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PACIFIC GAS AND ELECTRIC COMPANY

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

In re PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, Debtor. Federal I.D. No. 94-0742640	Case No. 01-30923 DM Chapter 11 Case Date: November 8, 2002 Time: 1:30 p.m. Place: 235 Pine Street, 22nd Floor San Francisco, California

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DECLARATION OF MICHAEL SCHONHERR IN SUPPORT OF THIRD MOTION FOR AUTHORIZATION TO INCUR MISCELLANEOUS IMPLEMENTATION EXPENSES

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I, Michael Schonherr, declare:

1. I am a Manager in the Building and Land Services Department for Pacific Gas and Electric Company ("PG&E"), a position I have held since September 2001. I have worked in various managerial capacities for the Building and Land Services Department for over 14 years. I make this declaration in support of the Third Motion for Authorization to Incur Miscellaneous Implementation Expenses (the "Motion"). Defined terms used herein shall have the meanings set forth in the Motion. This Declaration is based on my personal knowledge, except where indicated otherwise. If called as a witness, I could and would testify competently to the facts stated herein.

2. PG&E previously obtained authority to incur land-related expenses (the "Land Motion"). The Land Motion described expenses to be incurred in connection with title review and analysis, and survey work, for a total estimated cost of $5,500,000. This work arises out of PG&E's large portfolio of real estate assets, including approximately 250,000 acres of land, more than six million square feet of support service space (service centers, offices and warehouses) and hundreds of real property leases (collectively, the "Land"), along with thousands of related real property rights, including: rights-of-way and easements, prescriptive rights, possessory interests, unrecorded rights and other land-related agreements, and associated maps and drawings (collectively, the "Land Rights"). This work is necessary to prepare for the transfers of Land and Land Rights to the New Entities in connection with the implementation of the Plan.

3. Since the Land Motion was filed, PG&E has identified additional land-related work that needs to be completed in advance of the Plan Effective Date, as described below. These new tasks are similar in nature to the work described in the Land Motion and will be completed by the same contractors identified in the Land Motion. However, PG&E estimates that the completion of these new tasks could add up to $750,000 in additional expenses to be paid to the various contractors performing the work.

4. Additional Land and Land Rights Analysis and Reconciliation. This category of work includes title work in connection with the review, analysis and

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reconciliation of all Land Rights, including field verification of information, assignment of the Land and Land Rights to the New Entities, and analyzing new and modified rights to be acquired. Contractors performing this work are as follows:

- *EDB Data Resources*
- *Phillip Longo*
- *Charles McClue*
- *Paragon Partners, Ltd.*
- *Kenneth Sorensen*
- *Willbanks Resources Corporation*

5. The additional work arises out of the transfer of gas transmission facilities to GTrans. In connection with the title review and analysis associated with these gas transmission rights, it is necessary to analyze and reconcile data delineated on approximately 12,000 gas system maps. Additional title review and analysis is also necessary in connection with the distribution feeder mains (i.e., local gas transmission facilities) to be transferred to GTrans. The foregoing projects have become necessary since the previous Land Motion was filed, based on the further development of the asset transfer process and the identification of specific asset transfers to take place between PG&E and GTrans.

6. Additional Land Surveying. This category of work includes land surveys, preparation of the deeds and maps related to the possible subdivision, lot line adjustments, and/or transfer of fee properties to the New Entities, work necessary to ensure compliance with local rules and regulations, and preparation of easement reservations and new easement grants. The contractor performing this work is *Towill, Inc.*

7. The additional survey work arises out of communications and telecommunications-related transfers that will occur as part of Plan implementation. PG&E requires Towill's services in preparing exhibit maps and legal descriptions in connection with the following agreements to be executed in connection with the Plan: (i) the Master Communications Easement Agreement, which will provide for easements by and between PG&E and each of the New Entities related to the ongoing maintenance and operation of communications facilities; this agreement will allow PG&E and each of the New Entities to have the mutual benefit of existing communications facilities that may be located on

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property owned by PG&E, for example, following the Plan Effective Date; and (ii) the Telecommunications Services Agreement, which will provide for telecommunications services to be provided by ETrans to PG&E and the other New Entities, including the transfer of certain Land Rights related to telecommunications facilities.

8. The foregoing survey projects have become necessary since the previous Land Motion was filed, based on the further development of the asset transfer process with respect to communications and telecommunications facilities that will be part of the Land and Land Rights to be transferred by the Plan Effective Date.

9. PG&E's standard contractual provisions in place with the land-related contractors described above do not guarantee future work or any minimum amount of revenue. PG&E also maintains 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.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct and that this Declaration is executed this 18th day of October, 2002, at San Francisco, California.

Michael Schonherr
MICHAEL SCHONHERR

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