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12 PACIFIC GAS AND ELECTRIC COMPANY

13 UNITED STATES BANKRUPTCY COURT  
14 NORTHERN DISTRICT OF CALIFORNIA  
15 SAN FRANCISCO DIVISION

16 In re

17 PACIFIC GAS AND ELECTRIC  
18 COMPANY, a California corporation,

19 Debtor.

20 Federal I.D. No. 94-0742640

21 Case No. 01-30923 DM

22 Chapter 11 Case

23 Date: October 2, 2002

24 Time: 9:30 a.m.

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

27 DECLARATION OF LANCE MAEDA IN SUPPORT OF  
28 MOTION FOR AUTHORITY TO INCUR ADDITIONAL  
MISCELLANEOUS IMPLEMENTATION EXPENSES

DECLARATION OF LANCE MAEDA

ADD: OGC Mail Clerk  
Room 1

HOWARD  
RICE  
NEMEROVSKI  
CANADY  
FALK  
& RABKIN  
A Professional Corporation

1 I, Lance Maeda, declare:

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

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

20 3. Software Licenses and Related Services: Currently, PG&E Corporation  
21 provides certain services to PG&E utilizing software products that are licensed by PG&E  
22 Corporation. As a result of the separation under the Plan, PG&E must purchase and install  
23 several software products so that it will be able to perform these functions internally. The  
24 total costs for these software licenses and related training and support services is  
25 approximately \$9,200. The types of software licenses that PG&E will need to purchase  
26 include: (i) software used to track employee contributions to PG&E's political action  
27 committee; (ii) software used to manage PG&E's pension and pension benefits funds; (iii)  
28 software used to train PG&E employees over the Internet on business ethics and compliance

DECLARATION OF LANCE MAEDA

1 with legal and regulatory requirements; (iv) software used to track risk management and  
2 insurance requirements; and (v) software used for tax return preparation and tax solutions.  
3 The foregoing software licenses must be purchased promptly to allow for time to install and  
4 configure the software as part of a particular business system or set of business processes, to  
5 test the installation, and, in some cases, to convert existing data or create separate databases  
6 to account for the separation of PG&E from the New Entities. Also, PG&E requires  
7 additional time to provide instruction and training to the employees who will be using the  
8 various software products.

9 4. Stock Option Plan. PG&E Corporation currently administers a stock  
10 option plan for PG&E employees who hold options to purchase PG&E Corporation stock.  
11 Pursuant to the Plan, employees who hold options to purchase PG&E Corporation stock will  
12 also be granted options to purchase PG&E stock, which will be publicly traded after the  
13 Plan Effective Date. Therefore, PG&E will require a new PG&E stock option plan, which it  
14 will administer for all individuals who are granted PG&E stock options. PG&E has selected  
15 Salomon Smith Barney, a member of Citigroup ("Salomon"), to develop a system for  
16 administering the new stock option plan. Salomon provides corporations with a range of  
17 corporate financial services, including stock option plan services. The process of  
18 developing and implementing the new stock option plan is expected to take approximately  
19 three months. Specifically, Salomon will: (i) design and develop a system to administer the  
20 stock option plan, including the online access features, (ii) install and test the system, (iii)  
21 set up accounts for option holders, and (iv) develop a communication plan to inform option  
22 holders on how to use the new system. All of these tasks must be completed by the Plan  
23 Effective Date, since option holders may wish to exercise their options immediately after  
24 the Plan Effective Date. Salomon will provide these services to PG&E for a cost of  
25 approximately \$25,000. This cost includes an initial set-up fee of \$5,000, which PG&E will  
26 be required to pay even if the project is cancelled before completion.

27 5. Human Resources Software for the New Entities. PG&E has identified a number  
28 of ways to obtain the software, as well as to install, configure and test it so that all critical human

resources functions will be in place for the New Entities by the Plan Effective Date. PG&E will obtain the necessary software licenses but the licenses will be transferable to the New Entities upon the Plan Effective Date. If the Plan is not confirmed, PG&E anticipates that it will be able to use all of the software tools described below, which represent current (and therefore upgraded) versions of software already in use by PG&E. The software identified below relates to additional human resource requirements that have not been covered in the previous motions covering human resource expenses.

a. Random Drug Testing: "Heidi/Assistant" is a software tool currently used by PG&E to manage random drug testing of certain classes of employees in order to comply with Department of Transportation regulations. The New Entities will also be subject to the Department of Transportation regulations requiring certain classes of employees to be randomly drug-tested. Therefore, PG&E intends to purchase a similar software license for the New Entities from Compliance Information Systems for approximately \$6,590, which includes the software and support for 2,500 tests per year.

b. Affirmative Action Plan: "Great AAP" is a software tool currently used by PG&E to create and manage affirmative action plans to comply with state and federal regulations. The New Entities will also require this tool to manage their affirmative action plans. PG&E intends to purchase this software license from Berkshire Associates, Inc. for approximately \$2,995, which includes the Great AAP Master Edition Single License and one year of technical support.

c. Training Management: "Training Server" is a software tool currently used by PG&E to manage training classes, training class enrollment and employee training records. It is currently the sole repository for PG&E-employee training records. These training certifications are necessary to ensure that employees can continue to safely perform their jobs and operate certain specialized equipment. Therefore, the New Entities will require this software tool to track employee training records as well, including the records for current PG&E employees who may work for the New Entities. PG&E intends to purchase this software license from THINQ Learning Solutions Inc. for approximately

1 \$20,000. In addition, THINQ will provide installation, configuration and testing for this  
2 software at a cost of approximately \$40,000.

3 d. Employee Testing: "Scan Tools" is a software tool currently used by  
4 PG&E to operate a bubble card scanner (used to score pre-employment and employee tests).  
5 This testing is required to ensure that employees in specific jobs can continue to perform the  
6 required job functions. Therefore, the New Entities will also require this software tool to  
7 conduct testing for new and continuing employees. In addition, "EEI Scanner" software is  
8 currently used by PG&E in conjunction with the Scan Tools software to score employee  
9 tests. The New Entities will also require this software in order to score employee tests.  
10 PG&E intends to purchase the Scan Tools software license from NCS Pearson for  
11 approximately \$1,725 and the EEI Scanner software license from the Edison Electric  
12 Institute for approximately \$4,500.

13 6. Banking & Money Management for the New Entities: By the Plan  
14 Effective Date, the New Entities will require certain software and IT applications to handle  
15 banking and money management services. The software and applications described herein  
16 involve specialized banking and money management software that have not been covered in  
17 the previous motions approving software and IT application purchases. PG&E intends to  
18 purchase licenses for certain specialized software products, which must be installed and  
19 tested for use by the New Entities (the licenses will be transferable to the New Entities upon  
20 the Plan Effective Date). In addition, existing banking and money management data must be  
21 separated from PG&E and transferred to the applications to be used by the New Entities.  
22 The banking and money management projects described below are expected to take  
23 approximately three to four months to complete, which includes the software installation as  
24 well as the separation and transfer of data.

25 a. Cash Management Software and Related Services: PG&E currently  
26 licenses Resource IQ software, which it uses to manage its daily cash position and to record  
27 banking transactions to the general ledger accounting system. Therefore, for the New  
28 Entities, PG&E intends to purchase a similar license from SunGuard Treasury Systems.

1 ("Sunguard"), a banking software specialist, at a cost of approximately \$110,950. Software  
2 consultants from Sunguard will assist with the installation, configuration and  
3 implementation of Resource IQ at an additional cost of approximately \$32,000. In addition,  
4 PG&E will purchase a license for Mellon Bank's Telecash software for the New Entities at a  
5 cost of approximately \$350. This software is used to approve wire transfers of money to and  
6 from Mellon Bank initiated through the Resource IQ software system.

7 b. Banking Relationship Software and Related Services. PG&E currently uses  
8 Banking Relationship Manager software to analyze banking fees and services. For the New  
9 Entities, PG&E will purchase a license for Banking Relationship Manager software from  
10 The Weiland Financial Group ("Weiland"), a financial services consulting firm, at a cost of  
11 approximately \$20,500. Weiland will also provide one or more consultants who will assist  
12 PG&E in separating the data currently stored in the Banking Relationship Manager software  
13 used by PG&E. The cost for the consultants' services will be approximately \$2,000.

14 c. Project Management. PG&E has selected Bort and Company, Inc., a cash  
15 management consulting firm, to provide project management services in connection with the  
16 implementation of the banking and money management processes for the New Entities at a  
17 cost of approximately \$30,000. These services will include scheduling, tracking and  
18 reporting on the status of the foregoing banking and money management projects.

19 7. Electronic Data Interchange. GE Global Exchange Services currently  
20 provides an Electronic Data Interchange ("EDI") program for PG&E's purchasing and  
21 accounts payable functions. The EDI program allows PG&E to communicate electronically  
22 with its vendors and exchange purchase orders, purchase order changes and invoices  
23 electronically. It also permits PG&E to pay vendors via Electronic Funds Transfer. PG&E  
24 has found that the EDI program reduces its costs and improves the overall efficiencies of its  
25 operations. Therefore, PG&E has decided to install the EDI program for the New Entities to  
26 ensure a smooth transition upon separation and to avoid inefficient and potentially inaccurate  
27 payment processing by the New Entities. PG&E has selected GE Global Exchange Services  
28 to provide a similar EDI program for the New Entities. This will include analysis of current

PG&E procedures, including special processes and reporting, modifications to various aspects of the existing EDI program to meet the special requirements of the New Entities, setting-up the Electronic Funds Transfer system, adding an electronic connection between GE Global Exchange Services and the New Entities, and testing and implementation of the new EDI program with approximately 250 vendors. This project is expected to take approximately four months to complete. The set-up cost is \$40,000 and the additional estimated cost for implementing the system is \$50,000. The set-up cost of \$40,000 cannot be avoided even if the contract is subsequently canceled before completion of the project. The remaining \$50,000 is based on time and expenses and therefore could be partially or fully avoided upon contract termination.

8. The cost estimates set forth above are based on PG&E's initial scoping of the project requirements and negotiations with the consultants who have been selected to perform the work (or preliminary discussions with the potential consultants, as noted below). For each of the consulting firms, PG&E's standard contractual provisions in place with these firms (or to be included in any contracts to be executed hereafter) do not guarantee future work or any minimum amount of revenue. PG&E will also maintain the right to terminate the work at any time without cause, in which case PG&E is liable only for work performed to the date of termination plus costs reasonably incurred by the consultant in terminating any work in progress. There are a few exceptions noted above, where PG&E has been unable to obtain the services without paying an initial set-up or flat fee, which cannot be recovered if the work is subsequently terminated. In addition, the software license fees described herein involve one time charges that cannot be recovered if the work is subsequently terminated.

HOWARD  
RICE  
NEMEROVSKI  
CANADY  
FALK  
& RABKIN  
A Professional Corporation

1 I declare under penalty of perjury of the laws of the United States that the  
2 foregoing is true and correct, and that this declaration was executed at San Francisco,  
3 California on September 11, 2002.

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6 LANCE MAEDA

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