending Litigation Claims, or (v) FERC License Claims
24 Environmental Order has the meaning set forth in Section 4 16(b) hereof
25 Equity Interest means any share of Common Stock, Preferred Stock or other
26 instrument evidencing an ownership interest in the Debtor, whether or not transferable, and any
27 option, warrant or other right, contractual or otherwise, to acquire any such interest
28

1 ERISA means the Employee Retirement Income Security Act of 1974, as
2 amended
3 ESP means energy service provider
4 ESP Claims means all Claims against the Debtor arising from PX energy credits
5 payable by the Debtor to ESPs
6 Existing Tax Sharing Agreement means that agreement, dated as of January 1,
7 1997, for the allocation of income tax liability between the Debtor and the Parent
8 Exit Facility has the meaning set forth in Section 7 6 hereof
9 Federal Judgment Rate means the interest rate allowed pursuant to section 1961 of
10 title 28 of the United States Code, as amended, as published by the Board of Governors of the
11 Federal Reserve System for the calendar week that preceded the Petition Date
12 Fed. Rules Civ. Pro. means the Federal Rules of Civil Procedure
13 FERC means the Federal Energy Regulatory Commission
14 FERC License Claims means all Claims against the Debtor held by a
15 Governmental Entity arising from or under FERC licenses, including, but not limited to, Belden
16 FERC License 2015 (including fish stocking requirements set forth therein)
17 Final Order means an order or decree of the Bankruptcy Court, or any other court
18 of competent jurisdiction, as to which the time to appeal, petition for certiorari, or move for
19 reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other
20 proceedings for reargument or rehearing shall then be pending or as to which any right to appeal,
21 petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance
22 satisfactory to the Debtor and the ~~(Commission)~~ Proponents, or, in the event that an appeal, writ
23 of certiorari, or reargument or rehearing thereof has been sought, such order or decree of the
24 Bankruptcy Court or other court of competent jurisdiction shall have been determined by the
25 highest court to which such order or decree was appealed, or certiorari, reargument or rehearing
26 shall have been denied and the time to take any further appeal, petition for certiorari or move for
27 reargument or rehearing shall have expired, provided, however, that the possibility that a motion
28 under Rule 59 or Rule 60 of the Fed. Rules Civ. Pro., or any analogous rule under the

1 Bankruptcy Rules or applicable state court rules of civil procedure, may be filed with respect to
2 such order or decree shall not prevent such order or decree from being a Final Order

3 Fire Suppression Claims means all Claims against the Debtor by any
4 Governmental Entity for damages and costs resulting from a fire that may be recovered under
5 either state or federal law, including, but not limited to, Claims for damages to property, the cost
6 of restoring all property damaged as a result of the fire, the cost of compensating all other losses
7 resulting from damage to property arising from a fire, and costs incurred in fighting a fire,
8 including all investigative, administrative, accounting, collection, and other costs, provided,
9 however, that the foregoing "including, but not limited to" description of the types of damages
10 and costs that are included in this definition are for illustrative purposes only and do not
11 constitute an acknowledgment or admission by the Debtor that any such damages or costs are in
12 fact recoverable under state or federal law

13 First and Refunding Mortgage Bonds means (i) 6 250% First and Refunding
14 Mortgage Bonds Series 93C due August 1, 2003, (ii) 6 25% First and Refunding Mortgage
15 Bonds Series 93G due March 1, 2004, (iii) 5 875% First and Refunding Mortgage Bonds Series
16 93E due October 1, 2005, (iv) variable rate First and Refunding Mortgage Bonds Series 81B due
17 August 1, 2011, (v) 8 800% First and Refunding Mortgage Bonds Series 91A due May 1, 2024,
18 (vi) 8 375% First and Refunding Mortgage Bonds Series 92B due May 1, 2025, (vii) 8 250%
19 First and Refunding Mortgage Bonds Series 92D due November 1, 2022, (viii) 7 25% First and
20 Refunding Mortgage Bonds Series 93A due March 1, 2026, (ix) 7.250% First and Refunding
21 Mortgage Bonds Series 93D due August 1, 2026, (x) 6 750% First and Refunding Mortgage
22 Bonds Series 93F due October 1, 2023, and (xi) 7 050% First and Refunding Mortgage Bonds
23 Series 93H due March 1, 2024, each issued by the Debtor under the Mortgage, together with any
24 Matured and Unpresented First and Refunding Mortgage Bonds, provided, that the Debtor is not
25 waiving any rights or claims it may have under applicable non-bankruptcy law against any
26 holder of any Matured and Unpresented First and Refunding Mortgage Bond or any other party
27 with respect thereto
28

1 First and Refunding Mortgage Bond Documents means with respect to each series
2 of First and Refunding Mortgage Bonds, the Mortgage, and all of the other documents,
3 instruments, agreements and certificates evidencing, securing, governing or otherwise pertaining
4 to the respective Mortgage Loan or the respective series of First and Refunding Mortgage Bonds
5 or otherwise executed and delivered by or on behalf of the Debtor in connection with any of the
6 foregoing, together with all amendments, modifications, renewals, substitutions and
7 replacements of or to any of the foregoing

8 Floating Rate Note Claims means all Claims arising from the Floating Rate Notes

9 Floating Rate Notes means the Floating Rate Notes due October 31, 2001, issued
10 by the Debtor under an indenture by and between the Debtor and Wilmington Trust Company, as
11 successor-in interest to The Bank of New York, dated September 1, 1987, together with all
12 amendments, modifications, renewals, substitutions and replacements thereof

13 Forbearance, Extension and Letter of Credit Fees has the meaning set forth in
14 Section 4 10(b)(iv) hereof

15 General Unsecured Claim means (a) Revolving Line of Credit Claims,
16 (b) Medium Term Note Claims, (c) Senior Note Claims, (d) Floating Rate Note Claims,
17 (e) Southern San Joaquin Valley Power Authority Bond Claims, (f) Claims against the Debtor
18 arising from the rejection of executory contracts and unexpired leases under section 365 of the
19 Bankruptcy Code, (g) Claims against the Debtor relating to pre-petition litigation (other than
20 Pending Litigation Claims, as defined above in this Section 1 1, which are classified as Class 8
21 Claims), (h) Claims against the Debtor by the Debtor's vendors, suppliers and service providers,
22 (i) Claims against the Debtor relating to intercompany obligations to Affiliates and (j)
23 Commercial Paper Claims, provided, however, that General Unsecured Claims will not include
24 any unsecured Claims included in any other Class

25 Governmental Entity has the meaning set forth for a governmental unit in section
26 101(27) of the Bankruptcy Code

27 Impaired means any Class of Claims against or Equity Interests in the Debtor that
28 is impaired within the meaning of section 1124 of the Bankruptcy Code

1 Indenture means, with respect to each series of PC Bonds, that certain indenture
2 of trust between the Issuer and the Bond Trustee pursuant to which such series of PC Bonds were
3 issued, as originally executed, together with all amendments, modifications, renewals,
4 substitutions and replacements thereof

5 Initial Calculation Date means (i) February 28, 2002 with respect to holders of
6 Allowed Claims in Class 5 for Senior Indebtedness, holders of Allowed Southern San Joaquin
7 Valley Power Authority Bond Claims and holders of Allowed Claims in Classes 4c, 4f, 4g and
8 11, and (ii) June 30, 2002 with respect to the remaining holders of Allowed Claims in Class 5
9 and the holders of Allowed Claims in Classes 1, 2, 6, 7 and 10.

10 Interest Period means the period commencing on any interest payment date
11 specified herein and ending on the day preceding the next succeeding interest payment date,
12 except in respect of the first interest period which extends to June 30, 2002, where the Interest
13 Period shall commence on the earlier of the Petition Date or the date specified on Exhibit J
14 hereto and shall end on June 30, 2002 and the second interest period shall commence on July 1,
15 2002

16 Investment Grade Credit Rating means credit ratings from S&P of BBB- or better
17 and Moody's of Baa3 or better

18 IRS means the United States Internal Revenue Service

19 ISO means the California Independent System Operator

20 ISO, PX and Generator Claims means all Claims against the Debtor arising from
21 amounts due to the ISO, PX and various power generators based on purchases of electricity or
22 ancillary services by the Debtor in markets operated by the PX and the ISO

23 Issuer means the California Pollution Control Financing Authority, a public
24 instrumentality and political subdivision of the State of California, organized and existing under
25 the California Pollution Control Financing Authority Act, being Division 27 (commencing at
26 Section 44500) of the California Health and Safety Code, as supplemented and amended

27 LC Bank Agreement has the meaning set forth in Section [4-2]4.10(b)(iii) hereof
28

1 Letter of Credit means, with respect to each series of Letter of Credit Backed PC
2 Bonds, that certain irrevocable direct pay letter of credit issued by the Letter of Credit Issuing
3 Bank for the account of the Debtor to the Bond Trustee and delivered to the Bond Trustee in
4 accordance with the terms of the respective Indenture, securing, among other things, the payment
5 of the principal of, and interest on, the respective series of Letter of Credit Backed PC Bonds,
6 together with all amendments, modifications, renewals, substitutions and replacements thereof.

7 Letter of Credit Backed PC Bond Claims means all Claims against the Debtor by
8 the Issuer, Bond Trustee and the holders of Letter of Credit Backed PC Bonds for all amounts
9 due and owing by the Debtor under the Loan Agreements and each of the other PC Bond
10 Documents executed by the Debtor in connection with the issuance of each series of Letter of
11 Credit Backed PC Bonds

12 Letter of Credit Backed PC Bonds means collectively, any series of 96C Bonds,
13 96E Bonds, 96F Bonds and/or 97B Bonds that are outstanding as of the Voting Record Date or
14 the Effective Date, as applicable

15 Letter of Credit Issuing Bank means, with respect to each series of Letter of
16 Credit Backed PC Bonds, the issuer of the Letter of Credit

17 Letter of Credit Bank Claims means all Claims against the Debtor relating to
18 (a) the contingent Claims of each Letter of Credit Issuing Bank and the applicable Banks, if any,
19 with respect to payments which may become due by the Debtor under their respective
20 Reimbursement Agreements (as modified by the LC Bank Agreement), including, without
21 limitation, any and all amounts due by the Debtor as reimbursement of amounts paid by a Letter
22 of Credit Issuing Bank under its Letter of Credit to the Bond Trustee for the payment of interest
23 on the related Letter of Credit Backed PC Bonds and any and all interest and fees due thereunder,
24 and (b) the Claims of the Letter of Credit Issuing Banks and the applicable Banks, if any, for any
25 and all accrued and unpaid amounts due by the Debtor under their respective Reimbursement
26 Agreements (as modified by the LC Bank Agreement), including amounts due as reimbursement
27 of amounts paid by each Letter of Credit Issuing Bank under its respective Letter of Credit to the
28

Bond Trustee for the payment of interest on the related series of Letter of Credit Backed PC Bonds and any and all fees due thereunder

LIBOR means, with respect to each Interest Period, the rate per annum appearing on Bloomberg Professional page BBAMI (or any successor page) as the London interbank offered rate for deposits in U S dollars having the index maturity designated by the Debtor at approximately 11.00 a.m. (London time) on the LIBOR Interest Determination Date. If no rate appears on Bloomberg Professional page BBAMI, LIBOR shall mean the rate per annum appearing on Bridge Telerate Inc. page 3750 (or any successor page) as the London interbank offered rate for deposits in U S dollars having the index maturity designated by the Debtor at approximately 11.00 a.m. (London time) on the LIBOR Interest Determination Date. If no rate appears on Bridge Telerate page 3750, the Debtor will request the principal London offices of each of four (4) major reference banks in the London interbank market, as selected by the Debtor, to provide the Debtor with its offered quotation for deposits in U S dollars having the index maturity designated by the Debtor to prime banks in the London interbank market at approximately 11.00 a.m. (London time) on such LIBOR Interest Determination Date and in a principal amount that is representative of a single transaction in U S dollars in such market at such time. LIBOR determined will be the arithmetic mean of the offered quotations. If fewer than two (2) quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11.00 a.m. in New York City on such LIBOR Interest Determination Date, by three (3) major banks in New York City selected by the Debtor for loans in U S dollars to leading European banks, having the index maturity designated by the Debtor that is representative for a single transaction in U S dollars in such market at such time. If the banks so selected are not quoting as mentioned above, LIBOR will remain LIBOR in effect on such LIBOR Interest Determination Date.

LIBOR Interest Determination Date means, for an Interest Period, the second (2nd) London Business Day immediately preceding the first day of that Interest Period, except that in the period prior to the Initial Calculation Date, the LIBOR Interest Determination Dates for (a) Allowed Claims under International Swap Dealers Association ("ISDA") Agreements

shall be the Petition Date and each anniversary thereof prior to the Initial Calculation Date, and (b) Allowed Claims for power generators shall be determined between the Debtor and each such power generator, notwithstanding the fact that none of such dates is an interest payment date.

Lien has the meaning set forth in section 101(37) of the Bankruptcy Code

Loan Agreement means, with respect to each series of PC Bonds, that certain loan agreement by and between the Issuer and the Debtor with respect to such series of PC Bonds, as originally executed, together with all amendments, modifications, renewals, substitutions and replacements thereof

Master Ballot means the Ballot to be completed by Nominees of beneficial owners of bonds, notes, debentures or shares of stock of the Debtor

Matured and Unpresented First and Refunding Mortgage Bonds means, collectively, that portion of the Debtor's (a) First and Refunding Mortgage Bonds, Series II, 4.25%, (b) First and Refunding Mortgage Bonds, Series JJ, 4.5%, (c) First and Refunding Mortgage Bonds, Series LL, 4.625%, (d) First and Refunding Mortgage Bonds, Series MM, 5.375%, (e) First and Refunding Mortgage Bonds, Series NN, 5.75%, (f) First and Refunding Mortgage Bonds, Series OO, 5.50%, and (g) First and Refunding Mortgage Bonds, 8% Series 92C, to the extent that (i) such matured bonds have not been presented for payment by the holders thereof, and (ii) the Debtor is obligated to pay the principal of, and interest on, such bonds in accordance with the terms thereof under applicable law, provided that the Debtor is not waiving any rights or claims it may have under applicable non bankruptcy law against any holder of any such bond or any other party with respect thereto

MBIA means MBIA Insurance Corporation

MBIA Claims means all Claims against the Debtor relating to (a) the contingent Claims of MBIA with respect to payments which may become due by the Debtor under the terms of the MBIA Reimbursement Agreement as reimbursement for payments made by MBIA under the PC Bond Insurance Policy, and (b) the Claims of MBIA for any and all accrued and unpaid amounts due by the Debtor under the MBIA Reimbursement Agreement, including any and all amounts due by the Debtor as reimbursement of amounts paid by MBIA under the PC Bond

1 Insurance Policy to the Bond Trustee for the payment of interest on the MBIA Insured PC
2 Bonds

3 MBIA Insured PC Bond Claims means all Claims against the Debtor by the
4 Issuer, Bond Trustee and the holders of the MBIA Insured PC Bonds for all amounts due and
5 owing by the Debtor under the Loan Agreements and each of the other PC Bond Documents
6 executed by the Debtor in connection with the issuance of each series of MBIA Insured PC
7 Bonds

8 MBIA Insured PC Bonds means those certain California Pollution Control
9 Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric
10 Company) 1996 Series A issued by the Issuer in the aggregate principal amount of
11 \$200,000,000

12 MBIA Reimbursement Agreement means that certain Reimbursement and
13 Indemnity Agreement, dated as of May 1, 2000, by and between the Debtor and MBIA, pursuant
14 to which MBIA has issued the PC Bond Insurance Policy, together with all amendments,
15 modifications, and renewals thereof

16 Medium Term Note Claims means all Claims against the Debtor arising from the
17 Medium Term Notes

18 Medium Term Notes means those certain notes bearing various interest rates from
19 5.810% to 8.450% due through October 7, 2013, other than the Senior Notes and the Floating
20 Rate Notes, issued by the Debtor under an indenture by and between the Debtor and Wilmington
21 Trust Company, as successor-in-interest to the Bank of New York, dated September 1, 1987,
22 together with all amendments, modifications, renewals, substitutions and replacements thereof

23 Moody's means Moody's Investors Service Inc. or its successor

24 Mortgage means that certain First and Refunding Mortgage, dated December 1,
25 1920, made by the Debtor, under which BNY Western Trust Company was trustee on the
26 Petition Date, together with all amendments, modifications, renewals, substitutions and
27 replacements thereof

1 Mortgage Backed PC Bonds means collectively, the 92A Bonds, the 92B Bonds,
2 the 93A Bonds and the 93B Bonds

3 Mortgage Backed PC Bond Claims means all Claims against the Debtor by the
4 Issuer, Bond Trustee and the holders of the Mortgage Backed PC Bonds for all amounts due and
5 owing by the Debtor under the Loan Agreement and each of the other PC Bond Documents
6 executed by the Debtor in connection with the issuance of each series of Mortgage Backed PC
7 Bonds

8 Mortgage Bonds means, with respect to each series of Mortgage Backed PC
9 Bonds, those certain first and refunding mortgage bonds made by the Debtor in favor of the
10 Bond Trustee pursuant to and secured by the Mortgage, in an aggregate principal amount equal
11 to the related series of Mortgage Backed PC Bonds

12 Mortgage Loan means, with respect to each series of First and Refunding
13 Mortgage Bonds, the loans made by the holders thereof to the Debtor.

14 New Tax Sharing Agreement means the agreement to be entered into between the
15 Parent and the Reorganized Debtor for the allocation of income tax liability, substantially in the
16 form of Exhibit 4 to the Plan

17 Nominee means any brokerage firm or bank, or the agent of such firm or bank,
18 holding the securities of a beneficial owner of bonds, notes, debentures or shares of stock of the
19 Debtor.

20 Original Letter of Credit Fee has the meaning set forth in Section 4.10(b)(iv)
21 hereof.

22 Other Priority Claims means all Claims against the Debtor, other than
23 Administrative Expense Claims or Priority Tax Claims, entitled to priority in right of payment
24 under section 507(a) of the Bankruptcy Code

25 Other Secured Claims means all Claims against the Debtor relating to mechanics'
26 and materialmen's liens and secured tax Claims, as well as Secured Claims, other than Secured
27 Claims Relating to First and Refunding Mortgage Bonds and Mortgage Backed PC Bond Claims

28 Parent means PG&E Corporation, the Debtor's parent company

1 PC Bond Documents means, with respect to each series of PC Bonds, the Loan
2 Agreement, Indenture, and all of the other documents, instruments, agreements and certificates
3 evidencing, securing, governing or otherwise pertaining to the respective Bond Loan or the
4 respective series of PC Bonds or otherwise executed and delivered by or on behalf of the Debtor
5 in connection with any of the foregoing, together with all amendments, modifications, renewals,
6 substitutions and replacements of or to any of the foregoing

7 PC Bond Insurance Policy means that certain Financial Guaranty Insurance Policy
8 issued by MBIA with respect to the MBIA Insured PC Bonds, together with all amendments,
9 modifications, renewals, substitutions and replacements thereof

10 PC Bonds means collectively, the Letter of Credit Backed PC Bonds, the MBIA
11 Insured PC Bonds, the Mortgage Backed PC Bonds, the Prior Bonds and the Treasury PC Bonds

12 Pending Litigation Claims means all Claims against the Debtor that are asserted in
13 litigation pending against the Debtor and that are listed in an amendment to PG&E's Plan
14 Supplement, provided, however, that Pending Litigation Claims shall not include (a) any Claims
15 settled, liquidated or determined by a Final Order or a binding award, agreement or settlement
16 prior to the Petition Date for amounts payable by the Debtor for damages or other obligations in
17 a fixed dollar amount payable in a lump sum or by a series of payments (which Claims are
18 classified as General Unsecured Claims), (b) Environmental Claims, (c) Fire Suppression
19 Claims, (d) Tort Claims, or (e) FERC License Claims

20 Person has the meaning set forth in section 101(41) of the Bankruptcy Code

21 Petition Date means April 6, 2001, the date on which the Debtor commenced the
22 Chapter 11 Case

23 PG&E's Plan means that certain Plan of Reorganization under Chapter 11 of the
24 Bankruptcy Code for Pacific Gas and Electric Company proposed by the Debtor and the Parent,
25 dated April 19, 2002, including, without limitation, PG&E's Plan Supplement and all exhibits,
26 supplements, appendices and schedules thereto, either in its present form or as the same may be
27 altered, amended or modified from time to time

28 [Plan means this plan of reorganization, as amended, modified or supplemented]

1 PG&E's Plan Supplement means the documents, schedules and other instruments
2 filed with the Bankruptcy Court in accordance with Section 11.19 of PG&E's Plan, as amended,
3 modified or supplemented

4 Plan means this plan of reorganization, as amended, modified or
5 supplemented.

6 Post-Petition Interest has the meaning set forth in Section 4.1 hereof.

7 Preferred Stock means the issued and outstanding shares of the Debtor's First
8 Preferred Stock, par value \$25.00 per share. The Debtor's outstanding First Preferred Stock is
9 comprised of (a) 6% Non-Redeemable First Preferred, (b) 5.5% Non-Redeemable First
10 Preferred, (c) 5% Non-Redeemable First Preferred, (d) 5% Redeemable First Preferred Series D,
11 (e) 5% Redeemable First Preferred Series E, (f) 4.80% Redeemable First Preferred, (g) 4.50%
12 Redeemable First Preferred, (h) 4.36% Redeemable First Preferred, (i) 6.57% Redeemable First
13 Preferred, (j) 7.04% Redeemable First Preferred, and (k) 6.30% Redeemable First Preferred

14 Preferred Stock Equity Interests means any right relating to the Debtor's Preferred
15 Stock

16 Prior Bond Claims means all Claims against the Debtor by the Prior Letter of
17 Credit Issuing Banks for any and all accrued and unpaid amounts due by the Debtor under their
18 respective Prior Reimbursement Agreements, including amounts due as reimbursement of
19 amounts paid by each Prior Letter of Credit Issuing Bank under its respective Prior Letter of
20 Credit to the Bond Trustee for the payment of the redemption price of the related series of Prior
21 Bonds

22 Prior Bonds means, collectively, the 96B Bonds, the 96D Bonds, the 97A Bonds
23 and the 97C Bonds, ~~together with any series of 96G Bonds, 96E Bonds, 96F Bonds and/or 97B~~
24 ~~Bonds that have been redeemed in whole, but not in part, as of the Voting Record Date or the~~
25 ~~Effective Date, as applicable]~~

26 Prior Letter of Credit means, with respect to each series of Prior Bonds, that
27 certain irrevocable direct pay letter of credit issued by the Prior Letter of Credit Issuing Bank for
28 the account of the Debtor to the Bond Trustee and delivered to the Bond Trustee in accordance

with the terms of the respective Indenture which secured, among other things, the payment of the principal of, and interest on, the respective series of Prior Bonds, together with all amendments, modifications, renewals, substitutions and replacements thereof.

Prior Letter of Credit Issuing Bank means, with respect to each series of Prior Bonds, the issuer of the Prior Letter of Credit

Prior Reimbursement Agreement means, with respect to each series of Prior Bonds, that certain reimbursement or other agreement between the Debtor and the Prior Letter of Credit Issuing Bank providing for, among other things, the issuance of the related Prior Letter of Credit and the reimbursement of the Prior Letter of Credit Issuing Bank for draws made thereunder, together with all amendments, modifications, renewals, substitutions and replacements thereof

Priority Tax Claim means all Claims against the Debtor for taxes entitled to priority in payment under section 507(a)(8) of the Bankruptcy Code

Procedures Order means the Order of the Bankruptcy Court approving, among other things, voting solicitation procedures, the form of voting ballots, the solicitation period and the voting tabulation procedures regarding this Plan and PG&E's Plan, as amended, modified, and/or supplemented from time to time

Professional Compensation and Reimbursement Claims means all Administrative Expense Claims for the compensation of professionals and reimbursement of expenses incurred by such professionals, the Commission, the Committee and members of the Committee pursuant to sections 330(a) or 503(b)(2), 503(b)(3), 503(b)(4) and 503(b)(5) of the Bankruptcy Code

(Proponent) Proponents means the Commission and the Committee

Proponents' Plan Supplement means the documents, schedules and other instruments to be filed with the Bankruptcy Court in accordance with section 11.17 of the Plan, as amended, modified or supplemented from time to time.

Punitive Damages means punitive, exemplary or similar damages, or fines, penalties or similar charges that arise in connection with Environmental Claims, Fire Suppression Claims, Pending Litigation Claims, Tort Claims or FERC License Claims

PX means the California Power Exchange

QF means qualifying facilities operating pursuant to the Public Utility Regulatory Policies Act of 1978 and the related regulations enacted thereunder

QUIDS means the 7.90% Deferrable Interest Subordinated Debentures, Series A, Due December 31, 2025 issued by the Debtor under the QUIDS Indenture, together with all amendments, modifications, renewals, substitutions and replacements thereof.

QUIDS Claims means all Claims arising from the QUIDS

QUIDS Indenture means the Indenture by and between the Debtor and National City Bank of Indiana, as successor-in-interest to Bank One Trust Company, N.A., as successor-in-interest to The First National Bank of Chicago, dated November 28, 1995, as supplemented by the First Supplemental Indenture dated November 28, 1995, as supplemented by the Second Supplemental Indenture dated March 25, 1996

Rate Recovery Litigation means Pacific Gas and Electric (Go) Company,

Plaintiff vs. (v.) Loretta M. Lynch, et al., Defendants, Case No. C(99-4128-

SBA)-01-3023-YRW, presently pending in the United States District Court for the Northern District of California

Reimbursement Agreement means, with respect to each series of Letter of Credit Backed PC Bonds, that certain reimbursement or other agreement between the Debtor and the Letter of Credit Issuing Bank and certain other Banks, if any, that are signatories thereto providing for, among other things, the issuance of the related Letter of Credit and the reimbursement of the Letter of Credit Issuing Bank and certain other Banks, if any, that are signatories thereto for draws made under such Letter of Credit, together with all amendments, modifications, renewals, substitutions and replacements thereof

Reimbursement Obligation means, with respect to each series of Prior Bonds, that portion of the reimbursement obligation of the Debtor under the Prior Reimbursement Agreement arising with respect to the portion of the final drawing made under the related Prior Letter of Credit for the payment of the principal portion of the redemption price of the related series of Prior Bonds

1 Releasees means all Persons who (i) are present or former officers and directors
2 of the Debtor who were directors and/or officers on or after the Petition Date, (ii) serve or served
3 as members of management of the Debtor on or after the Petition Date, (iii) are present or former
4 members of the Committee, (iv) are present or former officers and directors and other Persons
5 who serve or served as members of the management of any present or former member of the
6 Committee; or (v) are advisors, consultants or professionals of or to the Debtor, the Committee
7 and the members of the Committee, but in each case only to the extent such Persons are or were
8 acting in any of the capacities set forth in (i) through (v) above

9 Reorganized Debtor means the Debtor, or any successor thereto by merger,
10 consolidation or otherwise, on and after the Effective Date

11 Reorganization Agreement has the meaning set forth in Section 7.3 hereof.

12 Reorganized Debtor New Money Notes has the meaning set forth in Section
13 7.1(a) hereof

14 Reorganized Debtor New Preferred Stock has the meaning set forth in
15 Section 7.1(h) hereof.

16 Retirement Plan means the Pacific Gas and Electric Company Retirement Plan, a
17 tax qualified defined benefit pension plan covered by Title IV of ERISA, as amended, 29 U S C
18 §§ 1301 et seq (1994 & Supp v 2000)

19 Revolving Line of Credit means the Amended and Restated Credit Agreement,
20 dated as of December 1, 1997, as amended, as to which Bank of America, N A was the
21 Administrative Agent on the Petition Date, together with all amendments, modifications,
22 renewals, substitutions and replacements thereof

23 Revolving Line of Credit Claim means all Claims against the Debtor arising from
24 the Revolving Line of Credit.

25 Secured Claim means all Claims against the Debtor, to the extent reflected in the
26 Debtor's Bankruptcy Schedules or a proof of claim as a Secured Claim, which are secured by a
27 Lien on Collateral but only to the extent of the value of such Collateral, as determined in
28 accordance with section 506(a) of the Bankruptcy Code, and, in the event that such Claim is

1 subject to a permissible setoff under section 553 of the Bankruptcy Code, to the extent of such
2 permissible setoff

3 Secured Claims Relating to First and Refunding Mortgage Bonds means all
4 Claims against the Debtor arising from the First and Refunding Mortgage Bonds

5 Senior Indebtedness means, collectively, Commercial Paper Claims, Floating
6 Rate Note Claims, Medium Term Note Claims, Senior Note Claims and Revolving Line of
7 Credit Claims

8 Senior Note Claims means all Claims against the Debtor arising from the Senior
9 Notes

10 Senior Notes means the 7 375% Senior Notes due November 1, 2005, issued by
11 the Debtor under an indenture by and between the Debtor and Wilmington Trust Company, as
12 successor-in interest to The Bank of New York, dated September 1, 1987, together with all
13 amendments, modifications, renewals, substitutions and replacements thereof

14 Settlement and Support Agreement means that certain Amended and Restated
15 Settlement and Support Agreement dated as of March 27, 2002, by and among the Debtor, the
16 Parent and certain holders of Senior Indebtedness who are parties thereto

17 Settlement Order means the Order of the Bankruptcy Court dated March 27, 2002
18 entitled "Order on Motion by Pacific Gas and Electric Company for Order (A) Approving
19 Settlement and Support Agreement By and Among Plan Proponents and Senior Debtholders, (B)
20 Authorizing Payment of Pre- and Post Petition Interest to Holders of Undisputed Claims in
21 Certain Classes, (C) Authorizing Payment of Fees and Expenses of Indenture Trustees and
22 Paying Agents and (D) Authorizing Debtor to Enter into Similar Agreements"

23 Southern San Joaquin Valley Power Authority Agreement means the Agreement
24 between the Debtor and the Southern San Joaquin Valley Power Authority dated as of July 1,
25 1997, and related Indenture of Trust dated as of November 1, 1991, between the Southern San
26 Joaquin Valley Power Authority and Bank of America N A., as Trustee in respect of amounts
27 payable on certain bonds issued by Southern San Joaquin Power Authority maturing in 2001
28

through January 1, 2013, together with all amendments, modifications, renewals, substitutions and replacements thereof

Southern San Joaquin Valley Power Authority Bond Claims means all Claims against the Debtor arising from the Southern San Joaquin Valley Power Authority Agreement

S&P means Standard & Poor's, a division of The McGraw Hill Companies, Inc., or its successor

State or State of California means the State of California and all of its entities departments, boards, offices, commissions, agencies, bureaus, divisions, instrumentalities, officers, commissioners and employees

Stated Amount means, with respect to each Letter of Credit, the aggregate amount available to be drawn thereunder, from time to time, in accordance with the terms thereof

Tax Code means the United States Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder

Tort Claims means (i) the Chromium Litigation Claims and all other Claims against the Debtor arising from any accusation, allegation, notice, action, claim, demand or otherwise for personal injury, tangible or intangible property damage, products liability or discrimination, or based on employment, including Punitive Damages; and (ii) any claim for indemnification or contribution (whether based on contract, statute or common law) against the Debtor by any third party, where such indemnification or contribution claim of such third party is based on a claim against such third party that if asserted directly against the Debtor would be a claim included within the immediately preceding clause (i), provided, however, that Tort Claims shall not include (a) any Claims settled, liquidated or determined by a Final Order or a binding award, agreement or settlement prior to the Petition Date for amounts payable by the Debtor for damages or other obligations in a fixed dollar amount payable in a lump sum or by a series of payments (which Claims are classified as General Unsecured Claims), (b) Environmental Claims, (c) Fire Suppression Claims, (d) FERC License Claims, or (e) Pending Litigation Claims

Treasury PC Bond Claims means the Claims against the Debtor by the Issuer, Bond Trustee and holders of Treasury PC Bonds for all amounts due and owing by the Debtor under the Loan Agreements and each of the other PC Bond Documents executed by the Debtor in connection with the issuance of each series of Treasury PC Bonds.

Treasury PC Bonds means, collectively, the 96G Bonds and the 97D Bonds

Unimpaired means any Class of Claims or Equity Interests which is not Impaired

Voting Record Date means May 21, 2002

Workers' Compensation Claims means all Claims against the Debtor by employees of the Debtor for the payment of workers' compensation benefits under applicable law

Workers' Compensation Indemnity Agreements means (a) the Indemnity Agreement by PG&E Corporation, dated April 7, 2000, to indemnify American Home Assurance Company in connection with issuance of Surety Bond No 00-207-724 issued on behalf of the Debtor for Workers' Compensation, (b) the Indemnity Agreement by PG&E Corporation, dated April 7, 2000, to indemnify CAN Insurance Companies in connection with issuance of Surety Bond No 159267371 issued on behalf of the Debtor for Workers' Compensation, (c) the Indemnity Agreement by PG&E Corporation, dated April 7, 2000, to indemnify Kemper Insurance Companies in connection with issuance of Surety Bond No 955006 issued on behalf of the Debtor for Workers' Compensation, (d) the Indemnity Agreement by PG&E Corporation, dated April 7, 2000, to indemnify Travelers Insurance, as successor to Reliance Insurance Company, in connection with issuance of Surety Bond No B1686191 issued on behalf of the Debtor for Workers' Compensation, and (e) the Indemnity Agreement by PG&E Corporation, dated April 7, 2000, to indemnify Firemen's Fund Insurance Company in connection with issuance of Surety Bond No 11133362811 issued on behalf of the Debtor for Workers' Compensation

12 Interpretation: Application of Definitions and Rules of Construction

Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include both the singular and the plural, and pronouns stated in the masculine,

feminine or neuter gender shall include the masculine, feminine and neuter. Unless otherwise specified, all section, article, schedule or exhibit references in the Plan are to the respective Section in, Article of, Schedule to, or Exhibit to, the Plan. The words "herein," "hereof," "hereto," "hereunder" and other words of similar import refer to the Plan as a whole and not to any particular section, subsection or clause contained in the Plan. The rules of construction contained in section 102 of the Bankruptcy Code shall apply to the construction of the Plan. A term used herein that is not defined herein, but that is used in the Bankruptcy Code, shall have the meaning ascribed to that term in the Bankruptcy Code. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions of the Plan.

ARTICLE II

TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS, PROFESSIONAL COMPENSATION AND REIMBURSEMENT CLAIMS, AND PRIORITY TAX CLAIMS

21 Administrative Expense Claims Except to the extent that any entity entitled to payment of any Allowed Administrative Expense Claim agrees to a less favorable treatment, each holder of an Allowed Administrative Expense Claim shall receive Cash in an amount equal to such Allowed Administrative Expense Claim on the later of the Effective Date and the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable, or on such other date as may be ordered by the Bankruptcy Court, provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtor-in-Possession (including, but not limited to, real and personal property taxes and franchise fees) or liabilities arising under loans or advances to or other obligations incurred by the Debtor-in-Possession shall be paid in full and performed by the Debtor in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing or other documents relating to such transactions. Except as provided under applicable non-bankruptcy law or certain agreements with the Debtor approved by the Bankruptcy Court and which are incorporated into and made a part of the Plan. Post-Petition Interest will not be paid on Allowed Administrative Expense Claims.

22 Professional Compensation and Reimbursement Claims The holders of Professional Compensation and Reimbursement Claims shall file their respective final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Confirmation Date by no later than the date that is ninety (90) days after the Confirmation Date, or such other date as may be fixed by the Bankruptcy Court. If granted by the Bankruptcy Court, such award shall be paid in full in such amounts as are Allowed by the Bankruptcy Court either (a) on the date such Professional Compensation and Reimbursement Claim becomes an Allowed Professional Compensation and Reimbursement Claim, or as soon thereafter as is practicable, or (b) upon such other terms as may be mutually agreed upon between such holder of an Allowed Professional Compensation and Reimbursement Claim and the Debtor. Except as provided under applicable non bankruptcy law, Post Petition Interest will not be paid on Professional Compensation and Reimbursement Claims.

23 Priority Tax Claims Except to the extent [that] a holder of an Allowed Priority Tax Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Priority Tax Claim, including Post Petition Interest, Cash in an amount equal to such Allowed Priority Tax Claim plus accrued and unpaid Post-Petition Interest thereon on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon as practicable thereafter.

ARTICLE III

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

Claims against and Equity Interests in the Debtor, other than Administrative Expense Claims, Professional Compensation and Reimbursement Claims and Priority Tax Claims, are classified for all purposes, including voting, confirmation and distribution pursuant to the Plan, as follows:

Class	Claim/Interest	Status
I	Other Priority Claims	Unimpaired

Class	Claim/Interest	Status
2	Other Secured Claims	Unimpaired
3	Secured Claims Relating to First and Refunding Mortgage Bonds	Unimpaired/Impaired
4a	Mortgage Backed PC Bond Claims	Unimpaired
4b	MBIA Insured PC Bond Claims	Unimpaired
4c	MBIA Claims	Impaired
4d	Letter of Credit Backed PC Bond Claims	Unimpaired
4e	Letter of Credit Bank Claims	Impaired
4f	Prior Bond Claims	Unimpaired
4g	Treasury PC Bond Claims	Unimpaired
5	General Unsecured Claims	Impaired
6	ISO, PX and Generator Claims	Impaired
7	ESP Claims	Impaired
8	Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims	Unimpaired
9	[Intentionally Left Blank]	[Intentionally Left Blank]
10	Convenience Claims	Unimpaired
11	QUIDS Claims	Impaired
12	Workers' Compensation Claims	Unimpaired
13	Preferred Stock Equity Interests	Unimpaired
14	Common Stock Equity Interests	Impaired/Unimpaired

While the [Commission] ~~Proponents~~ (believes) ~~believes~~ that Class 13 is unimpaired by the Plan, certain holders of Preferred Stock Equity Interests may believe that Class 13 is impaired by the Plan. To avoid delaying the voting process, holders of Preferred Stock Equity Interests will be solicited to vote on the Plan as a precautionary measure so that the voting results will be available if it is determined by the Bankruptcy Court that such Class is impaired. Allowing the holders of Preferred Stock Equity Interests to vote shall be without prejudice to the [Commission] ~~Proponents~~'(s) contention that this Class is unimpaired, and the [Commission] ~~Proponents~~ (reserves) ~~reserve~~ the right to contest any objection to the unimpaired status of this Class.

ARTICLE IV

TREATMENT OF CLAIMS AND EQUITY INTERESTS¹

4.1 Payment of Interest Allowed Claims shall include amounts owed with respect to the period prior to the Petition Date and applicable interest accrued and unpaid during such period. Except as otherwise provided herein, holders of Allowed Claims shall also be paid in Cash accrued and unpaid interest on such Allowed Claims from the Petition Date through the Effective Date ("Post-Petition Interest"). Except as otherwise provided herein, including Exhibit 1 attached hereto, any Post-Petition Interest shall be calculated and paid at the lowest non-default rate and in accordance with the terms specified in the applicable statute, indenture or instrument governing such Allowed Claim or, if no such instrument exists, or if the applicable instrument does not specify a non-default rate of interest, Post-Petition Interest shall be calculated and paid

During the Chapter 11 Case, the Debtor has entered into a number of settlements with various creditors regarding the allowance and treatment of such creditors' Claims under PG&E's Plan. With the exception of those settlement provisions that are unique to the allowance and treatment of such creditors' Claims under PG&E's Plan and are not relevant here, the provisions governing allowance and treatment of creditor Claims set forth in the creditor settlements are (i) incorporated into and made part of the Plan, and (ii) to be assumed and performed by the Debtor or Reorganized Debtor, as the case may be, under the Plan. By way of example, the Plan incorporates the principal terms of the following such settlements: the Committee Support Agreement, the Settlement and Support Agreement, the agreements between the Debtor and various of the drawn and undrawn Letter of Credit Banks, the agreements between the Debtor and certain QFs, the agreements between the Debtor and various representatives of mortgage, pollution control and other bonds issued by the Debtor or insurance relating to such bonds, the agreements between the Debtor and various generators, the PX and ISO, the Settlement and Stanislaus Commitments stipulation by and between the Debtor, the NCPA and the City of Palo Alto, ~~the stipulation and settlement between the Debtor and the Unofficial Committee of Mortgage Bondholders~~, and any other such similar agreements, whether or not the terms of such settlements are specifically referenced in the [Commission] ~~Proponents~~'(s) Plan. In particular, there is incorporated into and made part of the [Commission] ~~Proponents~~'(s) Plan and will be assumed and performed by the Debtor or the Reorganized Debtor, as the case may be, under the [Commission] ~~Proponents~~'(s) Plan, the provisions of the Settlement and Support Agreement, with the exception of the "placement fee" provision, "step-up" interest rate provision in section 2(a)(ii) thereof, the provisions relating to the payment of Class 5 Claims in notes and the provisions requiring support for the PG&E Plan. Specifically, and subject to the foregoing, the [Commission] ~~Proponents~~'(s) Plan incorporates and makes part of its Plan the provisions in the Settlement and Support Agreement contained in paragraphs 1, 2(a)(i), 3, 4, 5(a), (c), 12, 13, 14 (only as it relates to the [Commission] ~~Proponents~~'(s) Plan and its implementation), 15, 24 and 26 thereof.

on such Allowed Claim at the Federal Judgment Rate Except as provided ~~(by otherwise)~~ under applicable non-bankruptcy law or certain agreements with the Debtor approved by the Bankruptcy Court and which are incorporated into and made a part of the Plan. Post-Petition Interest will not be paid on the following Allowed Claims. Allowed Administrative Expense Claims, Professional Compensation and Reimbursement Claims, Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims and Workers' Compensation Claims[.]

4.2 Timing of Payments and Distributions

(a) Pursuant to an Order entered by the Bankruptcy Court on April 9, 2001 authorizing the Debtor's interim use of cash collateral, the Debtor has paid and will continue to pay Post Petition Interest to holders of Allowed Claims in Classes 3 and 4a. In addition, the Debtor will make payments of Post-Petition Interest that has accrued and is unpaid on and after the Initial Calculation Date through the last day of the last calendar quarter ending prior to the Effective Date, in arrears, in quarterly installments (or in the case of the first quarter following the Initial Calculation Date, for holders of Allowed Claims for which February 28, 2002 is the Initial Calculation Date, the four-month period from March 1, 2002 to June 30, 2002) as follows. (x) on the first Business Day of the next calendar quarter to the holders of Allowed Claims in Class 5 for Senior Indebtedness, the holders of Allowed Southern San Joaquin Power Authority Bond Claims and the holders of Allowed Claims in Classes 4c, 4f, 4g and 11, and (y) within thirty (30) days following the end of the calendar quarter, to the remaining holders of Allowed Class 5 Claims and the holders of Allowed Claims in Classes 1, 2, 6, 7 and 10. Any Post-Petition Interest that accrues during the period commencing on the first day of the calendar quarter in which the Effective Date occurs and ending on the Effective Date will be paid on the Effective Date.

(b) Pursuant to an Order entered by the Bankruptcy Court on April 9, 2002 approving the Debtor's execution and performance under an agreement with the Letter of Credit Issuing Banks entitled "Summary of Terms with Respect to Forbearance and Proposed Revised Treatment of Letter of Credit Bank Claims in the Plan of Reorganization" ~~((the "L"))~~ and

pursuant to an Order entered by the Bankruptcy Court on June 17, 2002 approving the Debtor's execution and performance under the LC Bank Agreement ~~(())~~ (as defined in Section 4.10(h)(iv)), the Debtor has made and will ~~(())~~ within ten (10) days after the approval of the LC Bank Agreement and thereafter, continue to make certain payments to ~~((A))~~ the Letter of Credit Issuing Banks ~~(of certain reasonable fees and expenses of professionals retained by the Letter of Credit Issuing Banks, and (B))~~ to the holders of Allowed Claims in Class 4c ~~(())~~ prior to the (Forbearance, Extension and Letter of Credit Fees, and (ii) within ten (10) days after the Confirmation) Effective Date, as set forth in such agreements and (hereafter, pay to the holders of Allowed Claims) in (Class 4c the outstanding reimbursement claims under the applicable Reimbursement Agreements with respect to Letter of Credit draws for the payment of interest on the related series of Letter of Credit Backed PC Bonds, together with accrued and unpaid interest due thereon at the non-default rate to the extent provided in the applicable Reimbursement Agreements) Section 4.10 hereof.

(c) Pursuant to the Settlement Order and Settlement and Support Agreement, the accrual and payment of Post-Petition Interest shall terminate if (i) the Debtor is determined by a Final Order of the Bankruptcy Court to be insolvent (on a balance sheet basis) with such interest accrual termination effective as of the date of insolvency, as determined by the Bankruptcy Court, (ii) upon conversion of the Chapter 11 Case to a case under chapter 7, provided that there is not a subsequent determination of the Bankruptcy Court that there are assets of sufficient value to pay Post Petition Interest on the applicable Allowed Claim. In circumstances where the accrual and payment of Post Petition Interest terminates, any payments of Post Petition Interest may be recharacterized and treated as a partial payment of the principal amount of the applicable Allowed Claims.

(d) Except as set forth in Sections 4.2(a) and 4.2(b) above and except to the extent a holder of an Allowed Claim or Equity Interest has otherwise been paid all or a portion of such holder's Allowed Claim or Equity Interest prior to the Effective Date, each of the distributions specified in this Article IV with respect to each Allowed Claim or Equity Interest shall (i) occur on the later of the Effective Date and the date such Allowed Claim or Equity

Interest becomes an Allowed Claim or Equity Interest, or as soon as practicable thereafter, and (ii) be in full and complete settlement, satisfaction and discharge of such Allowed Claim or Equity Interest

4.3 Class 1 - Other Priority Claims

(a) Distributions Each holder of an Allowed Other Priority Claim, if any, shall be paid Cash in an amount equal to such Allowed Claim

(b) Impairment and Voting Class 1 is unimpaired by the Plan. Each holder of an Allowed Other Priority Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan

4.4 Class 2 - Other Secured Claims

(a) Distributions/Reinstatement of Claims The Claims of each holder of an Allowed Other Secured Claim shall, at the option of the Debtor, (i) be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code or (ii) be paid Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code.

(b) Impairment and Voting Class 2 is unimpaired by the Plan. Each holder of an Allowed Other Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan

4.5 Class 3 - Secured Claims Relating to First and Refunding Mortgage Bonds

(a) Allowance The Secured Claims Relating to First and Refunding Mortgage Bonds shall be deemed Allowed Secured Claims Relating to First and Refunding Mortgage Bonds in the amount of \$2,699,000,000⁴, plus accrued and unpaid pre petition interest on such amount, plus Allowed Claims in the amount of all unpaid fees and expenses of the

⁴ This amount is net of the approximately \$277 million of First and Refunding Mortgage Bonds held by the Debtor in treasury

related mortgage bond trustee accrued through the Petition Date under the terms of the Mortgage

(b) Reinstatement of Claims The First and Refunding Mortgage

Bonds and each of the First and Refunding Mortgage Bond Documents shall remain outstanding and be reinstated in accordance with section 1124(2) of the Bankruptcy Code. Distributions Each holder of an Allowed Secured Claim Relating to First and Refunding Mortgage Bonds shall be paid Cash in an amount equal to [any and all accrued and unpaid interest owed to] such [holder in respect of such First and Refunding Mortgage Bond in accordance with the terms of the respective First and Refunding Mortgage Bond, to and including the last scheduled interest payment date preceding the Effective Date] Allowed Claim [-All unpaid fees and expenses of BNY Western Trust Company due and owing under the applicable series of First and Refunding Mortgage Bonds shall also be paid in Cash.]

(c) Impairment and Voting Class 3 is [unimpaired] [impaired] by the Plan. Each holder of an Allowed Secured Claim Relating to First and Refunding Mortgage Bonds is [conclusively presumed to have accepted the Plan and is not] entitled to vote to accept or reject the Plan

4.6 Class 4a - Mortgage Backed PC Bond Claims

(a) Allowance The Mortgage Backed PC Bond Claims shall be deemed Allowed Secured Claims in the amount of \$345,000,000, plus accrued and unpaid pre-petition interest on such amount, plus Allowed Claims in the amount of all unpaid fees and expenses of the Mortgage Bond trustee accrued through the Petition Date under the terms of the Mortgage.

(b) Reinstatement of Claims Each series of Mortgage Backed PC Bonds, and each of the PC Bond Documents, shall remain outstanding and be reinstated in accordance with section 1124(2) of the Bankruptcy Code. Each holder of a Mortgage Backed PC Bond shall be paid Cash in an amount equal to any and all accrued and unpaid interest owed to such holder in respect of such Mortgage Backed PC Bond in accordance with the terms thereunder to and including the last scheduled interest payment date preceding the Effective

1 Date All unpaid fees and expenses of the Issuer and Bond Trustee due and owing under the
2 applicable Loan Agreements shall also be paid in Cash

3 (c) Impairment and Voting Class 4a is unimpaired by the Plan. Each
4 holder of an Allowed Mortgage Backed PC Bond Claim is conclusively presumed to have
5 accepted the Plan and is not entitled to vote to accept or reject the Plan

6 **4.7 Class 4b - MBIA Insured PC Bond Claims.**

7 (a) Allowance The MBIA Insured PC Bond Claims shall be deemed
8 Allowed MBIA Insured PC Bond Claims in the amount of \$200,000,000, plus accrued and
9 unpaid pre-petition interest on such amount, plus Allowed Claims in the amount of all unpaid
10 fees and expenses of the related Issuer and Bond Trustee accrued through the Petition Date under
11 the terms of the applicable PC Bond Documents

12 (b) Reinstatement of Claims The MBIA Insured PC Bonds, and each
13 of the PC Bond Documents, shall remain outstanding and be reinstated in accordance with
14 section 1124(2) of the Bankruptcy Code. Each holder of a MBIA Insured PC Bond shall be paid
15 Cash in an amount equal to any and all accrued and unpaid interest owed to such holder in
16 respect of such MBIA Insured PC Bond in accordance with the terms of the respective MBIA
17 Insured PC Bond, to and including the last scheduled interest payment date preceding the
18 Effective Date. All unpaid fees and expenses of the Issuer and Bond Trustee due and owing
19 under the applicable Loan Agreement shall also be paid in Cash

20 (c) Impairment and Voting Class 4b is unimpaired by the Plan. Each
21 holder of an Allowed MBIA Insured PC Bond Claim is conclusively presumed to have accepted
22 the Plan and is not entitled to vote to accept or reject the Plan

23 **4.8 Class 4c - MBIA Claims**

24 (a) Allowance The Claims of MBIA with respect to payments which
25 may become due by the Debtor under the terms of the MBIA Reimbursement Agreement as
26 reimbursement for payments made by MBIA under the PC Bond Insurance Policy shall be
27 deemed contingent Claims, and the Claims of MBIA for any and all other accrued and unpaid
28 amounts due by the Debtor under the MBIA Reimbursement Agreement, including any and all

1 amounts due by the Debtor as reimbursement of amounts paid by MBIA under the PC Bond
2 Insurance Policy to the Bond Trustee for the payment of interest on the MBIA Insured PC
3 Bonds, shall be deemed Allowed MBIA Claims

4 (b) Distributions Each holder of an Allowed MBIA Claim shall be
5 paid Cash equal to its pro rata share of the aggregate amount paid by MBIA to the Bond Trustee
6 with respect to the payment of interest on the MBIA Insured PC Bonds during the period from
7 the Petition Date to and including the last scheduled interest payment date preceding the
8 Effective Date, together with its pro rata share of all other amounts due and owing to MBIA
9 under the terms of the MBIA Reimbursement Agreement through the Effective Date, including
10 any accrued and unpaid interest due on such amounts to the extent provided in the MBIA
11 Reimbursement Agreement at the non-default rate

12 (c) Impairment and Voting Class 4c is impaired by the Plan. Each
13 holder of an Allowed MBIA Claim is entitled to vote to accept or reject the Plan

14 **4.9 Class 4d - Letter of Credit Backed PC Bond Claims**

15 (a) Allowance The Letter of Credit Backed PC Bond Claims shall be
16 deemed Allowed Letter of Credit Backed PC Bond Claims in the amount of \$613,550,000, plus
17 accrued and unpaid pre-petition interest on such amount, plus Allowed Claims in the amount of
18 all unpaid fees and expenses of the related Issuer and Bond Trustee accrued through the Petition
19 Date under the terms of the applicable PC Bond Documents

20 (b) Reinstatement of Claims Each series of Letter of Credit Backed
21 PC Bonds, and each of the PC Bond Documents, shall remain outstanding and be reinstated in
22 accordance with section 1124(2) of the Bankruptcy Code. Each holder of a Letter of Credit
23 Backed PC Bond will be paid Cash in an amount equal to any and all accrued and unpaid interest
24 owed to such holder in respect of such Letter of Credit Backed PC Bond in accordance with the
25 terms thereof to and including the last scheduled interest payment date preceding the Effective
26 Date. All unpaid fees and expenses of the Issuer and Bond Trustee due and owing under the
27 applicable Loan Agreement shall also be paid in Cash
28

(c) Impairment and Voting Class 4d is unimpaired by the Plan. Each holder of an Allowed Letter of Credit Backed PC Bond Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

4.10 Class 4e(-) - Letter of Credit Bank Claims

~~(a)~~ (a) Allowance The Letter of Credit Bank Claims consist of: (i) Allowed Letter of Credit Bank Claims in the amount of any and all accrued and unpaid amounts due by the Debtor under each of the Reimbursement Agreements (as modified by the LC Bank Agreement), including, without limitation, any and all amounts due by the Debtor as reimbursement of amounts paid by a Letter of Credit Issuing Bank under its Letter of Credit to the Bond Trustee for the payment of interest on the related Letter of Credit Backed PC Bonds and any and all interest and fees due thereunder and (ii) with respect to payments (which) that may become due by the Debtor under the terms of each of the Reimbursement Agreements (as modified by the LC Bank Agreement), including, without limitation, as reimbursement for amounts drawn under the Letters of Credit as well as for interest and fees due thereunder, contingent Claims in an amount equal to any and all such outstanding amounts.

~~(b)~~ (b) Distributions

~~(i)~~ (i) Commencing (within ten) on June 27, 2002 and continuing with respect to each Letter of Credit Issuing Bank until the earlier of ((10)) (days after) the [Confirmation] Effective Date, (ii) the date the respective Letter of Credit is terminated or the stated amount thereof is permanently reduced, or (iii) the date that any of the related series of Letter of Credit Backed PC Bonds are redeemed. to the extent that the Debtor has not reimbursed the applicable Letter of Credit Issuing Bank and the applicable Banks, if any, for drawings made on the related Letter of Credit with respect to the payment of interest on the related series of Letter of Credit Backed PC Bonds to the extent provided in the respective Reimbursement Agreement, each holder of an Allowed Letter of Credit Bank Claim will be paid

Cash in an amount equal to its pro rata share of the aggregate amount paid by the respective Letter of Credit Issuing Bank to the respective Bond Trustee under the terms of the applicable Letter of Credit with respect to the payment of the interest on the Letter of Credit Backed PC Bonds to which such Letter of Credit Bank Claim relates during the period from the Petition Date to and including the last scheduled interest payment date on such Letter of Credit Backed PC Bonds preceding the Effective Date. Each holder of an Allowed Letter of Credit Bank Claim will also be paid Cash in an amount equal to its pro rata share of all other amounts then due and owing to the respective Letter of Credit Issuing Bank and the applicable Banks, if any, under the terms of the respective Reimbursement Agreement (other than for reimbursement of drawings on the respective Letter of Credit) through the Effective Date, including, without limitation, interest at the interest rate due on such amounts to the extent provided in the respective Reimbursement Agreements⁽¹⁾ and any due and owing Forbearance, Extension and Letter of Credit Fees (as hereinafter defined) through the Effective Date, and the reasonable fees and expenses of unrelated third-party professionals retained by the Letter of Credit Issuing Banks, to the extent incurred subsequent to the Petition Date in the Chapter 11 Case⁽²⁾, which with respect to each Letter of Credit Issuing Bank for the period prior to December 1, 2001, to the extent payment of such fees and expenses are approved by the Bankruptcy Court prior to the Confirmation Date and such payment is made prior to the Confirmation Date, shall be in an aggregate amount equal to the amount mutually agreed to by the Debtor and each Letter of Credit Issuing Bank⁽³⁾. Additionally, on the Confirmation Date, pursuant to the terms of the LC Bank Agreement, the Debtor has agreed, among other things and subject to certain conditions, to pay to Deutsche Bank AG New York Branch an agency fee in the amount of \$250,000. The interest rate on each Letter of Credit Bank Claim, interest payment start date and interest payment intervals are set forth on Exhibit J hereto.]

((A))- (iii) On the Effective Date one of the following shall occur with respect to each series of Letter of Credit Backed PC Bonds and its respective Letter of Credit, at the option of the Debtor separately for each series of Letter of Credit Backed PC Bonds:

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1 (applicable) Debtor, Cash in an amount equal to the sum of (A) the interest portion of the
2 purchase price of the tendered Letter of Credit Backed PC Bonds paid out of a draw on the
3 respective Letter of Credit, and (B) the aggregate amount paid by the respective Letter of
4 Credit Issuing Bank (and) to the respective Bond Trustee under the terms of the applicable
5 Banks, if any, for drawings made on the related Letter of Credit with respect to the payment of
6 interest on the [related series of] interest on the respective Letter of Credit Backed PC Bonds
7 during the period from and after June 27, 2002 to and including the last scheduled interest
8 payment date on such Letter of Credit Backed PC Bonds preceding the Effective Date,
9 together with interest at the non-default rate due on such amounts to the extent provided in
10 the respective Reimbursement Agreement, [Cash in an amount equal to the interest portion of the
11 purchase price of the tendered Letter of Credit Backed PC Bonds paid out of a draw on the
12 respective Letter of Credit, and (ii) from the Debtor, a fee (the "Remarketing Option
13 Incentive Fee") in an amount equal to either (1) 0.5% of the aggregate principal amount of
14 the respective Letter of Credit Backed PC Bonds remarketed on the Effective Date the
15 payment of the principal of and interest on which are secured by either a replacement
16 Letter of Credit, with a term of not less than one year from the Effective Date, delivered to
17 the Trustee in accordance with the terms of the respective Indenture upon terms
18 acceptable to the Debtor or an extension of the existing Letter of Credit delivered to the
19 Trustee in accordance with the terms of the respective Indenture upon terms acceptable to
20 the Debtor, or (2) 0.4% of the aggregate principal amount of the respective Letter of Credit
21 Backed PC Bonds remarketed on the Effective Date the payment of the principal of and
22 interest on which are not secured by such a Letter of Credit, and (iii) from the Bond Trustee,
23 an amount equal to the principal portion of the purchase price of the tendered Letter of Credit
24 Backed PC Bonds paid out of a draw on the respective Letter of Credit, which amount shall be
25
26
27
28

1 paid from the remarketing proceeds of the respective Letter of Credit Backed PC Bonds in
2 accordance with the terms of the respective Indenture

3 (C) (i) (C) No Bonds Option With respect to each Letter of Credit Issuing
4 Bank and the related Banks, if any, in the event that neither the Purchase Option nor the
5 Remarketing Option, as applicable, can be consummated or the respective series of Letter of
6 Credit Backed PC Bonds are redeemed on or prior to the Effective Date as the result of the
7 expiration of the respective Letter of Credit or otherwise, then at the option of the Debtor
8 separately for each Letter of Credit Bank Claim and Reimbursement Agreement either:
9

10 (1) — [The Class 4e Claim of such] (1)
11

12 On the Effective Date, the Letter of Credit Issuing Bank (and the applicable Banks, if
13 any, would be converted to a Class 4f Claim) will receive Cash in an amount equal to the
14 [amount due by the Debtor under the terms] sum of [the respective Reimbursement Agreement as
15 reimbursement for amounts paid by such Letter of Credit Issuing Bank under its respective Letter
16 of Credit to the Bond Trustee for the payment of (A) the principal portion of the redemption
17 price of the [related series of] redeemed Letter of Credit Backed PC Bonds paid out of a draw
18 on the respective Letter of Credit (the "Principal Reimbursement") and (B) any and all
19 accrued and unpaid interest owing to the Letter of Credit Issuing Bank in respect of such
20 Principal Reimbursement, at a fluctuating rate of interest, in accordance with the terms of
21 the applicable Reimbursement Agreement; or
22

23 (2) On the Effective Date, the Letter
24 of Credit Issuing Bank shall sell, transfer and assign to the Debtor or its assignee, without
25 recourse, all of the Letter of Credit Issuing Bank's and the related Banks' rights, title and
26 interest in the applicable Letter of Credit Bank Claim and Reimbursement Agreement,
27 including, but not limited to, the right to receive repayment of the Principal
28

1 Reimbursement in the aggregate principal amount as set forth on Exhibit 2 attached
2 hereto, together with the right to receive payment of interest thereon as set forth in the
3 amended Reimbursement Agreement, free and clear of all liens. On the Effective Date, the
4 Debtor or its assignee shall purchase from the Letter of Credit Issuing Bank and the
5 related Banks, if any, all of their rights, title and interest in the applicable Letter of Credit
6 Bank Claim and Reimbursement Agreement for a purchase price in Cash in an amount
7 equal to the sum of (A) the respective Principal Reimbursement and (B) any and all
8 accrued and unpaid interest owing to the Letter of Credit Issuing Bank in respect of such
9 Principal Reimbursement, at a fluctuating rate of interest, in accordance with the terms of
10 the applicable Reimbursement Agreement.

11 (2) — (10) In addition to the foregoing with respect to the No Bond
12 Option, if (i) the Letter of Credit Issuing Bank maintains its Letter of Credit outstanding in [its
13 initial] the stated amount set forth on Exhibit 2 attached hereto through the Effective Date and
14 does not provide the Trustee with notice of default under its Reimbursement Agreement or non-
15 reinstatement of its Letter of Credit or take any other action which would result in the
16 redemption, either in whole or in part, of the outstanding Letter of Credit Backed PC Bonds
17 without the prior written consent of the Debtor, and (ii) the Letter of Credit Issuing Bank and
18 each of the related Banks, if any, take all action reasonably required by the Debtor to keep the
19 Letter of Credit Backed PC Bonds outstanding and to facilitate either the Purchase Option or the
20 Remarketing Option, as applicable, including, without limitation, giving direction to the Trustee,
21 providing commercially reasonable indemnification to the Issuer and Trustee, and using their
22 best efforts to consummate the proposed amendments to the terms of the Letter of Credit Backed
23 PC Bonds as set forth (herein) in the LC Bank Agreement (as hereinafter defined) and to
24 consummate either the Purchase Option or the Remarketing Option as applicable, so as to
25

1 maintain for the Debtor the benefits of the tax-exempt financing provided by the related series of
2 Letter of Credit Backed PC Bonds, then [in the event that the Letter of Credit Backed PC Bonds
3 are redeemed on or] on the Effective Date (A) in the event that the Letter of Credit Backed
4 PC Bonds were redeemed prior to the Effective Date for reasons beyond the control of the
5 Letter of Credit Issuing Bank, the Letter of Credit Issuing Bank will receive [Cash in an amount
6 equal to the principal portion of the redemption price of the redeemed Letter of Credit Backed
7 PC Bonds paid out of a draw on the respective Letter of Credit] from the Debtor, a fee in an
8 amount equal to 0.05% of the principal portion of the redemption price of the redeemed
9 Letter of Credit Backed PC Bonds paid out of a draw on the respective Letter of Credit,
10 and (B) in the event that the Letter of Credit Backed PC Bonds are redeemed on the
11 Effective Date for reasons beyond the control of the Letter of Credit Issuing Bank, the
12 Letter of Credit Issuing Bank will receive from the Debtor, a fee (the "No Bonds Option
13 Fee") in an amount equal to 0.10% of the principal portion of the redemption price of the
14 redeemed Letter of Credit Backed PC Bonds paid out of a draw on the respective Letter of
15 Credit.

16
17
18 (iii) — (11) Since the Petition Date, consistent with its duties as a
19 Debtor in Possession the Debtor has not reimbursed any of the Letter of Credit Issuing Banks
20 for any of the payments they have made pursuant to the several post-petition draws by the
21 respective Bond Trustee which have been applied to the payment of interest on the related series
22 of Letter of Credit Backed PC Bonds. As a result thereof, each of the Letter of Credit Issuing
23 Banks has had the right upon the passage of time, the giving of notice or both to (A) declare a
24 default under its respective Reimbursement Agreement, (B) notify the respective Bond Trustee
25 of such default, and (C) direct the respective Bond Trustee to call an "Event of Default" under
26 the terms of the respective indenture and, in accordance with the terms of the respective
27 indenture.

1 Indenture, cause the Bond Trustee to declare the respective series of Letter of Credit Backed PG
2 Bonds immediately due and payable.]

3 [(iv) _____] (However, pursuant to the terms of the _____)

4 (iii) Pursuant to the terms of an agreement among
5 the Debtor and each of the Letter of Credit Issuing Banks (the "LC Bank Agreement")
6 [which] [that] was approved by [Order] [order] of the Bankruptcy Court entered on [April] [June]
7 [9,] [17,] 2002, the Letter of Credit Issuing Banks have agreed, among other things and subject to
8 certain conditions, to (A) maintain each of the Letters of Credit outstanding in the stated amounts
9 set forth on Exhibit 2 attached hereto, (B) not provide the Trustee with notice of any default
10 under any of the Reimbursement Agreements or non reinstatement of any of the Letters of Credit
11 or take any other action which would result in the mandatory tender or redemption, either in
12 whole or in part, of any of the outstanding Letter of Credit Backed PC Bonds without the prior
13 written consent of the Debtor, and (C) extend the expiration date of each of the Letters of Credit
14 to the first business day subsequent to the one (1) year anniversary of the [existing] [expiration]
15 date of each Letter of Credit existing as of the Petition Date; provided, however, that each
16 Letter of Credit Issuing Bank is only obligated to undertake or refrain from undertaking
17 those actions set forth in clauses (A) and (B) immediately above until the earlier of (i) the
18 last interest payment date on the related series of Letter of Credit Backed PC Bonds
19 immediately preceding the expiration date of such Letter of Credit, as such expiration date
20 shall be extended in accordance with the terms of the LC Bank Agreement, or (ii) the
21 occurrence of a "Termination Event" (as such term is defined in the LC Bank Agreement)
22 In consideration for such forbearance and other actions by the Letter of Credit Issuing Banks, the
23 Debtor [has agreed] [shall] [among other things and] subject to certain terms and conditions as
24 set forth in the LC Bank Agreement [to] pay to each Letter of Credit Issuing Bank, (1) during
25 the period from and after [the date such payments are approved by the Bankruptcy Court] [June]
26 17, 2002 and continuing until [the Confirmation Date] [July 1, 2002], quarterly, in arrears, the
27 Letter of Credit fee as set forth in the respective Reimbursement Agreement (the "Original Letter
28 of Credit Fee"), together with an amount equal to the positive difference, if any, of an amount

1 per annum equal to two percent (2%) of the Stated Amount of the Letter of Credit, less the
2 Original Letter of Credit Fee, which total fee accrues from and after December 1, 2001 and until
3 [the Confirmation Date] [July 1, 2002], and has been payable on the same dates as are set forth for
4 payment of Letter of Credit Fees in the applicable Reimbursement Agreement, and (2) during the
5 period from and after [the Confirmation Date] [July 1, 2002] and continuing until the Effective
6 Date, quarterly, in arrears, the Original Letter of Credit Fee, together with an amount equal to the
7 positive difference, if any, of an amount per annum equal to three percent (3%) of the Stated
8 Amount of the Letter of Credit, less the Original Letter of Credit Fee, which total fee accrues
9 from and after [the Confirmation Date] [July 1, 2002] until the Effective Date, and shall be payable
10 on the same dates as are set forth for payment of Letter of Credit [fees] [Fees] in the applicable
11 Reimbursement Agreement (the Original Letter of Credit Fee together with such additional sums
12 being hereinafter referred to collectively as the "Forbearance, Extension and Letter of Credit
13 Fees"). Additionally, pursuant to the terms of the LC Bank Agreement, the Debtor has
14 agreed, among other things and subject to certain conditions, to pay to Deutsche Bank AG
15 New York Branch an agency fee in the amount of \$250,000, which fee was paid by the
16 Debtor on June 18, 2002.

17 [(e)-(c) Impairment and Voting] Class 4e is impaired by the Plan. Each holder
18 of an Allowed Letter of Credit Bank Claim is entitled to vote to accept or reject the Plan

19
20 4.11 Class 4f- Prior Bond Claims

21 (a) Allowance The Prior Bond Claims shall be deemed Allowed
22 Prior Bond Claims in the amount of \$453,550,000, plus any and all other accrued and unpaid
23 amounts due by the Debtor under the terms of each of the Prior Reimbursement Agreements;
24 provided, however, that each Allowed Prior Bond Claim will be paid in the amount necessary to
25 render it unimpaired as set forth herein [The aggregate principal amount of Allowed Prior Bond
26 Claims is subject to increase by the amount of any Letter of Credit Bank Claim that is converted
27 to a Prior Bond Claim in accordance with Section 4-10(b)(ii)(C) hereof.]
28

(b) Distributions Each Allowed Prior Bond Claim will be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code. On the Effective Date one of the following shall occur with respect to each Prior Reimbursement Agreement and all of the Allowed Prior Bond Claims arising with respect thereto:

(i) Each holder of an Allowed Prior Bond Claim will be paid Cash in an amount equal to (A) the outstanding Reimbursement Obligation, or portion thereof, owing to such holder, (B) any and all accrued and unpaid interest owing to such holder in respect of such Reimbursement Obligation or applicable portion thereof at a fluctuating rate of interest in accordance with the terms of the applicable Reimbursement Agreement, and (C) all other amounts due and owing to the respective holder of an Allowed Prior Bond Claim under the terms of the respective Prior Reimbursement Agreement, through the Effective Date.

(ii) Alternatively, upon the written request of the Debtor, with the prior written consent of the respective Prior Letter of Credit Issuing Bank, the related Banks and each of the other holders of Allowed Prior Bond Claims related thereto, each such holder of an Allowed Prior Bond Claim will be paid Cash in an amount equal to (A) any and all accrued and unpaid interest owing to such holder in respect of the Reimbursement Obligation or applicable portion thereof owing to such holder at a fluctuating rate of interest in accordance with the terms of the applicable Reimbursement Agreement, and (B) all other amounts (other than the Reimbursement Obligation or applicable portion thereof) due and owing to the respective holder of an Allowed Prior Bond Claim under the terms of the respective Prior Reimbursement Agreement, through the Effective Date. On the Effective Date, the applicable Prior Letter of Credit Issuing Bank, the related Banks and any other holders of Allowed Prior Bond Claims related thereto shall sell, transfer and assign to the Debtor or its assignee, all of the Prior Letter of Credit Issuing Banks', the applicable Banks', and all of the related Allowed Prior Bond Claim holders' rights, title and interest in the applicable Prior Reimbursement Agreement, including, but not limited to, the right to receive repayment of the Related Reimbursement Obligation, together with the right to receive payment of interest thereon as set forth in the applicable Prior Reimbursement Agreement, free and clear of all liens. In such event, on the

Effective Date, the Debtor or its assignee shall purchase from the Prior Letter of Credit Issuing Bank, the related Banks and the holders of the related Allowed Prior Bond Claims, all of their rights, title and interests in the applicable Prior Reimbursement Agreement for a purchase price in Cash in an amount equal to the respective Reimbursement Obligation. All of the documents related to the transfer and sale of rights under the Prior Reimbursement Agreement shall be in form and content satisfactory to the Debtor, the Prior Letter of Credit Issuing Bank, the related Banks and each of the other holders of Allowed Prior Bonds Claims related thereto.

(c) Impairment and Voting Class 4f is unimpaired by the Plan. Each holder of an Allowed Prior Bond Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

4.12 Class 4g - Treasury PC Bond Claims

(a) Allowance The Treasury PC Bond Claims shall be deemed Allowed Treasury PC Bond Claims in the amount of \$80,770,000, plus accrued and unpaid pre-petition interest on such amount, plus Allowed Claims in the amount of all unpaid fees and expenses of the related Issuer and Bond Trustee accrued through the Petition Date under the terms of the applicable PC Bond Documents.

(b) Reinstatement of Claims Each series of Treasury PC Bonds, and the Loan Agreements and PC Bond Documents related thereto, shall remain outstanding and be reinstated in accordance with section 1124(2) of the Bankruptcy Code. Each holder of a Treasury PC Bond shall be paid Cash in an amount equal to any and all accrued and unpaid interest owed to such holder in respect of such Treasury PC Bond in accordance with the terms thereof to and including the last scheduled interest payment date preceding the Effective Date. All unpaid fees and expenses of the Issuer and Bond Trustee due and owing under the applicable Loan Agreement shall also be paid in Cash.

(c) Impairment and Voting Class 4g is unimpaired by the Plan. Each holder of an Allowed Treasury PC Bond Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

4.13 Class 5 - General Unsecured Claims

1 (a) Distributions Each holder of an Allowed General Unsecured
2 Claim shall be paid Cash in an amount equal to such Allowed Claim (which shall include pre-
3 petition interest only to the extent not previously paid)

4 (b) Impairment and Voting Class 5 is impaired by the Plan Each
5 holder of an Allowed General Unsecured Claim is entitled to vote to accept or reject the Plan

6 4.14 Class 6 - ISO, PX and Generator Claims

7 (a) Distributions Each holder of an Allowed ISO, PX and Generator
8 Claim shall be paid Cash in an amount equal to such Allowed Claim (which shall include pre-
9 petition interest only to the extent not previously paid)

10 (b) Impairment and Voting Class 6 is impaired by the Plan Each
11 holder of an Allowed ISO, PX and Generator Claim is entitled to vote to accept or reject the
12 Plan

13 4.15 Class 7 - ESP Claims

14 (a) Distributions Each holder of an Allowed ESP Claim shall be paid
15 Cash in an amount equal to such Allowed Claim (which shall include pre petition interest only to
16 the extent not previously paid)

17 (b) Impairment and Voting Class 7 is impaired by the Plan Each
18 holder of an Allowed ESP Claim is entitled to vote to accept or reject the Plan

19 4.16 Class 8 - Environmental, Fire Suppression, Pending Litigation, Tort and
20 FERC License Claims

21 (a) Distributions Subject to Section 4.16(b), each Allowed
22 Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claim shall be
23 satisfied in full in the ordinary course of business at such time and in such manner as the Debtor
24 or the Reorganized Debtor, as the case may be, is obligated to satisfy such Allowed Claim under
25 applicable law Except as provided under applicable non-bankruptcy law, Post-Petition Interest
26 will not be paid on Allowed Environmental, Fire Suppression, Pending Litigation, Tort and
27 FERC License Claims
28

1 (b) Liquidation of Environmental, Fire Suppression, Pending

2 Litigation, Tort and FERC License Claims All Environmental, Fire Suppression, Pending
3 Litigation, Tort and FERC License Claims are Disputed Claims and shall be determined,
4 resolved, or adjudicated, as the case may be, in a manner as if the Chapter 11 Case had not been
5 commenced (except that, under sections 365 and/or 1123(b)(2) of the Bankruptcy Code,
6 contractual provisions, accelerations and defaults eliminated or rendered unenforceable by such
7 sections shall remain eliminated or unenforceable, and the stay shall remain in place for any
8 Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims as to
9 which sections 365 and/or 1123(b)(2) of the Bankruptcy Code are applicable) and shall survive
10 the Effective Date as if the Chapter 11 Case had not been commenced and, upon the
11 determination, resolution or adjudication of any such Claim as provided herein, such Claim shall
12 be deemed to be an Allowed Environmental Claim, Allowed Fire Suppression Claim, Allowed
13 Pending Litigation Claim, Allowed Tort Claim or Allowed FERC License Claim, as the case
14 may be, in the amount or in the manner determined by a Final Order or by a binding award,
15 agreement, or settlement, provided, however, that in addition to the Debtor's preservation of all
16 rights and defenses respecting any Environmental Claim, Fire Suppression Claim, Pending
17 Litigation Claim, Tort Claim or FERC License Claim that exist under applicable nonbankruptcy
18 law, (i) any rejection, avoidance, recovery or other power or defense available to the
19 ~~(debtor)~~ Debtor under section 365, 510 (except subordination), 542, 543, 544, 545, 547, 548,
20 549, 550, 553 or 724 of the Bankruptcy Code is preserved, except with respect to any
21 Environmental Order, and (ii) the Debtor may object under section 502 of the Bankruptcy Code
22 to any Environmental Claim, Fire Suppression Claim, Pending Litigation Claim, Tort Claim or
23 FERC License Claim on the ground that (A) such Environmental Claim, Fire Suppression Claim,
24 Pending Litigation Claim, Tort Claim or FERC License Claim was not timely asserted in the
25 Chapter 11 Case, (B) such Environmental Claim, Fire Suppression Claim, Pending Litigation
26 Claim, Tort Claim or FERC License Claim is subject to any power or defense reserved in clause
27 (i) of this sentence and/or is disallowable under section 502(d) of the Bankruptcy Code, or (C)
28 such Environmental Claim, Fire Suppression Claim, Pending Litigation Claim, Tort Claim or

1 FERC License Claim is disallowable under section 502(e) of the Bankruptcy Code, to the extent
2 such section is relied on to ensure that there is no duplication in the claim of an allegedly
3 subrogated claimant, on the one hand, and the underlying claimant whose claim allegedly gave
4 rise to the subrogated claim, on the other. Subject to the foregoing, all Environmental, Fire
5 Suppression, Pending Litigation, Tort and FERC License Claims shall be determined and
6 liquidated under applicable nonbankruptcy law in the administrative or judicial tribunal in which
7 they are pending as of the Effective Date or, if no such action is pending on the Effective Date,
8 in any administrative or judicial tribunal of appropriate jurisdiction (other than the Bankruptcy
9 Court) To effectuate the foregoing, the entry of the Confirmation Order shall, effective as of the
10 Effective Date, constitute a modification of any stay or injunction under the Bankruptcy Code
11 that would otherwise preclude the determination, resolution, or adjudication of any
12 Environmental Claims, Fire Suppression Claims, Pending Litigation Claims, Tort Claims or
13 FERC License Claims, except for any Environmental Claim, Fire Suppression Claim, Pending
14 Litigation Claim, Tort Claim or FERC License Claim arising out of the exercise by the Debtor,
15 as Debtor-in-Possession, of any rejection, avoidance, recovery, or other power or defense
16 available to it pursuant to any one or more of sections 365, 510 (except subordination), 542, 543,
17 544, 545, 547, 548, 549, 550, 553 or 724 of the Bankruptcy Code, except with respect to any
18 Environmental Order Nothing contained in this section 4 16(b) will constitute or be deemed to
19 constitute a waiver or release of any (i) claim, right or Cause of Action that the Debtor or
20 Reorganized Debtor may have against any Person or Governmental Entity in connection with or
21 arising out of any Environmental, Fire Suppression, Pending Litigation, Tort and FERC License
22 Claims, including, but not limited to, any rights under Section 157(b) of Title 28, United States
23 Code, or (ii) defense in any action or proceeding in any administrative or judicial tribunal,
24 including, but not limited to, with respect to the jurisdiction of such administrative or judicial
25 tribunal, except a defense to a Claim that was timely filed in the Chapter 11 Case and that
26 constitutes an Environmental Claim, a Fire Suppression Claim, a Pending Litigation Claim, a
27 Tort Claim or a FERC License Claim, where such defense is based on the discharge of section
28 1141(d) of the Bankruptcy Code In light of the unimpaired pass-through treatment of

1 Environmental Claims, Fire Suppression Claims, Pending Litigation Claims, Tort Claims and
2 FERC License Claims hereunder, the Reorganized Debtor waives the discharge of section
3 1141(d) of the Bankruptcy Code as to any Claim that was timely filed in the Chapter 11 Case and
4 that constitutes an Environmental Claim, a Fire Suppression Claim, a Pending Litigation Claim,
5 a Tort Claim or a FERC License Claim.

6 As to any consent decree, injunction, cleanup and abatement order or any other
7 administrative or judicial order or decree binding upon the Debtor and in effect as of the
8 Effective Date (whether originating before or after the Petition Date) that pertains to any
9 environmental matter described in clauses (a) through (c) of the definition of Environmental
10 Claim herein (each an "Environmental Order"), each such Environmental Order, regardless of
11 whether it constitutes or is characterized as an Environmental Claim, shall also survive the
12 Effective Date as if the Chapter 11 Case had not been commenced, shall not be discharged under
13 section 1141(d) of the Bankruptcy Code, and shall not otherwise be adversely affected by the
14 Chapter 11 Case (except for any objection to such Environmental Claim based on the contention
15 that such Environmental Order is an Environmental Claim that was not timely asserted in the
16 Chapter 11 Case)

17 (c) Impairment and Voting Class 8 is unimpaired by the Plan Each
18 holder of an Allowed Environmental, Fire Suppression, Pending Litigation, Tort or FERC
19 License Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to
20 accept or reject the Plan

21 4 17 [Intentionally Left Blank]

22 4 18 Class 10 - Convenience Claims

23 (a) Distributions Each holder of an Allowed Convenience Claim
24 shall be paid Cash in an amount equal to one hundred percent (100%) of such Allowed Claim

25 (b) Impairment and Voting Class 10 is unimpaired by the Plan Each
26 holder of an Allowed Convenience Claim is conclusively presumed to have accepted the Plan
27 and is not entitled to vote to accept or reject the Plan

28 4 19 Class 11 - QUIDS Claims

1 (a) Allowance The QUIDS Claims shall be deemed Allowed QUIDS

2 Claims in the amount of \$300,000,000, plus accrued and unpaid pre petition interest on such
3 amount

4 (b) Distributions Each holder of an Allowed QUIDS Claim shall be
5 paid Cash in an amount equal to such Allowed Claim

6 (c) Impairment and Voting Class 11 is impaired by the Plan Each
7 holder of an Allowed QUIDS Claim is entitled to vote to accept or reject the Plan

8 4 20 Class 12 - Workers' Compensation Claims

9 (a) Distributions Each Allowed Workers' Compensation Claim
10 arising prior to the Petition Date shall be satisfied in full in the ordinary course of business at
11 such time and in such manner as the Debtor or the Reorganized Debtor, as the case may be, is
12 obligated to satisfy such Allowed Claim under applicable law Post Petition Workers'
13 Compensation Claims are treated as Administrative Expense Claims herein and shall receive the
14 same pass-through treatment as Workers' Compensation Claims arising prior to the Petition
15 Date, Except as provided under applicable non bankruptcy law, Post Petition Interest will not be
16 paid on any Workers' Compensation Claims Nothing herein shall affect (i) the subrogation
17 rights, to the extent applicable or available, of any surety of pre petition or post petition
18 Workers' Compensation Claims or (ii) the rights of the Debtor to object, pursuant to the
19 Bankruptcy Code, to the existence of any such subrogation rights

20 (b) Impairment and Voting Class 12 is unimpaired under the Plan
21 Each holder of an Allowed Workers' Compensation Claim is conclusively presumed to have
22 accepted the Plan and is not entitled to vote to accept or reject the Plan

23 4 21 Class 13 - Preferred Stock Equity Interests

24 (a) Treatment Each holder of a Preferred Stock Equity Interest shall
25 retain its Preferred Stock in the Reorganized Debtor and shall be paid in Cash any dividends and
26 sinking fund payments accrued in respect of such Preferred Stock through the last scheduled
27 payment date prior to the Effective Date

1 (b) Impairment and Voting While the [Commission] Proponents

2 [believes] believes that Class 13 is unimpaired by the Plan, certain holders of Preferred Stock
3 Equity Interests may believe that Class 13 is impaired by the Plan To avoid delaying the voting
4 process, holders of Preferred Stock Equity Interests are being solicited to vote on the Plan as a
5 precautionary measure so that the voting results will be available if it is determined by the
6 Bankruptcy Court that such Class is impaired Allowing the holders of Preferred Stock Equity
7 Interests to vote shall be without prejudice to the [Commission] Proponents' (a) contention that
8 this Class is unimpaired and the [Commission] Proponents [reserves] reserve the right to contest
9 any objection to the unimpaired status of this Class

10 4 22 Class 14 - Common Stock Equity Interests

11 (a) Treatment The holders of Common Stock Equity Interests shall
12 retain their interests in the Common Stock [subject to dilution resulting from the issuance of
13 Common Stock by the Reorganized Debtor as described in Article VII hereof]

14 (b) Impairment and Voting Class 14 is [impaired] unimpaired by the
15 Plan Each holder of an Allowed Common Stock Equity Interest is conclusively presumed to
16 have accepted the Plan and is not entitled to vote to accept or reject the Plan

17 ARTICLE V

18 PROVISIONS REGARDING VOTING AND
19 DISTRIBUTIONS UNDER THE PLAN AND TREATMENT
20 OF DISPUTED, CONTINGENT AND UNLIQUIDATED ADMINISTRATIVE
21 EXPENSE CLAIMS, CLAIMS AND EQUITY INTERESTS

22 5.1 Voting of Claims and Equity Interests Each holder of record as of the
23 Voting Record Date of an Allowed Claim or Equity Interest in an Impaired Class of Claims or
24 Equity Interests set forth in Article IV hereof shall be entitled to vote separately to accept or
25 reject the Plan with regard to each Impaired Class of Claims or Equity Interests as provided in
26 the Procedures Order If the Debtor objects to a Claim, the Claim becomes a Disputed Claim
27 The holder of a Disputed Claim is not entitled to vote on the Plan unless the Debtor or such
28 holder of the Disputed Claim obtains an order of the Bankruptcy Court estimating the amount of
the Disputed Claim for voting purposes If the Debtor does not object to a Claim prior to the

1 date on which the Disclosure Statement and the Ballot are transmitted to creditors and interest
2 holders for voting, then the holder of such Claim will be permitted to vote on the Plan in the full
3 amount of the Claim as filed

4 **5.2 Elimination of Vacant Classes** Any Class of Claims that is not occupied
5 as of the commencement of the Confirmation Hearing by an Allowed Claim or a Claim
6 temporarily allowed under Bankruptcy Rule 3018 or as to which no vote is cast shall be deemed
7 eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of
8 determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of
9 the Bankruptcy Code

10 **5.3 Nonconsensual Confirmation** If any Impaired Class of Claims or Equity
11 Interests entitled to vote shall not accept the Plan by the requisite statutory majorities provided in
12 section 1126(c) of the Bankruptcy Code, then the ~~(Commission) Proponents (reserves) reserve~~
13 the right to amend the Plan in accordance with Section 11.10 hereof or to undertake to have the
14 Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code, or both

15 **5.4 Method of Distributions Under the Plan**

16 (a) **Disbursing Agent** All distributions under the Plan shall be made
17 by the Debtor as Disbursing Agent or such other Entity designated by the
18 ~~(Commission) Proponents~~ as Disbursing Agent. A Disbursing Agent shall not be required to
19 provide any bond, surety or other security for the performance of its duties, unless otherwise
20 ordered by the Bankruptcy Court, and, in the event that a Disbursing Agent is so otherwise
21 ordered, all costs and expenses of procuring any such bond, surety or other security shall be
22 borne by the Debtor

23 (b) **Distributions to Holders as of the Distribution Record Date**

24 (i) Subject to Bankruptcy Rule 9010, all distributions under
25 the Plan shall be made (A) to the holder of each Allowed Claim or Equity Interest at the address
26 of such holder as listed on the Debtor's Bankruptcy Schedules as of the Distribution Record
27 Date, unless the Debtor has been notified in writing of a change of address, including, without
28 limitation, by the filing of a timely proof of Claim or Equity Interest by such holder that provides

1 an address for such holder different from the address reflected on the Debtor's Bankruptcy
2 Schedules, or (B) pursuant to the terms of a particular indenture of the Debtor or in accordance
3 with other written instructions of a trustee under such indenture

4 (ii) As of the close of business on the Distribution Record
5 Date, the claims register and records of the stock transfer agent shall be closed, and there shall be
6 no further changes in the record holder of any Claim or Equity Interest. The Debtor shall have
7 no obligation to recognize any transfer of any Claim or Equity Interest occurring after the
8 Distribution Record Date. The Debtor shall instead be authorized and entitled to recognize and
9 deal for all purposes of the Plan with only those record holders stated on the claims register or
10 the records of the stock transfer agent as of the close of business on the Distribution Record
11 Date

12 (c) **Distributions of Cash** Any payment of Cash made by the Debtor
13 pursuant to the Plan shall, at the Debtor's option, be made by check drawn on a domestic bank or
14 wire transfer

15 (d) **Timing of Distributions** Except as otherwise set forth in the Plan,
16 payments and distributions to holders of Allowed Claims or Equity Interests on the Effective
17 Date shall be made on the Effective Date, or as soon as practicable thereafter. Any payment or
18 distribution required to be made under the Plan on a day other than a Business Day shall be made
19 on the next succeeding Business Day

20 (e) **Allocation of Plan Distributions** All distributions in respect of
21 Allowed Claims shall be allocated first to the portion of such Claims representing interest (as
22 determined for federal income tax purposes), second to the original principal amount of such
23 Claims (as determined for federal income tax purposes), and any excess to the remaining portion
24 of such Claims

25 (f) **Minimum Distributions** No payment of Cash less than one
26 hundred dollars (\$100) shall be made by the Debtor to any holder of an Allowed Claim or Equity
27 Interest unless a request therefor is made in writing to the Debtor

(g) Unclaimed Distributions All distributions under the Plan that are unclaimed for a period of one (1) year after distribution thereof shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and revested in the Debtor and any entitlement of any holder of any Claim or Equity Interest to such distributions shall be extinguished and forever barred.

(h) Escrow for Disputed Claims

(i) General Treatment On the Effective Date (or as soon as practicable thereafter), and after making all distributions required to be made on the Effective Date, the Reorganized Debtor shall establish one or more separate escrows, each of which shall be administered by the Disbursing Agent in accordance with the terms hereof and pursuant to the direction of the Bankruptcy Court, and shall deposit or segregate into such escrow account(s) sufficient Cash to make distributions in respect of Disputed Claims, provided, however, that this provision shall not apply to Environmental Claims, Fire Suppression Claims, Pending Litigation Claims, Tort Claims, FERC License Claims and Workers' Compensation Claims. No distributions from the escrow(s) shall be made until such Disputed Claims have been Allowed or otherwise resolved by the Bankruptcy Court and any such distributions shall be made in accordance with the terms hereof. The Cash deposited into the escrow account(s) shall be invested in either (i) money market funds consisting primarily of short term U.S. treasury securities, or (ii) obligations guaranteed by the United States of America or any agency thereof, at the Debtor's option; provided, however, that a Disputed ISO, PX and Generator Claim shall earn interest through the date of payment in accordance with Exhibit I to the Plan to the extent it becomes an Allowed Claim as set forth herein. A Disputed ISO, PX and Generator Claim shall become an Allowed Claim on the date designated by FERC when payments are to be made on account of ISO, PX and Generator Claims, pursuant to an unstayed order in the FERC refund proceeding, docket Nos. ER00-95-045 and EL00-98-042 (which proceeding is discussed in Section IV.B of the Disclosure Statement); provided, however, that if no date is designated in such order, a Disputed ISO, PX and Generator Claim shall automatically become an Allowed Claim forty-five (45) days after the issuance

of such order, provided such order has not become stayed. To the extent a Disputed Claim becomes an Allowed Claim, such Allowed Claim will be satisfied in the same manner as all other Allowed Claims of the same Class. In addition, the holder of such a Claim will receive Post-Petition Interest (to the extent such holder is entitled to Post Petition Interest under the Plan). From and after the Effective Date, such Disputed Claim will earn interest at the same rate earned on the Cash deposited in escrow.

(ii) Termination of Escrow(s) The escrow(s) shall be terminated by the Reorganized Debtor when all distributions from the escrow account(s) have been made in accordance with the Plan. If any Cash remains in an escrow account after all Disputed Claims for which such escrowed property is being held have been resolved and distributions made in respect thereof, then such Cash shall be used by the Reorganized Debtor first to repurchase the securities to be issued under the Plan and then, if any Cash remains, such Cash shall revert to and become property of the Reorganized Debtor. In determining the aggregate amount necessary to fund any escrow account(s), the Debtor may deposit the estimated allowable amount of any Disputed Claim, as determined by the Bankruptcy Court. Any such escrow(s) established pursuant to this section 5.4(h) shall be subject to the continuing jurisdiction of the Bankruptcy Court.

(iii) Additional Cash If the amount of Cash deposited into the escrow(s) is insufficient to make the required payments once certain Disputed Claims become Allowed Claims, then the Reorganized Debtor will pay the holder of such Allowed Claim the Cash necessary to satisfy the shortfall. Any deficiency in the amount of Cash deposited into the escrow(s) shall not limit the Reorganized Debtor's obligation to satisfy Disputed Claims which subsequently become Allowed Claims, and the Reorganized Debtor shall remain liable to satisfy such Allowed Claims pursuant to the Plan.

5.5 Objections to and Resolution of Administrative Expense Claims and

Claims. Except as to applications for allowance of compensation and reimbursement of Professional Compensation and Reimbursement Claims under sections 330 and 503 of the Bankruptcy Code, the Reorganized Debtor shall, on and after the Confirmation Date, have the

1 right to make and file objections to Administrative Expense Claims and Claims. In addition, the
2 ~~(Commission)~~ Proponents shall, on and after the Confirmation Date, have full party-in-interest
3 status to make and file objections to Administrative Expense Claims and Claims and to appear
4 and be heard with respect thereto. Except as to applications for allowance of compensation and
5 reimbursement of Professional Compensation and Reimbursement Claims under sections 330
6 and 503 of the Bankruptcy Code, and with respect to objections filed by the
7 ~~(Commission)~~ Proponents, on and after the Effective Date, the Reorganized Debtor, shall have
8 the authority to compromise, settle, otherwise resolve or withdraw any objections to
9 Administrative Expense Claims and Claims and compromise, settle or otherwise resolve
10 Disputed Administrative Expense Claims and Disputed Claims without the approval of the
11 Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, (a) all objections to
12 Claims (except for Administrative Expense Claims) shall be served and filed upon the holder of
13 the Claim as to which the objection is made (and, as applicable, upon the Debtor, the Committee
14 and the Commission) as soon as practicable, but in no event later than the Effective Date, and (b)
15 all objections to Administrative Expense Claims shall be served and filed upon the holder of the
16 Administrative Expense Claim as to which the objection is made (and, as applicable, upon the
17 Debtor, the Committee and the Commission) as soon as practicable, but in no event later than
18 ninety (90) days after the Effective Date.

19 5.6 Payment of the Trustees', Issuer's and Certain Bank Fees To the extent
20 allowed by law and any underlying agreement, any unpaid fees and expenses accrued through
21 the Confirmation Date (except for any unpaid fees and expenses previously disallowed by the
22 Bankruptcy Court) of the Bond Trustees and the trustees under the Mortgage, and various
23 indentures, including, but not limited to, the Southern San Joaquin Valley Power Authority
24 Agreement (acting in their capacities as trustees and, if applicable, acting in their capacities as
25 disbursing agents), the Issuer of the PC Bonds and their respective professionals, and Bank of
26 America, N.A., in its capacity as administrative agent under the Revolving Line of Credit
27 (including such administrative agent's attorney's fees), shall be paid by the Debtor within ten
28 (10) days after the Confirmation Date. Any such fees and expenses accruing after the

1 Confirmation Date shall be payable as provided in the applicable agreement providing for such
2 payment, or, in the case of Bank of America, N.A., in its capacity as administrative agent under
3 the Revolving Line of Credit, at least quarterly. Upon payment of such fees and expenses, such
4 Persons shall be deemed to have released their Liens securing payment of their fees and expenses
5 for all fees and expenses accrued through the Effective Date.

6 5.7 Cancellation of Existing Securities and Agreements On the Effective
7 Date, the promissory notes, bonds, debentures and all other debt instruments evidencing any
8 Claim, including Administrative Expense Claims, other than those that are reinstated and
9 rendered unimpaired or renewed and extended pursuant to Article IV hereof, respectively, shall
10 be deemed canceled without further act or action under any applicable agreement, law,
11 regulation, order or rule and the obligations of the Debtor under the agreements and indentures
12 governing such Claims, as the case may be, shall be discharged. The Common Stock and
13 Preferred Stock representing Equity Interests shall remain outstanding. Holders of promissory
14 notes, bonds, debentures and any and all other debt instruments evidencing any Claim shall not
15 be required to surrender such instruments.

ARTICLE VI

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

18 6.1 Assumption and Rejection of Executory Contracts and Unexpired Leases
19 Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and
20 unexpired leases that exist between the Debtor and any Person or Governmental Entity shall be
21 deemed assumed by the Debtor as of the Effective Date, except that any executory contract or
22 unexpired lease shall be deemed rejected by the Debtor as of the Effective Date (i) that has been
23 rejected pursuant to a Final Order of the Bankruptcy Court entered prior to the Confirmation
24 Date, (ii) as to which a motion for approval of the rejection of such executory contract or
25 unexpired lease has been filed and served prior to the Confirmation Date or (iii) that is set forth
26 in Schedule 6.1(a)(i) of PG&E's Plan Supplement (executory contracts) (which Schedule is
27 hereby amended to include the Existing Tax Sharing Agreement), or Schedule 6.1(a)(ii) of
28

PG&E's Plan Supplement (unexpired leases)⁵, provided, however, that the Debtor reserves the right, on or prior to the conclusion of the Confirmation Hearing, to amend Schedules 6.1(a)(i) and 6.1(a)(ii) to PG&E's Plan Supplement to delete any executory contract or unexpired lease therefrom or to add any executory contract or unexpired lease thereto, in which event such executory contract(s) or unexpired lease(s) shall be deemed to be assumed by the Debtor or rejected, as the case may be, as of the Effective Date. The Debtor will give notice of any such amendment to each counterparty to any executory contract or unexpired lease the status of which is changed as a result of the amendment (i.e., any executory contract which is to be assumed or rejected as a result of the amendment) and to the [Commission] Proponents. If the counterparty opposes such proposed amendment, the Debtor and the [Commission] Proponents (provided that the [Commission] Proponents's Plan reflects such amendment) will make all reasonable efforts to provide such counterparty a reasonable opportunity under the circumstances to object prior to confirmation of the Plan, and to the extent that such counterparty has the right to vote on the Plan, or becomes entitled to vote on the Plan as a result of the amendment to Schedule 6.1(a)(i) or 6.1(a)(ii) to PG&E's Plan Supplement, to provide such counterparty a reasonable amount of time to cast a Ballot to accept or reject the Plan and indicate its preference between this Plan and PG&E's Plan, or to amend its Ballot. The listing of a document on Schedules 6.1(a)(i) or 6.1(a)(ii) to PG&E's Plan Supplement shall not constitute an admission by the Debtor or the [Commission] Proponents that such document is an executory contract or an unexpired lease or that the Debtor has any liability thereunder. Notwithstanding anything to the contrary, the Debtor waives its right to make amendments pursuant to this Section 6.1 with respect to the assumption of the PG&E-Western Area Power Administration Contract 2948A and related contracts, as described in Exhibit Q to PG&E's Disclosure Statement.

⁵ A copy of PG&E's Plan Supplement can be obtained through the "Pacific Gas & Electric Company Chapter 11 Case" link available through the website maintained by the Bankruptcy Court at <http://www/canb.uscourts.gov>. PG&E's Plan Supplement is listed under docket number 4579.

6.2 Schedules of Rejected Executory Contracts and Unexpired Leases:

Inclusiveness Each executory contract and unexpired lease listed or to be listed on Schedule 6.1(a)(i) or 6.1(a)(ii) to PG&E's Plan Supplement shall include (i) modifications, amendments, supplements, restatements or other similar agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on Schedule 6.1(a)(i) or 6.1(a)(ii) to PG&E's Plan Supplement, and (ii) executory contracts or unexpired leases appurtenant to the premises listed on Schedule 6.1(a)(i) or 6.1(a)(ii) to PG&E's Plan Supplement, including, without limitation, all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal easement agreements or vault, tunnel or bridge agreements, and any other interests in real estate or rights in rem relating to such premises to the extent any of the foregoing are executory contracts or unexpired leases, unless any of the foregoing agreements previously have been assumed or assumed and assigned by the Debtor.

6.3 Approval of Assumption or Rejection of Executory Contracts and

Unexpired Leases Entry of the Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute (i) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed pursuant to Section 6.1 hereof, (ii) the extension of time, pursuant to section 365(d)(4) of the Bankruptcy Code, within which the Debtor may assume or reject the unexpired leases of non-residential property specified in Section 6.1 hereof through the date of entry of the Confirmation Order, and (iii) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to Section 6.1 hereof.

6.4 Cure of Defaults

Except as may otherwise be agreed to by the parties, within thirty (30) days after the Effective Date, the Debtor shall cure any and all undisputed defaults under any executory contract or unexpired lease assumed by the Debtor pursuant to Section 6.1 hereof, in accordance with section 365(b)(1) of the Bankruptcy Code. All disputed

defaults that are required to be cured shall be cured either within thirty (30) days of the entry of a Final Order determining the amount, if any, of the Debtor's liability with respect thereto, or as may otherwise be agreed to by the parties

6 5 Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to, or Omitted from, the Plan Claims arising out of the rejection of an executory contract or unexpired lease pursuant to Section 6 1 hereof must be properly filed in the Chapter 11 Case and served upon the Debtor no later than thirty (30) days after the later of (i) notice of entry of an order approving the rejection of such executory contract or unexpired lease, (ii) notice of entry of the Confirmation Order, and (iii) notice of an amendment to Schedule 6 1(a)(i) or 6 1(a)(ii) to PG&E's Plan Supplement All such Claims not filed within such time shall be forever barred from assertion against the Debtor, its estate and its property

6 6 Assumed Indemnification Obligations The Assumed Indemnification Claims shall, in all respects, irrespective of whether such claims arise under contracts or executory contracts, survive confirmation of the Plan, remain unaffected thereby, and not be discharged irrespective of whether indemnification, defense, reimbursement or limitation is owed in connection with an event occurring before, on or after the Petition Date

6 7 Compensation and Benefit Programs Except as provided in Section 6 1 hereof, all savings, health care, severance, performance-based cash incentive, retention, employee welfare benefit, life insurance, disability and other similar plans and agreements of the Debtor are treated as executory contracts under the Plan and shall, on the Effective Date, be deemed assumed by the Debtor in accordance with sections 365(a) and 1123(b)(2) of the Bankruptcy Code, and any defaults thereunder shall be cured as provided in Section 6 4 hereof With respect to the Debtor's Retirement Plan, the Debtor affirms and agrees that it is and will continue to be the contributing sponsor of the Retirement Plan, as defined under 29 U.S.C. § 1301(a)(13) and 29 C.F.R. § 4001.2, or a member of the contributing sponsor's controlled group, as defined under 29 U.S.C. § 1302(a)(14) and 29 C.F.R. § 4001.2 As a contributing sponsor (or member of the controlled group) of the Retirement Plan, the Debtor intends to fund

the Retirement Plan in accordance with the minimum funding standards under ERISA, 29 U.S.C. § 1802, pay all required PBGC insurance premiums, 29 U.S.C. § 1307, and comply with all requirements of the Retirement Plan and ERISA The Retirement Plan is a defined benefit pension plan insured by the Pension Benefit Guaranty Corporation under Title IV of ERISA, 29 U.S.C. §§ 1301-1461 The Retirement Plan is subject to the minimum funding requirements of ERISA, 29 U.S.C. § 1084, and section 412 of the Internal Revenue Code, 26 U.S.C. § 412 No provision of or proceeding within the Debtor's reorganization proceedings, the Plan, nor the Confirmation Order shall in any way be construed as discharging, releasing or relieving the Debtor, the Reorganized Debtor, or any other party in any capacity, from any liability with respect to the Retirement Plan or any other defined benefit pension plan under any law, governmental policy or regulatory provision PBGC and the Retirement Plan shall not be enjoined or precluded from enforcing liability resulting from any of the provisions of the Plan or the Plan's confirmation

6 8 Retiree Benefits Payments, if any, due to any Person for the purpose of providing or reimbursing payments for retired employees and their spouses and dependents for medical, surgical, or hospital care benefits, or benefits in the event of sickness, accident, disability, or death under any plan, fund, or program (through the purchase of insurance or otherwise) maintained or established in whole or in part by the Debtor prior to the Petition Date shall be continued for the duration of the period the Debtor has obligated itself to provide such benefits

6 9 Settlement and Stanislaus Commitments/Natural Gas

(a) Settlement and Stanislaus Commitments The obligations under (1) the 1991 Settlement Agreement between NCPA and PG&E in a Nuclear Regulatory Commission (the "NRC") proceeding, implementing the Statement of Commitments accompanying the letter from PG&E to the U.S. Department of Justice of April 30, 1976 (the "1991 Settlement Agreement"), (2) the letter from PG&E to the U.S. Department of Justice of April 30, 1976, to the extent that it represents obligations (the "1976 Letter") and (3) the antitrust license conditions included in the Diablo Canyon Nuclear Power Plant NRC Licenses (the

1 "License Conditions") (collectively, the 1991 Settlement Agreement, the 1976 Letter and the
2 License Conditions are referred to herein as the "Settlement and Stanislaus Commitments") shall
3 remain in effect and pass through the Chapter 11 Case unimpaired and unaffected so that the
4 Debtor and Reorganized Debtor are obligated for the full performance, and shall be liable for the
5 nonperformance, of the Settlement and Stanislaus Commitments. Under the Plan, the Debtor and
6 Reorganized Debtor shall assume the 1991 Settlement Agreement.

7 (b) Natural Gas. On the Effective Date, the Reorganized Debtor shall
8 continue to offer the City of Palo Alto gas transmission and storage services on terms and
9 conditions that provide full parity of treatment with those provided by the Reorganized Debtor to
10 its own retail gas distribution functions, including, but not limited to, the opportunity to reserve,
11 in advance of any open-season process, a defined amount of transmission and storage capacity in
12 any amount up to the amount sufficient to meet the City of Palo Alto's projected Abnormal Peak
13 Day (the "APD") requirements, subject to applicable limits on the amount of each such form of
14 capacity. Similarly, on the Effective Date, "vintage rates" for the Redwood Path capacity
15 currently held by the City of Palo Alto (6,148 Dth/day) shall continue to be available to the City
16 of Palo Alto for as long as vintage rates are available to any core customer served by the
17 Reorganized Debtor.

18 ARTICLE VII

19 IMPLEMENTATION OF THE PLAN

20 7.1 Issuance of Securities. On or before the Effective Date, the Reorganized
21 Debtor shall issue and sell, through one or more public or private offerings, new debt securities
22 of and ~~[Equity Interests]~~ new preferred stock in the Reorganized Debtor, the net proceeds of
23 which, in addition to the Debtor's available Cash, will be sufficient to satisfy in full in Cash all
24 Allowed Claims under the Plan to be paid in Cash. The terms and estimated amounts of the debt
25 securities to be issued under the Plan are described on Exhibit 2 hereto. ~~[SUCH] THE TERMS~~
26 AND ESTIMATED AMOUNTS OF THE SECURITIES TO BE ISSUED HEREUNDER
27 REMAIN SUBJECT TO CHANGE BASED UPON, AMONG OTHER FACTORS, ACTUAL
28 OR PERCEIVED MARKET CONDITIONS AND RATING AGENCY REQUIREMENTS AT

1 THE TIME OF ISSUANCE, THE AMOUNT OF THE REORGANIZED DEBTOR'S
2 AVAILABLE CASH ON THE EFFECTIVE DATE, AND THE AMOUNT OF ALLOWED
3 CLAIMS [~~At all times prior to their issuance the Committee~~ The Proponents shall (be given
4 reasonable observation rights) work together cooperatively with their financing and capital
5 markets arranger and their respective legal and financial advisors in the process of
6 structuring, marketing, pricing and selling the securities, including, without limitation, making
7 such adjustments to the securities to be sold as may be necessary or desirable in light of
8 then prevailing market conditions The securities to be issued are described generally below:

9 (a) Reorganized Debtor New Money Notes On or before the
10 Effective Date, the Reorganized Debtor shall issue and sell, through one or more private or
11 public offerings, new debt securities in the original aggregate principal amount sufficient to yield
12 net proceeds of approximately \$(~~2-86~~)6.56 billion, the terms of which are set forth on Exhibit 2
13 (any and all such notes, collectively, the "Reorganized Debtor New Money Notes"), the net
14 proceeds of which shall be used to fund payments to holders of Allowed Claims and Allowed
15 Equity Interests

16 (b) Reorganized Debtor New [Equity] Preferred [Interests] Stock
17 On or before the Effective Date, the Reorganized Debtor shall issue and sell, through one or
18 more private or public offerings, new ~~[Equity Interests in the Reorganized Debtor]~~ preferred
19 equity securities sufficient to yield net proceeds of approximately \$1.75 billion (the
20 "Reorganized Debtor New Preferred Stock") The net proceeds of the Reorganized Debtor's
21 issuance and sale of new Equity Interests shall be used to fund payments to holders of Allowed
22 Claims and Allowed Equity Interests

23 7.2 Reorganization Agreement. On or before the Effective Date, or as
24 soon as practicable thereafter, the Reorganized Debtor and the Commission shall have
25 executed and delivered the Reorganization Agreement substantially in the form attached
26 hereto as Exhibit 5 (The "Reorganization Agreement").

27 7.3 [7-3] Settlement of Litigation. On or before the Effective Date and
28 pursuant to the Reorganization Agreement, the Debtor shall dismiss the Rate Recovery

1 Litigation, with prejudice, and shall withdraw the applications filed by the Debtor in
2 connection with PG&E's Plan and listed in Article 3.2(a)-(c) of the Reorganization
3 Agreement At such time, the Debtor shall execute and deliver to the ~~(Commission)~~ Proponents
4 all pleadings and release documents required by the ~~(Commission)~~ Proponents in connection
5 with such dismissal and withdrawals, which shall be in form and substance satisfactory to the
6 ~~(Commission)~~ Proponents, and shall specifically releasing any and all claims and Causes of
7 Action that the Debtor has or may have against the State of California and the Commission and
8 their respective present and former commissioners (in their official capacities), officers,
9 employees, advisors, consultants and professionals, that arise from

10 (a) the facts alleged by the Debtor in the Rate Recovery Litigation,
11 including, without limitation, claims and Causes of Action based upon the filed rate doctrine,
12 takings, due process and commerce clause violations, except for claims and Causes of Action
13 based upon the Plan or as provided in the Confirmation Order;

14 (b) the Commission's implementation prior to the Effective Date of
15 Assembly Bill 1 of the 2001-02 First Extraordinary Session (Ch 4, Stats. 2001-02 1st Ex. Sess.)
16 and Assembly Bill 6 of the 2001-02 First Extraordinary Session (Ch 2, Stats. 2001-02 1st Ex
17 Sess.), including CPUC Decision Nos 01-03-081 and 01-04-005; and

18 (c) the Commission's Decision Nos 01-03-082 (TURN Accounting
19 Decision)

20 7.4 [7-3] New Tax Sharing Agreement On or before the Effective Date, or as
21 soon as practicable thereafter, the Reorganized Debtor and the Parent shall have executed and
22 delivered the New Tax Sharing Agreement

23 7.5 [7-4] Corporate Governance

24 (a) Board of Directors The members of the Board of Directors of the
25 Debtor immediately prior to the Effective Date shall serve as the initial Board of Directors of the
26 Reorganized Debtor on and after the Effective Date Each of the members of such initial Board
27 of Directors shall serve in accordance with the Debtor's Articles of Incorporation and the
28 Debtor's Bylaws, as the same may be amended from time to time

(b) Officers The officers of the Debtor immediately prior to the Effective Date shall serve as the initial officers of the Reorganized Debtor on and after the Effective Date. Such officers shall serve in accordance with any employment agreement with the Reorganized Debtor and applicable law.

(c) Articles of Incorporation and Bylaws The articles of incorporation and bylaws of the Reorganized Debtor shall be amended to contain provisions necessary to (i) prohibit the issuance of nonvoting equity securities as required by section 1123(a)(6) of the Bankruptcy Code, subject to further amendment of such articles of incorporation and bylaws as permitted by applicable law, (ii) authorize the issuance and sale of ~~new Equity Interests in the Reorganized Debtor~~ New Preferred Stock pursuant to Section 7.1(b) of the Plan, (iii) prohibit the Parent from exercising its voting rights with respect to its Common Stock in the Reorganized Debtor unless and until the Parent executes and delivers to the Reorganized Debtor the New Tax Sharing Agreement, and (iv) effectuate the other provisions of the Plan, in each case without any further action by the Debtor's shareholders or Board of Directors.

7.6 [7.5]Regulatory Approvals. The Commission shall adopt such decisions or orders as are necessary to implement the provisions of Article VII of this Plan, it being understood that, as of and subject to the occurrence of the Confirmation Date, this Plan and the Confirmation Order shall be irrevocably binding upon the Commission, notwithstanding such future decisions and orders of the Commission. The Debtor shall timely seek any other regulatory approvals from all applicable Governmental Entities that the Debtor believes are necessary to effectuate the transactions specified herein.

7.7 [7.6]Working Capital Facility. On or before the Effective Date, or as soon as practicable thereafter, the Reorganized Debtor shall obtain and establish a working capital facility (the "Exit Facility") for the purposes of funding operating expenses and seasonal fluctuations in working capital and providing letters of credit, as well as funding distributions to the holders of Allowed Claims, if necessary. The terms of the Exit Facility are set forth on Exhibit 3.

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7.8 [7.7]Regulatory Issues The Commission shall regulate the Reorganized Debtor's operations to the full extent that it regulated the Debtor's operations prior to the Petition Date in accordance with all applicable law. In that regard, the Reorganized Debtor shall operate its business in accordance with all applicable laws and regulations promulgated or issued by the Commission and all other Governmental Entities having jurisdiction over its business.

ARTICLE VIII

CONFIRMATION AND EFFECTIVENESS OF THE PLAN

8.1 Conditions Precedent to Confirmation The Plan shall not be confirmed by the Bankruptcy Court unless and until the following conditions shall have been satisfied.

(a) the Bankruptcy Court shall have entered an order or orders, which may be the Confirmation Order, approving the Plan, authorizing and directing the Debtor to execute, enter into and deliver the Plan, and to execute, implement and take all actions necessary or appropriate to give effect to the transactions contemplated by the Plan; and

(b) the Confirmation Order shall be, in form and substance, acceptable to the ~~(Commission)~~ Proponents.

8.2 Conditions Precedent to Effectiveness The Plan shall not become effective unless and until the following conditions shall have been satisfied or waived pursuant to Section 8.4 hereof.

(a) the Effective Date shall have occurred on or before January 31, 2003;

(b) all actions, documents, instruments and agreements necessary to implement the Plan shall have been effected or executed,

(c) the Reorganized Debtor shall have consummated the sale of the Reorganized Debtor New Money Notes and the ~~(new Equity Interests)~~ Reorganized Debtor New Preferred Stock as contemplated under Section 7.1 hereof and the proceeds thereof shall, in addition to the Debtor's available Cash, be sufficient to pay all Allowed Claims to be paid hereunder and to fund the escrows for Disputed Claims;

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(d) The Reorganized Debtor shall have obtained and established the Exit Facility;

(e) the Bankruptcy Court shall have entered an order, which may be the Confirmation Order, approving the Debtor's dismissal with prejudice of the Rate Recovery Litigation;

(f) the Reorganized Debtor and the Commission shall have executed the Reorganization Agreement;

(g) [(f)](the) pursuant to the Reorganization Agreement, the Debtor shall dismiss the Rate Recovery Litigation, with prejudice, and shall withdraw the applications filed by the Debtor in connection with PG&E's Plan and listed in Article 3.2(a)-(e) of the Reorganization Agreement, and the Debtor shall have executed and delivered to the [Commission] Proponents all pleadings and release documents required by the [Commission] Proponents in connection with such dismissal and withdrawals, which shall be in form and substance satisfactory to the [Commission] Proponents;

(h) [(g)]S&P and Moody's shall have issued credit ratings for the Reorganized Debtor and its debt securities of not less than BBB- and Baa3, respectively;

(i) [(h)]the Debtor shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions or documents that are necessary to implement the Plan, and

(j) [(i)]the Plan shall not have been modified in a material way, including any modification pursuant to Section 11.10 hereof, since the Confirmation Date

8.3 Effect of Failure of Conditions In the event that one or more of the conditions specified in Section 8.2 hereof shall not have occurred or been waived on or before January 30, 2003 (or such later date as may be hereafter provided in an amended Section 8.2(a)),

(a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made,

(c) the Debtor and all holders of Claims and Equity Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation

Order had never been entered, and (d) the Debtor's obligations with respect to Claims and Equity

Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtor or any Person or Governmental Entity or to prejudice in any manner the rights of the Debtor or any Person or Governmental Entity in any further proceedings involving the Debtor; provided, however, that the amounts paid pursuant to Section 4.2(a) hereof on account of Post-Petition Interest may be recharacterized as a payment upon the applicable Allowed Claims, in the Debtor's sole discretion, but the Debtor will not otherwise seek to recover such amounts

8.4 Waiver of Conditions As provided in Section 11.10 hereof, the [Commission] Proponents may waive one or more of the conditions precedent set forth in Section 8.2 hereof, provided however, that the condition set forth in Section 8.2[(g)](h) may only be waived pursuant to a Final Order of the Bankruptcy Court obtained by motion filed by the [Commission] Proponents and after notice and a hearing on not less than ten (10) days' notice to the Debtor, the Commission and the United States Trustee.

ARTICLE IX

EFFECT OF CONFIRMATION OF PLAN

9.1 Term of Bankruptcy Injunction or Stay Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case under section 105 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect in accordance with the terms of such injunctions. Unless otherwise provided, the automatic stay provided under section 362 of the Bankruptcy Code shall remain in full force and effect until the Effective Date.

9.2 Reversing of Assets On the Effective Date, except as otherwise transferred, sold or otherwise provided for in the Plan, the property of the Debtor's estate shall vest in the Reorganized Debtor

9.3 Operations Following Effective Date From and after the Effective Date, the Reorganized Debtor may operate its business, and may use, acquire and dispose of property free of any restrictions imposed under the Bankruptcy Code. As of the Effective Date, all

property of the Reorganized Debtor shall be free and clear of all Liens, claims and interests of holders of Claims and Equity Interests, except as otherwise provided in the Plan

9.4 Claims Extinguished As of the Effective Date, any and all avoidance claims accruing to the Debtor under sections 502(d), 544, 545, 547, 548, 549, 550 and 551 of the Bankruptcy Code and not then pending, shall be extinguished. All other Causes of Action of the Debtor, other than those expressly released or dismissed with prejudice hereunder, shall vest in the Reorganized Debtor.

9.5 Discharge of Debtor The rights afforded herein and the treatment of all Claims and Equity Interests herein shall be in exchange for and in complete satisfaction, discharge and release of Claims and Equity Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtor or any of its assets or properties. Except as otherwise provided herein, as of the Effective Date (a) all such Claims against and Equity Interests in the Debtor shall be satisfied, discharged and released in full and (b) all Persons and Governmental Entities shall be precluded from asserting against the Debtor, its successors, or its assets or properties any other or further Claims or Equity Interests based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Confirmation Date.

9.6 Injunction In addition to and except as otherwise expressly provided herein, in the Confirmation Order or a separate order of the Bankruptcy Court, all entities who have held, hold or may hold Claims against or Equity Interests in the Debtor, are permanently enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind with respect to such Claim or Equity Interest, (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Reorganized Debtor on account of any such Claim or Equity Interest, (c) creating, perfecting or enforcing any Lien of any kind against the Reorganized Debtor or against the Reorganized Debtor's property or interests in property on account of any such Claim or Equity Interest, (d) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Reorganized Debtor or against the Reorganized

Debtor's property or interests in property on account of any such Claim or Equity Interest, and (e) commencing or continuing in any manner any action or other proceeding of any kind with respect to any claims and Causes of Action which are extinguished, dismissed or released pursuant to the Plan. The injunction shall also enjoin all parties in interest, including, without limitation, all entities who have held, hold or may hold Claims against or Equity Interests in the Debtor, from taking any action in violation of the Confirmation Order. Such injunction shall extend to the successors of the Reorganized Debtor, their properties and interests in property. Except as provided by Sections 11.4, 11.5 and 11.6 hereof, this Section 9.6 shall not enjoin, bar or otherwise impair the commencement or prosecution of direct personal claims against any Person other than the Reorganized Debtor, including claims against the Parent.

ARTICLE X

RETENTION OF JURISDICTION

As of and subject to the occurrence of the Confirmation Date, the Commission shall be bound by the Confirmation Order and the Confirmation Order shall be enforceable against the Commission notwithstanding the Commission's and the State of California's objections and defenses based upon the Eleventh Amendment to the United States Constitution or related principles of sovereign immunity or otherwise. After the Confirmation Date, the Bankruptcy Court shall retain jurisdiction over all matters arising out of, or related to, the Chapter 11 Case and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes.

- (a) to hear and determine matters related to the Plan,
- (b) to hear and determine applications for the assumption or rejection of executory contracts or unexpired leases, if any are pending, and the allowance of cure amounts and Claims resulting therefrom,
- (c) to hear and determine any and all adversary proceedings, applications and contested matters,
- (d) to hear and determine any objection to Administrative Expense Claims or Claims;

(c) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated,

(f) to issue such orders in aid of execution and consummation of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

(g) to consider any amendments to or modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order,

(h) to hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Reorganization Agreement;

(i) to hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331 and 503(b) of the Bankruptcy Code,

(j) to hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan and/or the Confirmation Order;

(k) to hear and determine proceedings to recover assets of the Debtor and property of the Debtor's estate, wherever located,

(l) to hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

(m) to hear and determine matters concerning the escrow(s), if any, established pursuant to Section 5.4(h) hereof,

(n) to hear any other matter not inconsistent with the Bankruptcy Code; and

(o) to enter a final decree closing the Chapter 11 Case

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1 Effectuating Documents and Further Transactions Pursuant to section 1142 of the Bankruptcy Code, the Debtor (or the Reorganized Debtor after the Effective Date), shall execute, deliver, file or record such contracts, instruments, releases, indentures and other

agreements or documents and take such other actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan and any securities issued pursuant to the Plan

11.2 Corporate Action On the Effective Date, all matters provided for under the Plan that would otherwise require approval of the Debtor's shareholders or Board of Directors shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to the applicable general corporation law of California, the state in which the Debtor is incorporated, without any requirement of further action by the Debtor's shareholders or Board of Directors. On the Effective Date, or as soon as practicable thereafter, the Debtor, shall, if required, file its amended articles of incorporation with the Secretary of State of California, in accordance with the applicable general corporation law of California

11.3 Exemption from Transfer Taxes Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange of notes or issuance of equity securities under the Plan, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, shall not be subject to any stamp, real estate transfer, documentary transfer, mortgage recording, sales, use or other similar tax. All sale transactions consummated by the Debtor and approved by the Bankruptcy Court on and after the Petition Date through and including the Effective Date, including, without limitation, the sales, if any, by the Debtor of owned property or assets pursuant to section 363(b) of the Bankruptcy Code, shall be deemed to have been made under, in furtherance of, or in connection with the Plan and, therefore, shall not be subject to any stamp, real estate transfer, documentary transfer, mortgage recording, sales, use or other similar tax

11.4 Releases by Debtor

(a) As of the Effective Date, and subject to the release by the Releasees set forth in Section 11.5 below, the Debtor releases all of the Releasees from any and all Causes of Action held by, assertable on behalf of or derivative of the Debtor, in any way relating to the Debtor, the Debtor-in-Possession, the Chapter 11 Case, the Plan, negotiations

1 regarding or concerning the Plan and the ownership, management and operation of the Debtor;
2 provided, however, that the foregoing shall not operate as a waiver of or release from any Causes
3 of Action arising out of any express contractual obligation owing by any former director, officer
4 or employee to the Debtor or any reimbursement obligation of any former director, officer or
5 employee with respect to a loan or advance made by the Debtor to such former director, officer
6 or employee and is not a waiver of or release for any professionals retained in connection with
7 this Chapter 11 Case from claims by their respective clients

8 (b) As of the Effective Date, the Debtor releases the Commission, its
9 present and former commissioners in their official capacities and their respective successors, the
10 State of California and its officers and commissioners and their respective successors, as well as
11 the Commission's and the State's present and former employees, advisors, consultants and
12 professionals from any and all Causes of Action held by, assertable on behalf of or derivative of
13 the Debtor, in any way relating to the Debtor as Debtor-in-Possession, the Chapter 11 Case, the
14 Plan, negotiations regarding or concerning the Plan and the ownership, management and
15 operation of the Debtor as Debtor-in-Possession

16 11.5 Limited Release by Releasees In consideration for release of the
17 Releasees in Section 11 4(a) and other valuable consideration, as of the Effective Date, each of
18 the Releasees, at its option, generally releases the Debtor and the Debtor-in-Possession and the
19 Reorganized Debtor, in each case in any capacity, from any and all Causes of Action held by,
20 assertable on behalf of or derivative from such Releasee, in any way relating to the Debtor, the
21 Debtor-in-Possession, the Chapter 11 Case, the Plan, negotiations regarding or concerning the
22 Plan and the ownership, management and operation of the Debtor. The release by the Debtor in
23 Section 11 4(a) hereof shall be provided only to Releasees who execute and deliver to the Debtor
24 a release as provided in this Section 11 5 and in a form acceptable to the Debtor.

25 11.6 Exculpation As of and subject to the occurrence of the Confirmation
26 Date, (a) the [Commission] Proponents shall have been deemed to have negotiated the Plan in
27 good faith, (b) the [Commission] Proponents shall be deemed to have solicited acceptances of
28 the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code,

1 including, without limitation section 1125(a) of the Bankruptcy Code, and any applicable non-
2 bankruptcy law, rule or regulation governing the adequacy of disclosure in connection with such
3 solicitation, and (c) the Commission and its individual commissioners in their official capacities,
4 the Committee and its members, and the Commission's and the Committee's respective
5 agents, employees, advisors and attorneys shall be deemed to have participated in good faith and
6 in compliance with the applicable provisions of the Bankruptcy Code in connection with the
7 offer and issuance of any securities under the Plan, and therefore, neither the Commission nor its
8 individual commissioners the Committee nor its members, nor any of the Commission's or
9 the Committee's respective agents, employees, advisors and professionals shall have or incur
10 any liability to any holder of a Claim or Equity Interest or other party in interest for any act or
11 omission in connection with, related to, or arising out of, the Chapter 11 Case, negotiations
12 regarding or concerning the Plan, the pursuit of confirmation of the Plan, the consummation of
13 the Plan, or the administration of the Plan or the property to be distributed under the Plan, except
14 for willful misconduct or gross negligence, and, in all respects, the Commission and its
15 individual commissioners, the Committee and its members, and the Commission's and the
16 Committee's respective agents, employees, advisors and professionals shall be entitled to rely
17 upon the advice of counsel with respect to their duties and responsibilities under the Plan

18 11.7 Termination of Committee. The appointment of the Committee shall
19 terminate on the Effective Date, subject to continuation for specific purposes by a Final Order of
20 the Bankruptcy Court

21 11.8 Fees and Expenses

22 (a) Upon the Bankruptcy Court's entry of a Final Order approving any
23 application by the Commission under section 503(b)(3) of the Bankruptcy Code and/or the
24 Commission's legal and financial advisors under section 503(b)(4) of the Bankruptcy Code, the
25 amounts authorized for payment thereunder shall be treated as an Administrative Expense Claim
26 and a Professional Compensation and Reimbursement Claim, respectively, and paid in
27 accordance with the provisions of Sections 2.1 and 2.2 hereof, respectively.
28

(b) From and after the Confirmation Date, the Reorganized Debtor shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and expenses of professional Persons thereafter incurred, including, without limitation, any fees and expenses incurred by the Commission's professionals in connection with the implementation and consummation of the Plan; provided, however, that any dispute regarding the reasonableness of such fees and expenses shall be decided by the Bankruptcy Court

11.9 Payment of Statutory Fees All fees payable pursuant to Section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on or before the Effective Date

11.10 Amendment or Modification of the Plan

(a) Alterations, amendments or modifications of or to the Plan may be proposed in writing by the [Commission]Proponents at any time prior to the Confirmation Date, provided that the Plan, as altered, amended or modified, satisfies the conditions of sections 1122 and 1123 of the Bankruptcy Code and the [Commission]Proponents shall have complied with section 1125 of the Bankruptcy Code. The Plan may be altered, amended or modified by the [Commission]Proponents at any time after the Confirmation Date and before substantial consummation of the Plan, provided that the Plan, as altered, amended or modified, satisfies the requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as altered, amended or modified, under section 1129 of the Bankruptcy Code and the circumstances warrant such alterations, amendments or modifications. A holder of a Claim or Equity Interest that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of such holder's Claim or Equity Interest

~~[(b)]~~ ~~[(The Commission and the Committee shall negotiate in good faith any and all material amendments or modifications to the Plan or in connection with any proposed waiver concerning any provision of the Plan, including, but not limited to, the waiver of any~~

~~conditions to confirmation of the Plan or to the Effective Date of the Plan. If the Commission and the Committee do not agree upon any such proposed amendments, modifications or waivers, then the Commission shall only implement such amendments, modifications or waivers pursuant to a Final Order of the Bankruptcy Court obtained by motion of the Commission and after notice and a hearing on not less than ten (10) days' notice to the Debtor, the Committee and the United States Trustee. The provisions of this paragraph shall apply to all terms and conditions hereof, including, but not limited to, Sections 8.1, 8.2, 8.4, 11.10 and 11.12. Notwithstanding the foregoing provisions of this Section 11.10(b), the condition in Section 8.2(g) (investment grade rating) may only be waived pursuant to a Final Order of the Bankruptcy Court obtained by motion of the Commission and after notice and a hearing on not less than ten (10) days' notice to the Debtor, the Committee and the United States Trustee.]~~

11.11 Severability In the event that the Bankruptcy Court determines that any provision in the Plan is invalid, void or unenforceable, such provision shall be invalid, void or unenforceable with respect to the holder or holders of such Claims or Equity Interests as to which the provision is determined to be invalid, void or unenforceable. The invalidity, voidness or unenforceability of any such provision shall in no way limit or affect the enforceability and operative effect of any other provision of the Plan

11.12 Revocation or Withdrawal of the Plan The [Commission reserves]Proponents (or either one of them) reserve the right to revoke or withdraw the Plan prior to the Confirmation Date. If the [Commission revokes]Proponents (or either one of them) revoke or [withdraws]withdraw the Plan prior to the Confirmation Date, then the Plan shall be deemed null and void. In such event, nothing contained herein shall constitute or be deemed a waiver or release of any claims by or against the Debtor or any other Person or Governmental Entity, including the [Commission]Proponents, or to prejudice in any manner the rights of the Debtor or any Person or Governmental Entity, including the [Commission]Proponents, in any further proceedings involving the Debtor.

11.13 Binding Effect From and after the Confirmation Date, the Plan shall be binding upon and inure to the benefit of the [Commission]Proponents, the Debtor, the

1 Reorganized Debtor, the holders of Claims and Equity Interests, other parties in interest, and
2 their respective successors and assigns

3 11.14 Notices All notices, requests and demands to or upon the Debtor, the
4 Commission, the Committee or the United States Trustee to be effective shall be in writing and,
5 unless otherwise expressly provided herein, shall be deemed to have been duly given or made
6 when actually delivered or, in the case of notice by facsimile transmission, when received and
7 telephonically confirmed, addressed as follows:

8 *If to the Debtor:*

9 Pacific Gas and Electric Company
10 77 Beale Street
11 P O Box 7442
12 San Francisco, California 94120
13 Attn: General Counsel
14 Telephone: (415) 973-7000
15 Facsimile: (415) 973-5320

16 *with a copy to:*

17 PG&E Corporation
18 One Market, Spear Street Tower, Suite 2400
19 San Francisco, California 94105
20 Attn: General Counsel
21 Telephone: (415) 267-7000
22 Facsimile: (415) 267-7265

23 *and*

24 Howard, Rice, Nemerovski, Canady, Falk & Rabkin
25 A Professional Corporation
26 Three Embarcadero Center, 7th Floor
27 San Francisco, California 94111
28 Attn: James L. Lopes
Telephone: (415) 434-1600
Facsimile: (415) 217-5910

If to the Commission:

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102
Attn: General Counsel
Telephone: (415) 703-2015
Facsimile: (415) 703-2262

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, New York 10019-6064
Attn: Alan W. Kornberg
Telephone: (212) 373-3000
Facsimile: (212) 757-3990

If to the Committee:

Milbank, Tweed, Hadley & McCloy LLP
601 South Figueroa Street, 30th Floor
Los Angeles, California 90017
Attn: Paul S. Aronson
Telephone: (213) 892-4000
Facsimile: (213) 629-5063

If to the United States Trustee:

The Office of the United States Trustee
250 Montgomery Street, Suite 1000
San Francisco, California 94104
Attn: ~~Stephen L. Johnson~~ Patricia Cutler
Telephone: (415) 705-3333
Facsimile: (415) 705-3379

11.15 Governing Law Except to the extent the Bankruptcy Code, Bankruptcy
Rules or other federal law is applicable, or to the extent an exhibit to the Plan provides
otherwise, the rights and obligations arising under this Plan shall be governed by, and construed
and enforced in accordance with, the laws of the State of California, without giving effect to the
principles of conflicts of law of such jurisdiction.

11.16 Withholding and Reporting Requirements Except as otherwise provided
by the Plan, in connection with the consummation of the Plan, the Debtor shall comply with all
applicable withholding and reporting requirements imposed by any federal, state, local or foreign
taxing authority and all distributions hereunder shall be subject to any such withholding and
reporting requirements.

11.17 (Commission's) Proponents' Plan Supplement The following documents
will be contained in the (Commission) Proponents' (s) Plan Supplement, which shall be filed
with the Clerk of the Bankruptcy Court at least ten (10) days prior to the Confirmation Date:

(a) The Reorganized Debtor's amended Articles of Incorporation and

Bylaws

Upon its filing with the Bankruptcy Court, the [Commission's] Proponents' Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours or through the "Pacific Gas & Electric Company Chapter 11 Case" link available through the website maintained by the Bankruptcy Court at <http://www.ca09.uscourts.gov>. In addition, a copy of the [Commission] Proponents' (a) Plan Supplement will be available on the Commission's website at <http://www.cpuc.ca.gov>

11 18 Exhibits/Schedules All exhibits and schedules to the Plan, including the [Commission] Proponents' (a) Plan Supplement, are incorporated into and are a part of the Plan as if set forth in full herein

11 19 Subrogation Rights Nothing in the Plan shall affect (a) the subrogation rights of any surety, to the extent applicable or available, which, if available or applicable, shall remain in full force and effect, or (b) the rights of the Debtor to object, pursuant to the Bankruptcy Code, to the existence of such subrogation rights

DATED: (May) August (17) 30, 2002

CALIFORNIA PUBLIC UTILITIES
COMMISSION

By: Gary M. Cohen
General Counsel

OFFICIAL COMMITTEE OF UNSECURED
CREDITORS

By:

(Name)

Chair, Official Committee of Unsecured
Creditors

APPROVED AS TO CONTENT AND FORM:

PAUL, WEISS, RIFKIND, WHARTON
& GARRISON

By: _____
Counsel for the California Public
Utilities Commission

MILBANK, TWEED, HADLEY & McCLOY LLP

By: _____
Counsel for the Official Committee
of Unsecured Creditors

CALIFORNIA PUBLIC UTILITIES
COMMISSION

By: _____
Gary M. Cohen
General Counsel

**OFFICIAL COMMITTEE OF UNSECURED
CREDITORS**

By: _____
(Name)
Chair, Official Committee of Unsecured
Creditors

APPROVED AS TO CONTENT AND FORM.

PAUL, WEISS, RIFKIND, WHARTON
& GARRISON

By: _____
(Counsel for the California Public
Utilities Commission)

MILBANK TWISS HADLEY & McCLOY LLP
By: _____
Counsel for the Official Committee
of Unsecured Creditors

[△] PLAN EXHIBIT I

Interest Rates for Allowed Claims

Contract Type	Class	Interest Rate/Calculation Method	Compounding Interval Before First Payment	Interest Commencement Date	Payment Dates After First Payment
A. Contract — Other than PC Bonds or First and Refunding Mortgage Bonds					
Floating Rate Notes	5	Base Interest Rate 7.583%	Quarterly	Last Date Interest Paid	Quarterly
Revolving Line of Credit	5	Base Interest Rate 8.000%	Quarterly	Last Date Interest Paid	Quarterly
Medium Term Notes	5	Interest Rate See Exhibit D of Disclosure Statement "Security Description"	Semiannually	Last Date Interest Paid	Quarterly
Senior Notes	5	Base Interest Rate 9.625%	Semiannually	Last Date Interest Paid	Quarterly
DWR	5	Per Contract	N/A	N/A	DWR Claims being offset against amounts due Debtor
San Joaquin Valley	5	Per Contract	Semiannually	Last Date Interest Paid	Quarterly
L/C Banks	4e	Per Contract	N/A	Last Date Interest Paid	Quarterly
Prior Bonds	4f	Per Contract	N/A	Last Date Interest Paid	Quarterly
MBIA Reimbursement	4c	Per Contract	N/A	Date Funds First disbursed Under PC Bond Insurance Policy for Payment of Interest on MBIA Insured PC Bonds	Quarterly
QUIDe	11	Per Contract	Quarterly	Last Date Interest Paid	Quarterly
B. Contract — First and Refunding Mortgage Bonds					
First and Refunding	3	Per Contract	Semiannually	Last Date Interest Paid	Per Contract

C. Contract ¹ —PC Bonds					
Mortgage Backed	4a	Per Contract	Per Contract	Last Date Interest Paid	Per Contract
MBIA Backed ²	4b	Per Contract	Per Contract	Last Date Interest Paid	Per Contract
L/C Backed ³	4d	Per Contract	Per Contract	Last Date Interest Paid	Per Contract
Treasury ⁴	4g	Per Contract	Per Contract	Last Date Interest Paid	Quarterly
D. Non-Contract ⁵ —OCC Contract Specified					
Commercial Paper ⁶	5	Base Interest Rate 7.466% ⁷	Quarterly	Last Date Interest Paid	Quarterly
ISO/Generator ⁸	6	^a Determined pursuant to method set forth in Section 35.19a of the FERC regulations	^a Quarterly	^a When payment first became due	Quarterly
ISDA Clause ⁹	5	Floating LIBOR + 2%	Annually	Petition Date	Quarterly
E. Non-Contract					
Priority Tax Claims ¹⁰		Statutory	Statutory	Statutory	Statutory
ESP ¹¹	7		Annually	Petition Date	Quarterly
Intercompany ¹²	5	Lowest Default Rate Under Applicable Statute, Indenture or Instrument ¹³	Annually	Petition Date	Quarterly
Gas Procurement ¹⁴	5	Lowest Default Rate Under Applicable Statute, Indenture or Instrument ¹³	Annually	Petition Date	Quarterly
Other Trade Payables ¹⁵	5	Lowest Default Rate Under Applicable Statute, Indenture or Instrument ¹³	Annually	Petition Date	Quarterly
Convenience Class ¹⁶	10	Lowest Default Rate Under Applicable Statute, Indenture or Instrument ¹³	Annually	Petition Date	Quarterly
Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims ¹⁷	8	As Applicable Under Non-Bankruptcy Law			
Workers' Compensation ¹⁸	12	As Applicable Under Non-Bankruptcy Law			

- ¹ See Exhibit D of the Disclosure Statement for specific interest rates on certain instruments.
² "Contract" refers to contractual provisions regarding interest calculations.
³ The first payment will be made ten days after the date that PG&E's Disclosure Statement is approved for the period ended on February 28, 2001.
⁴ Calculated based on actual days elapsed over 360 days, with an implied yield of 7.690%.
⁵ Payments have been made when due in respect of these obligations by the Debtor, MBIA or the Letter of Credit Issuing Banks, as applicable.
⁶ Paid by Bond Trustee with payments on Mortgage Bonds.
⁷ The first payment will be made on July 30, 2002 for the period ended on June 30, 2002.
⁸ Determined on the Petition Date and each anniversary prior to the date of first payment and quarterly thereafter.
⁹ If no such Statute, indenture or instrument applies, or if the applicable Statute, indenture or instrument does not specify a non-default rate of interest, Post Petition Interest shall be calculated and paid at the Federal Judgment Rate.
¹⁰ Certain claims of \$5,000 or less will be paid in full on or before July 31, 2002.

PLAN EXHIBIT 2

Schedule of Letter of Credit Issuing Banks

Series	Original Principal Amount	Letter of Credit Issuing Bank	Stated Amount of Letter of Credit	Letter of Credit Expiration Date
California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) \$200,000,000 1996 Series C (the "96C Bonds")	\$200,000,000	Bank of America, N.A.	\$202,191,781	5/23/02
California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) \$165,000,000 1996 Series E (the "96E Bonds")	\$165,000,000	Morgan Guaranty Trust Company of New York	\$166,808,220	5/23/03
California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) \$100,000,000 1996 Series F (the "96F Bonds")	\$100,000,000	BNP Paribas	\$101,095,891	5/23/03
California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series B (the "97B Bonds")	\$148,550,000	Deutsche Bank AG	\$150,177,946	9/16/02

PLAN EXHIBIT 3

Description of Debt Instruments

1. New Notes

Issuer	Reorganized Debtor
Amount	Estimated to aggregate \$26,560,000,000
Credit Rating	At least BBB- by S&P and Baa3 by Moody's
Coupon Rate	The coupon rates are expected to reflect market clearing yields for a primary offering for a comparable issue of this maturity size and credit rating, among other factors, at the time of issuance of issuers in the same industry
Maturity	To be determined
Amortization	To be determined - the New Notes will either amortize over an average life of not less than _____ years or will provide for principal payment at maturity
Denominations	\$1,000
Interest Payment Date	Semi-annually
Ranking	The New Notes will be Unsecured
Optional Redemption	The New Notes are expected to be redeemable at the option of the issuer at any time in whole or in part, at a price equal to the aggregate of the principal amount to be redeemed, accrued and unpaid interest, and a "make whole premium." The amount of the "make whole premium" is expected to reflect market conditions at the time of issuance and be determined by negotiation between the issuer and the underwriter(s). The actual calculation in the event redemption is effected is expected to be made by an independent investment banking institution of national standing
Covenants	The indenture (and any supplemental indentures) under which the New Notes will be issued is expected to include covenants in respect of actions the issuer must take or is precluded from taking similar to those included in indentures governing long term notes of a comparable credit rating at the time of the issuance of the New Notes, including, but not limited to, limitations on liens
Events of Default	<ul style="list-style-type: none"> Nonpayment of interest when due after thirty (30) days of grace period

grace period

- Nonpayment of principal or premium at maturity
- Breach of covenant or warranty in the indenture and continuation of such breach for ninety (90) days after notice given to the company
- Occurrence of event or condition which results in acceleration of a bond, debenture, note or other evidence of money borrowed or the company does not honor its guarantee of any such debt guaranteed by the company in the event of such acceleration with an aggregate outstanding principal amount of more than \$50,000,000, and such indebtedness is not discharged or acceleration is not rescinded within thirty (30) days after notice to the issuing company.
- An involuntary bankruptcy petition is filed against the company and such petition is not dismissed within ninety (90) days of filing or entry of decree or order adjudging the company or any significant subsidiary to be insolvent or appointing a custodian, receiver, etc., which decree or order remains in effect for ninety (90) days
- Commencing a voluntary case under federal or state bankruptcy or insolvency law or other similar law; making an assignment for the benefit of creditors, admission in writing of inability to pay debts when due
- Ministerial amendments may be adopted without noteholder consent.
- Modification and amendments may be made by the issuer and the trustee with the consent of a majority in principal amount of the New Notes
- Amendments to certain specified economic terms of the New Notes (e.g., maturity date, percentage of outstanding notes required to approve certain matters) may be adopted only with the consent of each noteholder

Amendments

Registration/Exemption

Initial issuance of New Notes will be registered under the Securities Act

Listing

None - traded in over-the-counter market.

Initial Trading Procedures

None

II. New Working Capital Facility

Borrower	Reorganized Debtor	
Amount	Facility	Total Line
	a) Revolver	\$1,885,000,000
	b) Capital Expenditure Sub-Facility	
	c) Letters of Credit	
Sublimits	The sublimit for Letters of Credit will be \$955,000,000 The sublimit for Working Capital will be \$400,000,000 The sublimit for Capital Expenditures will be \$500,000,000	
Credit Rating	At least BBB- by S&P and Baa3 by Moody's	
Interest Rate	TBD	
Interest Frequency	TBD	
Default Interest Rate	TBD	
Maturity	Facility	Maturity
	a) Revolver	January 31, 2008
	b) Letters of Credit	January 31, 2008
Ranking	Secured by inventory and receivables	
Structuring Fee	TBD	
Unused Commitment Fee	TBD	
Excess Cash Flow Sweep	TBD	
Covenants	TBD	
Events of Default	TBD	
Collateral Terms	TBD	

[△]

[△]

[△]

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Plan Exhibit 4

TAX SHARING AGREEMENT

THIS TAX SHARING AGREEMENT (the "Agreement"), dated as of _____, 2002, is entered into between PG&E Corporation, a California corporation ("Parent"), and Pacific Gas and Electric Company, a California corporation ("Subsidiary")

Parent is the common parent corporation of an affiliated group of corporations within the meaning of Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code"), that has elected to file consolidated federal income tax returns, and Subsidiary is a member of such group.

Parent and Subsidiary desire to set forth in this Agreement their agreement as to certain matters relating to the inclusion of the Subsidiary Consolidated Group (as defined below) in the Parent Consolidated Group (as defined below), including the allocation of tax liabilities for years in which Subsidiary is so included, and certain other matters relating to taxes

The parties agree as follows:

1. DEFINITIONS.

"Adjustment" shall have the meaning set forth in Section 8.

"Agreement Year" shall mean any taxable year beginning on or after January 1, 2002 during which the Subsidiary Consolidated Group is included in the Parent Consolidated Group.

"Balance Payment" shall have the meaning set forth in Section 4.

"Code" shall have the meaning set forth above.

"Estimated Tax Payments" shall have the meaning set forth in Section 4.

"Final Determination" shall mean the final resolution of any tax matter, including, but not limited to, a closing agreement with the IRS or the relevant state, local or foreign taxing authority, a claim for refund which has been allowed, a deficiency notice with respect to which the period for filing a petition with the Tax Court or the relevant state, local or foreign tribunal has expired, or a decision of competent jurisdiction that is not subject to appeal or as to which the time for appeal has expired

"IRS" shall mean the Internal Revenue Service

"Parent" shall have the meaning set forth above

"Parent Consolidated Group" shall mean the affiliated group of corporations (including any predecessors and successors thereto) within the meaning of Section 1504(a) of the Code electing to file consolidated federal income tax returns and of which Parent is the common parent

"Parent Consolidated Return" shall have the meaning set forth in Section 2.

Agreement "Post-Consolidation Year" shall have the meaning set forth in Section 6 of this

"Pro Forma Subsidiary Attribute" shall have the meaning set forth in Section 5

"Pro Forma Subsidiary Return" shall have the meaning set forth in Section 3

"Records" shall have the meaning set forth in Section 8.

"Regulations" shall mean the Treasury regulations promulgated under the Code.

"Total Periodic Payments" shall have the meaning set forth in Section 4

"Subsidiary" shall have the meaning set forth above

"Subsidiary Consolidated Group" shall mean the affiliated group of corporations (including any predecessors and successors thereto) within the meaning of Section 1504(a) of the Code, of which Subsidiary would be the common parent if it were not included in the Parent Consolidated Group

"Subsidiary Return Items" shall have the meaning set forth in Section 8

"Subsidiary Tax Package" shall have the meaning set forth in Section 7.

2. FILING OF CONSOLIDATED RETURNS AND PAYMENT OF CONSOLIDATED TAX LIABILITY.

For all taxable years in which Parent files consolidated federal income tax returns (any such return of the Parent Consolidated Group for any taxable year, a "Parent Consolidated Return") and is entitled to include the Subsidiary Consolidated Group in such returns, Parent

shall include the Subsidiary Consolidated Group in the consolidated federal income tax returns that it files as the common parent corporation of the Parent Consolidated Group. Parent, Subsidiary and the other members of the Parent Consolidated Group shall file any and all consents, elections or other documents and take any other actions necessary or appropriate to effect the filing of such federal income tax returns. For all taxable years in which the Subsidiary Consolidated Group is included in the Parent Consolidated Group, Parent shall pay the entire federal income tax liability of the Parent Consolidated Group and shall indemnify and hold harmless Subsidiary and each member of the Subsidiary Consolidated Group against any such liability; provided, however, that Subsidiary shall make payments to Parent or receive payments from Parent as provided in this Agreement for any Agreement Year

3 PRO FORMA SUBSIDIARY RETURN.

For each Agreement Year, Parent shall prepare a pro forma federal income tax return for the Subsidiary Consolidated Group (a "Pro Forma Subsidiary Return"). Except as otherwise provided in this Agreement, the Pro Forma Subsidiary Return for each Agreement Year shall be prepared as if Subsidiary filed a consolidated federal income tax return on behalf of the Subsidiary Consolidated Group for such taxable period. The Pro Forma Subsidiary Return shall reflect any carryovers of net operating losses, net capital losses, excess tax credits, or other tax attributes from prior Pro Forma Subsidiary Returns (excluding those attributes that are carried back pursuant to Section 5) that could have been utilized by the Subsidiary Consolidated Group if the Subsidiary Consolidated Group had never been included in the Parent Consolidated Group and all Pro Forma Subsidiary Returns had been filed as actual returns. The Pro Forma Subsidiary Return shall be prepared in a manner that reflects all elections, positions and methods used in the Parent Consolidated Return that must be applied on a consolidated basis and otherwise shall be prepared in a manner consistent with the Parent Consolidated Return. The provisions of the Code that require consolidated computations, such as Sections 861, 1201-1212 and 1231, shall be applied separately to the Subsidiary Consolidated Group as if the Subsidiary Consolidated Group and the Parent Consolidated Group (excluding the members of the Subsidiary Consolidated Group) were separate affiliated groups, except that the Pro Forma Subsidiary Return prepared for the last taxable year, or portion thereof, during which the Subsidiary Consolidated Group is included in the Parent Consolidated Return shall also include any gains or losses of the members of the Subsidiary Consolidated Group on transactions within the Subsidiary Consolidated Group that must be taken into account pursuant to Section 1.1502-13 of the Regulations and reflected on the Parent Consolidated Return when the Subsidiary Consolidated Group ceases to be included in the Parent Consolidated Return. For each Agreement Year, Section 1.1502-13 of the Regulations shall be applied as if the Subsidiary Consolidated Group were not a member of the Parent Consolidated Group. For purposes of the Agreement, all determinations made as if the Subsidiary Consolidated Group had never been included in the Parent Consolidated Group and as if all Pro Forma Subsidiary Returns were

actual returns shall reflect any actual short taxable years resulting from the Subsidiary Consolidated Group joining or leaving the Parent Consolidated Group

4. TAX PAYMENTS.

(a) Estimated Income Tax Payments For each Agreement Year, Subsidiary shall make periodic payments ("Estimated Income Tax Payments") to Parent in such amounts as shall be equal to the estimated tax payments that would be payable by the Subsidiary Consolidated Group if it were not included in the Parent Consolidated Group, no later than the dates on which such estimated tax payments would be due from the Subsidiary Consolidated Group if it were not included in the Parent Consolidated Group.

(b) Balance Payment For each Agreement Year, Subsidiary shall pay to Parent an amount equal to the tax payment that would be payable by the Subsidiary Consolidated Group if it were not included in the Parent Consolidated Group, no later than March 15 of the following year (the "Balance Payment")

(c) Payments based on Pro Forma Subsidiary Return For each Agreement Year, Subsidiary shall pay to Parent, within 10 days after the filing of the Parent Consolidated Return for such Agreement Year, an amount equal to the sum of (i) the federal income tax liability shown on the corresponding Pro Forma Subsidiary Return prepared for such Agreement Year and (ii) the additions to tax, if any, under Section 6655 of the Code that would have been imposed on the Subsidiary Consolidated Group (treating the amount due to Parent under (i) above as its federal income tax liability and treating any Estimated Tax Payments to Parent pursuant to clause (a) as estimated payments under Section 6655 of the Code) and which result from the inaccuracy of any information provided by Subsidiary to Parent pursuant to Section 7 hereof or from the failure of Subsidiary to provide any requested information, reduced by (iii) the sum for such Agreement Year of the amount of the Estimated Tax Payments and the Balance Payment (collectively, the "Total Periodic Payments"), plus (iv) any interest and additions to tax (other than under Section 6655 of the Code) that would be due under the Code if the Total Periodic Payments were actual payments of tax. If the Total Periodic Payments to Parent for any Agreement Year exceed the amount of Subsidiary's liability for such Agreement Year under the preceding sentence, Parent shall pay to Subsidiary an amount equal to such excess within 10 days after filing the Parent Consolidated Return for such Agreement Year. For purposes of this Agreement, the term "federal income tax liability" includes the tax imposed by Sections 11, 55 and 59A of the Code, or any successor provisions to such Sections. Parent shall notify Subsidiary of any amounts due from Subsidiary to Parent pursuant to this Section 4 at least 5 business days prior to the date such payments are due, and such payments shall not be considered due until the later of the due date described above or the fifth day after Parent gives such notice

5. LOSSES; REFUNDS.

If a Pro Forma Subsidiary Return for any Agreement Year reflects a net operating loss, net capital loss, excess tax credit or other tax attribute (a "Pro Forma Subsidiary Attribute"), then, within 10 days after filing the relevant Parent Consolidated Return for such Agreement Year, Parent shall pay to Subsidiary an amount equal to the refund that the Subsidiary Consolidated Group would have received as a result of the carryback of such Pro Forma Subsidiary Attribute to a Pro Forma Subsidiary Return for any prior Agreement Year or Years, assuming that all Pro Forma Subsidiary Returns had been filed as actual returns and that the Subsidiary Consolidated Group had filed returns as a separate affiliated group for all prior taxable years. All calculations of deemed refunds pursuant to this Section 5 shall include interest computed as if the Subsidiary Consolidated Group had filed a claim for refund or an application for a tentative carryback adjustment pursuant to Section 6411(a) of the Code on the date on which the relevant Parent Consolidated Return is filed

6. PAYMENTS FOR TAXABLE YEARS AFTER DECONSOLIDATION

(a) Payments By Subsidiary To Parent If for any taxable year after the Subsidiary Consolidated Group ceases to be included in the Parent Consolidated Group (a "Post-Consolidation Year"), (i) the federal income tax liability of the Subsidiary Consolidated Group is less than (ii) the federal income tax liability that would have been imposed with respect to the same period if the Subsidiary Consolidated Group had not been included in the Parent Consolidated Group for any Agreement Year and all Pro Forma Subsidiary Returns had been actual returns for such years, then Subsidiary shall pay to Parent an amount equal to the excess of the amount specified in clause (ii) over the amount specified in clause (i) within 10 days after the filing of the Subsidiary Post-Consolidation Year return

(b) Payments By Parent To Subsidiary If for any Post-Consolidation Year, (i) the federal income tax liability of the Subsidiary Consolidated Group is greater than (ii) the federal income tax liability that would have been imposed with respect to the same period if the Subsidiary Consolidated Group had not been included in the Parent Consolidated Group for any Agreement Year and all Pro Forma Subsidiary Returns had been actual returns for such years, then Parent shall pay to Subsidiary an amount equal to the excess of the amount specified in clause (i) over the amount specified in clause (ii) within 10 days after notification by Subsidiary to Parent of the filing of the Subsidiary Post-Consolidation Year return

(c) Documentation Prior to the payment of any amounts due pursuant to this Section 6, the parties shall exchange such information and documentation as is reasonably satisfactory to each of them in order to substantiate the amounts due pursuant to this Section 6. Any disputes as to such amounts and documentation that cannot be resolved prior to the date on

which a payment is due shall be referred to an independent accounting firm whose fees shall be paid one-half by Subsidiary and one-half by Parent

(d) **No Post-Consolidation Year Carrybacks** If the Subsidiary Consolidated Group federal income tax return with respect to a Post-Consolidation Year reflects a net operating loss, net capital loss, excess tax credits or any other tax attribute, such attribute shall not be carried back to a Parent Consolidated Return without the express written consent of Parent, and (unless such consent is given) Subsidiary shall make any available elections or filings that are necessary or desirable to avoid such carrybacks.

7. **PREPARATION OF TAX PACKAGE AND OTHER FINANCIAL REPORTING INFORMATION.**

Subsidiary shall provide to Parent, in a format determined by Parent, all information requested by Parent as necessary to prepare the Parent Consolidated Return and the Pro Forma Subsidiary Return (the "Subsidiary Tax Package"). The Subsidiary Tax Package with respect to any taxable year shall be provided to Parent on a basis consistent with practices of the Parent Consolidated Group no later than April 1 of the following year. Subsidiary shall also provide to Parent information required to determine the Total Periodic Payments, current federal taxable income, current and deferred tax liabilities, tax reserve items and any additional current or prior information required by Parent on a timely basis consistent with practices of the Parent Consolidated Group.

8. **RETURNS, AUDITS, REFUNDS, AMENDED RETURNS, LITIGATION, ADJUSTMENTS AND RULINGS.**

(a) **Returns** Parent shall have exclusive and sole responsibility for the preparation and filing of the Parent Consolidated Returns (including requests for extensions) and any other returns, amended returns and other documents or statements required to be filed with the IRS in connection with the determination of the federal income tax liability of the Parent Consolidated Group.

(b) **Audits, Refund Claims** Parent will have exclusive and sole responsibility and control with respect to the conduct of IRS examinations of the returns filed by the Parent Consolidated Group and any refund claims with respect to such returns, including without limitation the right to select counsel, the right to determine the court or other body in which any contest shall be brought, the right to determine whether to contest a proposed deficiency or to pay a tax and sue for a refund and the right to determine whether and how to appeal any adverse determination. Subsidiary shall assist and cooperate with Parent during the course of any such proceeding. Parent shall give Subsidiary notice of and consult with Subsidiary with respect to any issues relating to items of income, gain, loss, deduction or credit.

of Subsidiary (any such items, "Subsidiary Return Items") Parent shall not settle or otherwise compromise any Subsidiary Return Item that would result in additional liability for Subsidiary under this Agreement without the written consent of Subsidiary, which consent shall not be unreasonably withheld. If Subsidiary does not respond to Parent's request for consent within 30 days, Subsidiary shall be deemed to have consented.

(c) **Litigation** If the federal income tax liability of the Parent Consolidated Group becomes the subject of litigation in any court, the conduct of the litigation shall be controlled exclusively by Parent. Subsidiary shall assist and cooperate with Parent during the course of litigation, and Parent shall consult with Subsidiary regarding any issues relating to Subsidiary Return Items.

(d) **Expenses** Subsidiary shall reimburse Parent for all reasonable out-of-pocket expenses (including, without limitation, legal, consulting and accounting fees) in the course of proceedings described in paragraphs (b) and (c) of this Section 8, to the extent such expenses are reasonably attributable to Subsidiary Return Items for any Agreement Year.

(e) **Recalculation Of Payments To Reflect Adjustments** To the extent that there is a Final Determination with respect to a Parent Consolidated Return that results in a change in an item relating to such return (an "Adjustment") that affects the treatment of a Subsidiary Return Item for an Agreement Year, a corresponding adjustment shall be made to the corresponding Pro Forma Subsidiary Return. All calculations of payments made pursuant to Sections 4, 5 and 6 of this Agreement shall be recomputed to reflect the effect of any Adjustments on the relevant Pro Forma Subsidiary Return. Within 10 days after any such Adjustment, Subsidiary or Parent, as appropriate, shall make a payment to the other party reflecting such Adjustment, plus interest pursuant to Section 9 of the Agreement, calculated as if payments by and to Subsidiary pursuant to Sections 4, 5 and 6 of this Agreement and this Section 8 were payments and refunds of federal income taxes. Subsidiary shall further pay to Parent the amount of any penalties or additions to tax incurred by the Parent Consolidated Group as a result of an adjustment to any Subsidiary Return Item for an Agreement Year.

(f) **Rulings** Subsidiary shall assist and cooperate with Parent and take all actions requested by Parent in connection with any ruling requests submitted by Parent to the IRS.

(g) **Applicability With Respect To All Consolidated Returns** The provisions of Sections 8(a), (b) and (c) above shall apply to Parent Consolidated Returns and Subsidiary Return Items for all taxable years in which Subsidiary is includable in the Parent Consolidated Group.

(h) Document Retention, Access To Records and Use Of Personnel
Until the expiration of the relevant statute of limitations (including extensions), Subsidiary shall (i) retain records, documents, accounting data, computer data and other information (collectively, the "Records") necessary for the preparation, filing, review, audit or defense of all tax returns relevant to an obligation, right or liability of either party under the Agreement, and (ii) give Parent reasonable access to such Records and to its personnel (insuring their cooperation) and premises to the extent relevant to an obligation, right or liability of either party under the Agreement. Prior to disposing of any such Records, Subsidiary shall notify Parent in writing of such intention and afford Parent the opportunity to take possession or make copies of such Records at its discretion.

9. INTEREST.

Interest required to be paid by or to Subsidiary pursuant to the Agreement shall, unless otherwise specified, be computed at the rate and in the manner provided in the Code for interest on underpayments and overpayments, respectively, of federal income tax for the relevant period. Any payments required pursuant to the Agreement which are not made within the time period specified in the Agreement shall bear interest at a rate equal to the rate provided in the Code for interest on underpayments of tax.

10. FOREIGN, STATE AND LOCAL INCOME TAXES.

(a) In the case of foreign, state or local taxes based on or measured by the net income of the Parent Consolidated Group, or any members of the Parent Consolidated Group (other than solely with respect to the Subsidiary Consolidated Group or solely with respect to members of the Parent Consolidated Group other than members of the Subsidiary Consolidated Group) on a combined, consolidated or unitary basis, the provisions of this Agreement shall apply with equal force to such foreign, state or local tax for each Agreement Year, whether or not the Subsidiary Consolidated Group is included in the Parent Consolidated Group for federal income tax purposes, provided, however, that interest pursuant to the first sentence of Section 9 of this Agreement shall be computed at the rate and in the manner provided under such foreign, state or local law for interest on underpayments and overpayments of such tax for the relevant period, and references to provisions of the Code throughout the Agreement shall be deemed to be references to analogous provisions of foreign, state and local law.

(b) For any Agreement Year, Parent shall have the sole and exclusive control of (a) the determination of whether a combined, consolidated or unitary tax return should be filed for any foreign, state or local tax purpose and (b) all foreign, state or local income tax audits and litigation with respect to the Subsidiary Consolidated Group to the same extent as provided in this Agreement for federal income tax matters (including the right in its sole

discretion to have Subsidiary pay any disputed taxes and sue for a refund in the forum of Parent's choice) Subsidiary shall reimburse Parent for all reasonable out-of-pocket expenses (including, without limitation, legal, consulting and accounting fees) in the course of proceedings described in the preceding sentence, to the extent such expenses are reasonably attributable to the Subsidiary Consolidated Group.

(c) Parent will provide notice of and consult with Subsidiary with respect to any issue relating to such audits and litigation, and Subsidiary will provide to Parent any information necessary to conduct such audits and litigation. Parent shall not settle or otherwise compromise any audits or litigation that would result in additional liability for Subsidiary under this Section 10 without the written consent of Subsidiary, which consent shall not be unreasonably withheld. If Subsidiary does not respond to Parent's request for consent within 30 days, Subsidiary shall be deemed to have consented.

11. SUCCESSORS AND ACCESS TO INFORMATION.

The Agreement shall be binding upon and inure to the benefit of any successor to any of the parties, by merger, acquisition of assets or otherwise, to the same extent as if the successor had been an original party to the Agreement, and in such event, all references in this Agreement to a party shall refer instead to the successor of such party. If for any taxable year Subsidiary is no longer included in the Parent Consolidated Group, Parent and Subsidiary agree to provide to the other party any information reasonably required to complete tax returns for taxable periods beginning after Subsidiary is no longer included in a Parent Consolidated Return, and each of Parent and Subsidiary will cooperate with respect to any audits or litigation relating to any Parent Consolidated Return.

12. GOVERNING LAW.

The Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to contracts entered into and to be fully performed within the State of California.

13. HEADINGS.

The headings in the Agreement are for convenience only and shall not be deemed for any purpose to constitute a part or to affect the interpretation of the Agreement.

14. SECTION REFERENCES.

References to Sections shall, unless otherwise specified, be references to Sections of this Agreement.

15 COUNTERPARTS

The Agreement may be executed simultaneously in two or more counterparts, each of which will be deemed an original, and it shall not be necessary in making proof of the Agreement to produce or account for more than one counterpart.

16. SEVERABILITY

If any provision of the Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the maximum extent practicable. In any event, all other provisions of the Agreement shall be deemed valid, binding, and enforceable to their full extent.

17. TERMINATION

The Agreement shall remain in force and be binding so long as the applicable period of assessments (including extensions) remains unexpired for any taxes contemplated by the Agreement; provided, however, that neither Parent nor Subsidiary shall have any liability to the other party with respect to tax liabilities for any taxable year in which Subsidiary is not included in the Parent Consolidated Return for such year, except as provided in Sections 5 and 10

18 SUCCESSOR PROVISIONS

Any reference herein to any provisions of the Code or Treasury Regulations shall be deemed to include any amendments or successor provisions thereto, as appropriate

19. COMPLIANCE BY SUBSIDIARIES

Parent and Subsidiary each agrees to cause all members of the Parent Consolidated Group and the Subsidiary Consolidated Group (including predecessors and successors to such members) to comply with the terms of this Agreement

IN WITNESS WHEREOF, each of the parties to this Agreement has caused this Agreement to be executed by its duly authorized officer on this _____, 2002.

PG&E CORPORATION

By: _____

Name:
Title:

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
Name
Title:

REORGANIZATION AGREEMENT

THIS REORGANIZATION AGREEMENT ("Agreement") is entered into by and among the undersigned Parties on this ____ day of _____, 200__, with reference to the following

RECITALS OF THE PARTIES

A. Pacific Gas & Electric Company ("PG&E") is the Debtor in a Chapter 11, Case No. 01-30923 DM (the "Case") pending in the United States Bankruptcy Court for the Northern District of California (the "Court"). The Commission has filed the Plan in the Case to reorganize PG&E.

B. The Parties are also currently engaged in the Litigation. This Agreement and the Plan will resolve, among other matters, the Litigation.

C. The refinancings and issuance of Securities contemplated by the Plan and this Agreement create an opportunity for PG&E (i) to reorganize and to pay in full in cash Allowed Claims or to reinstate Allowed Claims as provided in the Plan, (ii) to issue, and pay, retire, redeem or defease the Securities, and (iii) to achieve Investment Grade Credit Ratings. Nothing contained in this Agreement shall change the proposed treatment for Creditors' claims contained in the Plan.

D. In the exercise of its police and regulatory powers, the Commission is entering into this Agreement and shall adopt such decisions and orders as

it deems necessary to implement and carry out the provisions of this Agreement, including but not limited, to establishing retail electric rates to provide for payment in full of the Securities in accordance with their respective terms.

NOW, THEREFORE, in consideration of the foregoing, the agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Certain Defined Terms When used in this Agreement, the following terms shall have the following meanings:

- (a) "Agreement" shall have the meaning set forth in the introductory paragraph.
- (b) "Allowed Claims" shall have the meaning ascribed to it in the Plan, including claims that may be allowed from time to time in the Case.
- (c) "Case" shall have the meaning set forth in the Recitals to this Agreement.
- (d) "Court" shall have the meaning set forth in the Recitals to this Agreement.

(e) "Commission" shall mean the California Public Utilities Commission, or such successor agency, and the Commissioners thereof in their official capacities and their respective successors

(f) "Debt" shall mean the debt to be issued or reinstated, as the case may be, in accordance with the Plan, by PG&E, from time to time to satisfy Allowed Claims and to fund the escrow for Disputed Claims in the Case, including any and all interest thereon or associated costs as provided in such debt instruments

(g) "Disputed Claims" shall have the meaning set forth in the Plan

(h) "Effective Date" shall have the meaning set forth in the Plan

(i) "FERC" shall mean the Federal Energy Regulatory Commission

(j) "Investment Grade Credit Ratings" shall mean credit ratings for the Securities and PG&E from both Standard & Poor's Corporation of BBB- or better and Moody's Investors Service, Inc. of Baa3 or better

(k) "Litigation" shall mean Pacific Gas & Electric Company, Plaintiff, vs. Loretta M. Lynch, et al., Defendants, Case No. C-01-3023-VRW, presently pending in the United States District Court for the Northern District of California

(l) "Parties" shall mean the Commission and PG&E.

(m) "Person or Persons" shall mean an individual, partnership, joint venture, corporation, limited liability company, trust, association or unincorporated organization, any governmental authority, or any other entity.

(n) "PG&E" shall mean Pacific Gas & Electric Company, a California corporation, and its successors

(o) "Plan" shall mean the Commission plan of reorganization for PG&E in the Case, as amended from time to time

(p) "Preferred Shares" shall mean the equity interests to be issued by PG&E, from time to time to satisfy Allowed Claims and to fund the escrow for Disputed Claims in the Case, in accordance with the Plan, including any and all interest or dividends thereon and associated costs as provided in such equity interests

(q) "Recoverable Costs" shall mean the amounts PG&E is authorized by the Commission to recover in retail electric rates in accordance with historic practice for all of its prudently-incurred costs, including capital investment in property, plant and equipment, a return of capital and a return on capital and equity to be determined by the Commission from time to time in accordance with its past practices

(r) "Recovery Rates" shall mean gross electric retail rates (including surcharges) sufficient (i) to pay the interest and dividends payable on, and to provide funding of required reserves for, the Securities, (ii) to allow PG&E to meet its obligations in respect of scheduled amortization and redemption of the Securities in

accordance with their terms, (iii) to pay all Recoverable Costs, and (iv) to facilitate achieving and maintaining Investment Grade Credit Ratings

(s) "Securities" shall mean the Preferred Shares and the Debt

(t) "Securities Repayment Period" shall mean the period

commencing on the Effective Date of the Plan and ending on the date that the last of the outstanding Securities have been paid, redeemed or defeased in full

Section 1.2. Capitalized Term. All terms defined in this Agreement shall have the meanings ascribed to them in this Agreement or in the Plan

Section 1.3. Incorporation of Recitals. The Recitals are incorporated herein by reference.

ARTICLE II

RATE STABILIZATION AND COST RECOVERY

Section 2.1 Issuance of Securities. From and after the Effective Date of the Plan, PG&E shall issue or reinstate Securities as provided in the Plan in an amount equal to the sum of (a) the Allowed Claims, together with amounts required to be deposited in escrow for Disputed Claims under the Plan, less (b) PG&E's available cash and cash equivalents. The Commission shall adopt such orders or decisions as it deems necessary to authorize PG&E to issue (or to reinstate) and to fully meet its obligations in respect of such Securities in accordance with their respective terms and with the Plan. Amounts deposited in the escrow for Disputed Claims under the Plan which are not required to satisfy Allowed Claims shall be used by PG&E to repurchase Securities.

Section 2.2 Rate Stabilization. PG&E shall be authorized to recover in retail electric rates the interest and dividends payable on, funding of required reserves for, and other amounts which may be necessary to allow PG&E to meet its obligations in respect of scheduled amortization and redemption of, the Securities in accordance with their respective terms. The Commission shall establish retail electric rates for retail electric customers in PG&E's service territory at rates sufficient (i) to pay the interest and dividends payable on, funding of required reserves for, and collection of other amounts which may be necessary to allow PG&E to meet its obligations in respect of scheduled amortization and redemption of the Securities in accordance with their terms, (ii) to pay all Recoverable Costs, and (iii) to facilitate achieving and maintaining Investment Grade Credit Ratings, provided, however, that in no event may such rates be less than Recovery Rates. The Commission shall evaluate the Recovery Rates of PG&E from time to time, and shall adjust such rates as may be necessary to assure sufficient revenues to satisfy the requirements of clauses (i) - (iii) above.

Section 2.3 Credit Rating. The parties acknowledge and agree that the achievement and maintenance of Investment Grade Credit Ratings is important to the reorganization of PG&E. All of the Securities shall have terms and conditions customary for securities that are similar to the Securities and enjoy or have Investment Grade Credit Ratings. Each of the Parties agrees to provide such information as may be required by the rating agencies, and to cooperate fully with the rating agencies and the other party in obtaining Investment Grade Credit Ratings as expeditiously as possible.

Section 2.4 Commission Continuing Jurisdiction. Subject to Article V, PG&E agrees that the Commission shall retain jurisdiction over PG&E's retail rates, and

the assets and business of PG&E, in accordance with California law, and shall not seek during the Securities Repayment Period to contest such jurisdiction.

Section 2.5 Financial Reporting The Parties will cooperate in accounting for and reporting the transactions described in the Plan and this Agreement

Section 2.6 Acknowledgment The Parties acknowledge and agree that, until this Agreement has terminated in accordance with Section 4.1, the Recovery Rates shall include the amounts necessary for PG&E to pay all costs associated with the Securities including, but not limited to, the interest and dividends payable on, and other amounts which may be necessary to allow PG&E to meet its obligations in respect of scheduled amortization and redemption of the Securities in accordance with their terms. The costs associated with the Securities shall be deemed to have been prudently incurred.

ARTICLE III

LITIGATION

Section 3.1 Dismissal of Litigation On the Effective Date of the Plan PG&E shall file a motion to dismiss the Litigation, with prejudice

Section 3.2 Withdrawal of Certain Applications Promptly upon the Effective Date of the Plan, PG&E shall withdraw certain applications filed with FERC, the Nuclear Regulatory Commission ("NRC"), and the Securities and Exchange Commission ("SEC"), as follows

(a) Applications to Transfer Regulatory Assets filed with the FERC in Docket Nos. EC02-31, EL02-36, ES02-17, ER02-456, ER02-455

(b) Applications to Transfer Hydro Assets filed with FERC in Project Nos. 77-116, 96-031, 137-031, 175-018, 178-015, 233-082, 606-020, 619-095, 803-055, 1061-056, 1121-058, 1333-037, 1354-029, 1403-042, 1962-039, 1988-030, 2105-087, 2106-039, 2107-012, 2130-030, 2155-022, 2310-120, 2467-016, 2661-016, 2687-022, 2735-071, 2118-006, 2281-005, 2479-003, 2678-001, 2781-004, 2784-001, 4851-004, 5536-001, 5828-003, 7009-004, and 10821-002

(c) Applications for Certificates of Public Convenience and Necessity filed with FERC in Docket Nos. CP02-38, CP02-39, CP02-40, CP02-41, and CP02-42

(d) License Transfer Application filed with the NRC in Docket Nos. 50-275-LT, 50-323-LT.

(e) Filing with the SEC for Approval under the Public Utilities Holding Company Act of 1935 to create Electric Generation LLC, ETrans LLC, and GTrans LLC.

ARTICLE IV

TERMINATION

Section 4.1 Termination This Agreement and any orders entered by the Court contemplated by or required to implement this Agreement shall terminate at the end of the Securities Repayment Period, provided that all rights of the Parties under this Agreement and any orders entered by the Court contemplated by or required to implement this Agreement that vest on or prior to such termination, including any rights arising from any default under this Agreement or the terms of any such orders, shall

survive any such termination for the purpose of enforcing such vested rights.

ARTICLE V

GENERAL PROVISIONS

Section 5.1 Validity and Binding Effect The Parties and their respective successors and assigns agree not to contest the validity and enforceability of this Agreement or any order entered by the Court contemplated by or required to implement this Agreement and the Plan. This Agreement and any such orders are intended to be enforceable under federal law, notwithstanding any contrary state law. This Agreement, the Plan, upon becoming effective, and the orders to be entered by the Court as contemplated hereby and the Plan, shall be irrevocable and binding upon the Parties, notwithstanding any future decisions and orders of the Commission

Section 5.2 Enforcement The Parties agree that the Court shall retain jurisdiction over the Parties for all purposes relating to this Agreement and the Plan, including, but not limited to, enforcing any order contemplated by or required to implement this Agreement and the Plan

Section 5.3 Waiver of Sovereign Immunity In connection with any action or proceeding concerning the enforcement of this Agreement, the Plan or other determination of the Parties' rights under this Agreement or the Plan, the Commission hereby knowingly and expressly waives all existing and future rights of sovereign immunity, and all other similar immunities, as a defense. Accordingly, the Commission hereby consents to the jurisdiction of any court or other tribunal or forum for such actions or proceedings including, but not limited to, the Court. This waiver is irrevocable and

applies to the jurisdiction of any court, legal process, suit, judgment, attachment in aid of execution of a judgment, attachment prior to judgment, set-off or any other legal process with respect to the enforcement of this Agreement, the Plan or other determination of the Parties' rights under this Agreement. It is the intention of this Agreement that neither the Commission, nor any other California entity acting on the Commission's behalf, may assert immunity in an action or proceeding, as discussed herein, concerning the Parties' rights under this Agreement or the Plan

Section 5.4 Counterparts This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument

Section 5.5 Captions and Paragraph Headings Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it

Section 5.6 Entire Agreement This Agreement, together with the Plan, contains the entire understanding of the Parties concerning the subject matter of this Agreement and, except as expressly provided for herein, supersedes all prior understandings and agreements, whether oral or written, among them with respect to the subject matter hereof and thereof. There are no representations, warranties, agreements, arrangements or understandings, oral or written, between the Parties hereto relating to the subject matter of this Agreement and such other documents and instruments which are not fully expressed herein or therein. This Agreement may be amended or modified only by an agreement in writing signed by each of the Parties hereto which is filed with and, if necessary, approved by, the Court.

Section 5.7 Time of Essence Time is hereby expressly made of the essence with respect to each and every term and provision of this Agreement. The Parties acknowledge that each will be relying upon the timely performance by the other of its obligations hereunder as a material inducement to each Party's execution of this Agreement.

Section 5.8 No Third Party Beneficiaries Except as may be specifically set forth in this Agreement or the Plan, nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any Persons (including, without limitation, any Persons holding claims against or interests in PG&E) other than the Parties and their respective permitted successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third Persons to any Party, nor give any third Persons any right of subrogation or action against any Party.

Section 5.9 Authority; Enforceability Each Party represents and warrants to the other that this Agreement has been duly authorized by all action required of such Party to be bound thereby, and that this Agreement is valid, binding and enforceable obligations of such Party.

Section 5.10 Waiver of Compliance To the extent permitted by applicable law, any failure of any of the Parties to comply with any obligation, covenant, agreement or condition set forth herein may be waived by the Party entitled to the benefit thereof only by a written instrument signed by such Party, but any such waiver shall not operate as a waiver of, or estoppel with respect to, any prior or subsequent failure to

comply therewith. The failure of a Party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of such rights.

Section 5.11 California Law This Agreement shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of California, without giving effect to the conflict of law principles thereof.

Section 5.12 Admissions This Agreement is a compromise believed by the Parties to be in the best interests of all concerned parties. Nothing in this Agreement shall be construed or deemed to be an admission by any of the Parties of any liability or any material fact in connection with the Litigation.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of
the date first written above.

PACIFIC GAS & ELECTRIC COMPANY

By: _____

Title: _____

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: _____

Title: _____

COMMISSIONERS IN THEIR OFFICIAL CAPACITY

Loretta M. Lynch

Henry M. Duque

Carl W. Wood

Geoffrey F. Brown

Michael Peevey