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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

Case No. 01-30923 DM

Chapter 11 Case

Date: October 2, 2002

Time: 9:30 a.m.

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

21 DECLARATION OF STEPHANIE MAGGARD
22 IN SUPPORT OF MOTION FOR AUTHORIZATION TO INCUR
23 ADDITIONAL MISCELLANEOUS IMPLEMENTATION EXPENSES

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DECLARATION OF STEPHANIE MAGGARD

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HOWARD
RICE
NEMEROVSKI
CANADY
FALK
& RABKIN
A Professional Corporation

1 I, Stéphanie Maggard, déclare:

2 1. I am a director in PG&E Corporation's finance department, and am
3 currently on assignment to Pacific Gas and Electric Company ("PG&E") in connection with
4 the implementation of PG&E's proposed Plan of Reorganization (the "Plan"). I was
5 employed by PG&E from 1989 to 2000 and transferred to PG&E Corporation in 2000. I
6 held a number of positions at PG&E, primarily in the areas of regulation and ratemaking,
7 and business and financial planning. In my current assignment, I am a project manager for
8 PG&E's implementation of the Plan. In this position, I manage the business aspects of Plan
9 implementation, including resolution of business issues, forecasting and tracking of
10 implementation costs, and obtaining any necessary management and Court approval for
11 implementation projects.

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

17 3. PG&E previously filed and obtained orders approving 11 motions seeking
18 authority to incur costs related to implementation of the Plan. In the Motion for Authority to
19 Incur Information Technology Consulting Expenses and my accompanying declaration, filed
20 on July 23, 2002, on behalf of PG&E, I identified additional implementation projects that
21 will need to commence before the Plan is confirmed (the "Implementation Projects") and
22 estimated that the total expenses for these Implementation Projects will range from \$10.8 to
23 \$17.8 million. In the Motion for Authority to Incur Miscellaneous Implementation Expenses
24 ("Miscellaneous Motion") filed on August 15, 2002, a portion of the Implementation
25 Projects were covered for a total estimated cost of \$1,397,180. The present Motion covers
26 additional Implementation Projects for a total estimated cost of \$5,602,810. PG&E
27 anticipates filing one or more motions in October to cover additional Implementation
28 Projects not covered in the Miscellaneous Motion or this Motion.

DECLARATION OF STEPHANIE MAGGARD

1 4. Transactional Agreements and Schedules. Implementation of the Plan will
2 require the creation of up to 100 separate agreements, most of which will have several
3 schedules attached listing or describing specific items related to the particular transaction; as
4 a result, some of the schedules are expected to take up thousands of pages and will be
5 maintained on computer discs rather than in paper format. These agreements will cover such
6 critical matters as how each of the New Entities will be separated from PG&E and what
7 assets each will own. For example, examples of these agreements include the asset transfer
8 assignment and assumption agreement (which will contain voluminous schedules), and the
9 substation/switchyard agreements. Due to the volume of information involved, substantial
10 time is required to develop and review these documents. Each agreement and schedule
11 requires extensive research, input and review by various subject-matter experts at PG&E.
12 The development process for these documents could take several months, as a result of the
13 time involved in assembling the necessary information, and the drafting and review process.
14 There will be many PG&E representatives, as well as outside counsel, participating in the
15 preparation of these documents.

16 5. PG&E has selected ZIA Information Analysis Group, Inc. ("ZIA") to
17 provide data management support for this project. ZIA's work on a related project was
18 previously approved by the Court (PG&E's Motion for Authority to Incur Data Management
19 Costs, approved by Order entered on June 20, 2002). The prior motion related to ZIA's
20 development and maintenance of an asset database to facilitate the preparation of the asset
21 schedules needed for the asset transfer assignment and assumption documentation
22 contemplated by the Plan. The present project relates to ZIA's development and
23 maintenance of a secure website for all Plan-related transactional documentation in order to
24 facilitate the exchange of information between PG&E, its outside counsel and any other
25 parties assisting with Plan implementation who will be authorized to access the website.
26 ZIA will also assist with the compilation, organization and review of the transactional
27 documentation, including the input of all draft documents onto the website. PG&E estimates
28 that the cost for this work will be approximately \$257,000.

1 6. Accounting Processes and Procedures. Currently, PG&E's principal
2 accounting system is provided through a client server application developed by SAP
3 America, Inc. ("SAP"). PG&E also uses more than 80 other software applications that
4 support information recorded in the SAP accounting system and perform other accounting
5 functions. These supporting accounting systems consist of subsidiary ledgers containing
6 detail information for certain line items contained in the general ledger, as well as systems
7 that perform computations of amounts to be recorded in the general ledger. Both manual
8 and automated interfaces transfer information from the various accounting systems into the
9 SAP accounting systems. Approximately five million transactions are posted to the SAP
10 accounting system each week. PG&E estimates that approximately 30 percent of these
11 transactions relate to business activities of the New Entities.

12 7. By the Plan Effective Date, the New Entities will require accounting
13 systems and applications that are fully implemented and operational in order to maintain
14 their books and records. Each of the accounting systems and applications will require
15 associated processes and procedures to capture, record and validate accounting transactions
16 to ensure that accurate and complete information is ultimately recorded in the general ledger.
17 For example, the recording of revenue requires complex processes and procedures to:
18 capture the units sold or services provided, price the goods and services, estimate collectible
19 amounts, and prepare and record revenue journal entries in the general ledger.

20 8. Although PG&E intends to replicate existing procedures and processes and
21 introduce as little change as possible, the New Entities will be separate, new companies and
22 out of necessity certain processes and procedures will change. In addition, it will be
23 important that employees of the New Entities be trained in the use of all accounting
24 processes and procedures. It will also be critical that PG&E review its existing accounting
25 processes and procedures to ensure that these processes and procedures are not disrupted as a
26 result of the separation.

27 9. PG&E has selected PricewaterhouseCoopers ("PWC"), a global accounting
28 and financial services firm, to assist with the development of accounting processes and

1 procedures for the New Entities. PWC has extensive experience in the accounting field,
2 including the implementation of processes, procedures and internal controls associated with
3 complex accounting systems. Specifically, this project will include the following
4 components: (i) an inventory of existing accounting applications, procedures and controls;
5 (ii) analysis of existing procedures and controls to determine which components can be
6 duplicated, duplicated with modifications, or require a new design; (iii) recommendations of
7 modifications to existing processes to accommodate organizational changes, application
8 configuration and other changes necessitated by formation of the New Entities; (iv) assisting
9 PG&E in designing new accounting procedures for functions that are new or require more
10 substantial changes; (v) estimating resource requirements, including employee requirements,
11 to perform accounting processes at the New Entities and at PG&E; (vi) reviewing interfaces
12 between field locations and centralized processing functions and between and among
13 accounting systems; (vii) testing of new procedures and controls for the New Entities and
14 PG&E; (viii) determining training needs and assist in developing training materials; and (ix)
15 assisting in the implementation of all new accounting processes.

16 10. Pursuant to the previous Miscellaneous Motion, PG&E obtained approval
17 for application integration software and support related to the SAP system and other key
18 systems that will be used by the New Entities. The project described above to be performed
19 by PWC relates to the overall development and implementation of accounting processes and
20 procedures as opposed to the technical implementation.

21 11. Implementation of accounting systems, procedures and controls to capture,
22 record and validate business transactions is a critical business function that must be
23 completed before the New Entities commence business operations. PG&E estimates that the
24 accounting process and procedures work to be performed by PWC (and related work to be
25 performed by PG&E) will take approximately six months. This project is designed to
26 provide only the basic accounting requirements for the New Entities and PG&E to keep
27 accurate financial records, develop financial statements, and perform basic financial
28 functions, such as paying employees and billing customers. PG&E estimates that the total

1 cost for PWC's services will be approximately \$1.5 million.

2 12. I am informed and believe that PWC is also approved as a professional in
3 this case as the financial advisor to the Official Committee of Unsecured Creditors
4 ("Committee"). PWC has informed PG&E that the Committee has no objection to PWC's
5 representation of PG&E for the limited purposes set forth above and that PWC has ethical
6 walls in place to protect the Committee's and PG&E's confidential information. I am also
7 informed and believe that PWC is filing a Supplemental Declaration of Michael Hamilton
8 with the Court on or about September 13, 2002 disclosing its proposed services to be
9 provided to PG&E.

10 13. The cost estimates set forth in paragraphs 5 and 11 above are based on
11 PG&E's initial scoping of the project requirements and negotiations with the consultants
12 who have been selected to perform the work. For each of the consulting firms described
13 above, PG&E's standard contractual provisions in place with these firms (or to be included
14 in any contracts to be executed hereafter) do not guarantee future work or any minimum
15 amount of revenue. PG&E will also maintain the right to terminate the work at any time
16 without cause, in which case PG&E is liable only for work performed to the date of
17 termination plus costs reasonably incurred by the consultant in terminating any work in
18 progress.

19 14. The work described in Section D of the Motion (General Implementation
20 Expenses) was not specifically described in my previous declaration, but PG&E has recently
21 become aware of the necessity of these projects and costs. PG&E anticipates that it will stay
22 within its previous cost estimates for the Implementation Projects, notwithstanding this
23 additional category of implementation work.

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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5 STEPHANIE MAGGARD