

50-275/523

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10 Attorneys for Debtor and Debtor in Possession  
11 PACIFIC GAS AND ELECTRIC COMPANY

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

15 In re  
16 PACIFIC GAS AND ELECTRIC  
17 COMPANY, a California corporation,  
18 Debtor.

19 Case No. 01-30923 DM  
20 Chapter 11 Case  
21 Date: October 29, 2002  
22 Time: 1:30 p.m.  
23 Place: 235 Pine Street, 22nd Floor  
24 San Francisco, California  
25 Judge: Hon. Dennis Montali

26 Federal I.D. No. 94-0742640

27 DECLARATION OF BARBARA J. DAMLOS IN SUPPORT OF  
28 MOTION OF PACIFIC GAS AND ELECTRIC COMPANY FOR  
29 ORDER AUTHORIZING ASSUMPTION OF CERTAIN  
30 PRE-PETITION SETTLEMENT AGREEMENTS

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HOWARD  
RICE  
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CANADY  
FALK  
& RABKIN  
A Professional Corporation

1 I, Barbara J. Damlos, declare as follows:

2 1. I am an attorney licensed to practice law in the State of California and  
3 admitted to practice in the United States District Court for the Northern District of  
4 California. I am an attorney in the litigation department for Pacific Gas and Electric  
5 Company ("PG&E"), a position I have held since May, 1997. I make this Declaration based  
6 upon my personal knowledge of PG&E's litigation and claims resolution process and upon  
7 my review of PG&E's records concerning the matters stated herein. If called as a witness, I  
8 could and would testify competently to the facts stated herein.

9 2. I make this declaration in support of the Motion For Order Authorizing  
10 Assumption of Certain Pre-Petition Settlement Agreements filed herein by PG&E (the  
11 "Motion").

12 3. The Motion seeks approval of the assumption of nineteen (19) settlement  
13 agreements entered into by PG&E, as defendant in various personal injury actions, as listed  
14 on Exhibit A to the Motion (the "Settlement Agreements"), a payment of amounts owed  
15 thereunder. Each of the Settlement Agreements resolves a personal injury action against  
16 PG&E, and the amounts owed thereunder are payable to individual plaintiffs and their  
17 respective counsel.

18 4. The Settlement Agreements were entered into pre-petition, and in each case,  
19 there are material unperformed obligations thereunder on the part of both parties. In each  
20 case, the plaintiff has the obligation, so far unperformed, to execute a release and/or file a  
21 dismissal of the action, while PG&E has the obligation to make a one-time payment. None  
22 of the lawsuits have been dismissed as of the date hereof.

23 5. As noted on Exhibit A to the Motion, the amount of the settlement  
24 payments to be made by PG&E range from \$6,000 to \$200,000, with the average payment  
25 being approximately \$37,000.

26 6. PG&E seeks this relief on the grounds that payment of the amounts owed  
27 under the Settlement Agreements represents a minimal cost to the estate, while PG&E's  
28 continued failure to make such payments may impose a serious hardship on the individual

1 plaintiffs who are parties to the Settlement Agreements.

2 7. The Settlement Agreements are executory in nature. Pursuant to the  
3 Settlement Agreements, the plaintiffs have the obligation to execute releases and to dismiss  
4 their actions with prejudice, while PG&E has the obligation to make certain payments to the  
5 plaintiffs. The plaintiff's release and dismissal of the action is a necessary component of  
6 each Settlement Agreement. If the plaintiff fails to sign the release and to dismiss the action,  
7 the cause of action is not extinguished, and the obligation of the Debtor to pay the settlement  
8 amount would be excused.

9 8. The amount necessary to cure the amounts owed under the Settlement  
10 Agreements is \$697,499 in the aggregate. I am informed and believe and thereupon allege  
11 that PG&E has substantial cash reserves and ongoing revenues, as demonstrated in  
12 numerous filings before this Court, and is capable of curing arrearages and completing its  
13 future performance under the Settlement Agreements.

14 9. The Debtor's continued inability to make payments under the Settlement  
15 Agreements may impose hardships on the plaintiffs party to the Settlement Agreements, who  
16 are involuntary creditors of the Debtor. Additionally, the total amount of money the Debtor  
17 requests to pay (\$697,499) represents a very small percentage of the Debtor's total assets,  
18 with the average amount owed to each plaintiff under the Settlement Agreements being  
19 approximately \$37,000.

20 I declare under penalty of perjury under the laws of the United States of America  
21 and the State of California that the foregoing is true and correct. Executed this 3<sup>rd</sup> day of  
22 October, 2002 at San Francisco, California.

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25 BARBARA J. DAMLOS  
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