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9 **Attorneys for Official Committee of Unsecured Creditors**

10 UNITED STATES BANKRUPTCY COURT
11 NORTHERN DISTRICT OF CALIFORNIA
12 SAN FRANCISCO DIVISION

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

15 **SUPPLEMENTAL DECLARATION OF PAUL S. ARONZON IN SUPPORT OF**
16 **MOTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR**
17 **AUTHORITY TO INCUR PLAN IMPLEMENTATION EXPENSES**

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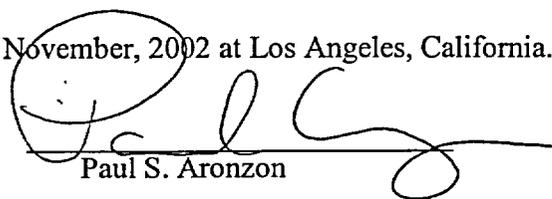
I, Paul S. Aronzon, declare:

1. I am a partner at Milbank, Tweed, Hadley & McCloy ("Milbank"), counsel to the Official Committee of Unsecured Creditors (the "Committee") in the Pacific Gas and Electric Company ("PG&E") chapter 11 bankruptcy case (the "Case"). I am one of the partners at Milbank primarily responsible for the representation of the Committee in the Case. I have personal knowledge of the facts set forth below, and if called upon, I could and would testify competently with regard thereto. I make this declaration in further support of the Motion of the Official Committee of Unsecured Creditors for Authority to Incur Plan Implementation Expenses (the "Motion") filed October 29, 2002.

2. Attached as Exhibit "A" is a true and complete copy of a form of letter from Standard and Poor's ("S&P") regarding cost and timing parameters in connection with the indicative ratings letter from S&P with respect to the debt and equity securities that will be issued under the Amended Plan of Reorganization filed by the Committee and the California Public Utilities Commission if it is confirmed.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 5th day of November, 2002 at Los Angeles, California.



Paul S. Aronzon

EXHIBIT "A"

55 Water Street
Floor 33
New York, NY 10041-0003
Tel (212) 438-7196
Fax (212) 438-7191

Terrence Streicher
Director
Product Management
Corporate & Government Services

Standard & Poor's

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November 5, 2002

California Public Utilities Commission and
Official Committee of Unsecured Creditors in the matter of
Pacific Gas and Electric, a California Corporation as debtor
C/O Milbank, Tweed, Hadley & McCloy LLP
Attn. Mr. Paul Aronzon
601 South Figueroa Street, 30th Floor
Los Angeles, CA 90017

Dear Mr. Aronzon:

Thank you for your recent request for the Rating Evaluation Service from Standard & Poor's. The California Public Utilities Commission and Official Committee of Unsecured Creditors in the matter of Pacific Gas and Electric, a California Corporation as debtor have requested that we perform the evaluation detailed on Exhibit A attached hereto (the "Evaluation").

We agree to perform the Evaluation on the terms and conditions stated herein in the Exhibits and in accordance with the attached Terms and Conditions which are expressly incorporated herein. You agree to pay to Standard & Poor's the fee listed on Exhibit B attached hereto at the times described therein.

Please indicate your acceptance of this proposal for evaluation services and the attached Exhibits and Terms and Conditions by signing this document and returning it via fax to (212) 438-7191 and by mail to me.

Sincerely,

Terrence Streicher

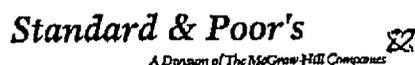
c.c. Gary M. Cohen, California Public Utility Commission
Ronald Barone, Standard & Poor's

California Public Utilities Commission and
Official Committee of Unsecured Creditors in the matter of
Pacific Gas and Electric, a California Corporation as debtor
C/O Milbank, Tweed, Hadley & McCloy LLP

By: _____ Date: _____
(signature/date)

Name: _____
(print or type)

Title: _____
(print or type)



**Exhibit (A)
Rating Evaluation Service
(The Services To Be Performed)**

The California Public Utilities Commission and Official Committee of Unsecured Creditors in the matter of Pacific Gas and Electric, a California Corporation as debtor will provide to Standard & Poor's in timely fashion:

- Signed engagement letter,
- A detailed scenario pertaining to an alternative plan of reorganization for Pacific Gas and Electric Company to be evaluated (including relevant tax information),
- Pro-forma income, balance sheet and cash flow statements,
- Other supportive documentation needed to make the rating evaluation.

Standard & Poor's will provide to the California Public Utilities Commission and Official Committee of Unsecured Creditors in the matter of Pacific Gas and Electric, a California Corporation as debtor in verbal and written format:

- A letter detailing definitive analysis of the impact of the scenario pertaining to an alternative plan of reorganization for Pacific Gas and Electric Company on initial ratings,
- An explanation of adjustments and assumptions used to derive prospective credit ratios and resulting ratings impact of the above scenario based on the information provided to us.

Services that Standard & Poor's will not perform:

- Providing commentary on matters of public policy.
- Analysis on hostile acquisition of a Standard & Poor's ratings client.
- Tax analysis of any proposal submitted.
- Assistance in formatting or formulating a proposal.
- Recommendation as to the type of debt/equity the company should sell.
- Analysis of proposals that are continuously reformatted by the company.



**Exhibit (B)
Rating Evaluation Service
Fee Schedule**

As per our agreement, Standard & Poor's will perform the Services outlined in Exhibit A, for the California Public Utilities Commission and Official Committee of Unsecured Creditors in the matter of Pacific Gas and Electric, a California Corporation as debtor and will provide you with a rating letter explaining our conclusions. We estimate the fee for these services to be \$250,000. However, the actual fee will be tied to the complexity, timeliness and form requested for the proposed analysis.

We will invoice you for \$125,000 upon signing this agreement, with the balance (\$125,000) due when the rating letter is issued. In the event the evaluation is not completed, the Official Committee of Unsecured Creditors in the matter of Pacific Gas and Electric, a California corporation as debtor will be billed for work completed to date, with a minimum of \$150,000.

Should you require any additional information about Standard & Poor's services please call us.

Notices: All notices shall be addressed as follows:

If to Standard & Poor's:

Mr. David Bodek
Director
Standard & Poor's
55 Water Street
Floor 38
New York, NY 10041-0003
Phone: 212-438-7969
Fax: 212-438-2154

If to the California Public Utilities Commission and Official Committee of Unsecured Creditors in the matter of Pacific Gas and Electric, a California Corporation as debtor:

California Public Utilities Commission and
Official Committee of Unsecured Creditors in the matter of
Pacific Gas and Electric, a California Corporation as debtor
C/O Milbank, Tweed, Hadley & McCloy LLP
Attn. Mr. Paul Aronzon
601 South Figueroa Street, 30th Floor
Los Angeles, CA 90017
Phone: 213-892-4377
Fax: 213-892-4777

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Rating Evaluation Service Terms and Conditions

1 Services. It is understood and agreed that (i) the evaluation is being provided by Standard & Poor's Ratings Services ("Standard & Poor's") solely for the Client's internal use and may only be communicated to third parties who agree to be bound by the agreements as set forth in paragraph 2, (ii) the services are based solely on information supplied to Standard & Poor's by Client and does not represent an audit or full review by Standard & Poor's, (iii) Standard & Poor's relies on the Client and the Client's accountants, counsel and other experts for the accuracy and completeness of the information presented in connection with the services and undertakes no duty of due diligence or independent verification of any such information, (iv) Standard & Poor's does not and cannot guarantee the accuracy, timeliness or completeness of information relied on by Standard & Poor's in providing the service or the results obtained from use of the service, (v) Standard & Poor's is not acting as an investment or financial advisor to the Client in connection with providing the services and the Client may not rely on the information provided by Standard & Poor's as investment or financial advice, and (vi) nothing in this Agreement creates, is intended to create or should be construed as creating a fiduciary relationship between Standard & Poor's and the Client. It is understood and agreed that Standard & Poor's services may include information that may appear to be advice and recommendation, but all decisions in connection with the implementation of any course of action based on any such advice or recommendation or other service furnished by Standard & Poor's shall be the sole responsibility of, and by, Client. In the event of a claim by a third party relating to services under this Agreement, Client will indemnify Standard & Poor's and its personnel from all such claims, liabilities, cost and expenses except to the extent determined to have resulted from the gross negligence or willful misconduct of Standard & Poor's personnel. It is understood and agreed that Standard & Poor's has not consented to and will not consent to being named an "expert" under applicable securities laws, including without limitation Section 7 of the Securities Act of 1933. Client may not use any written product produced by Standard & Poor's under this Agreement in any registration statement or other public filing under any applicable law.

2. Limitation on Dissemination. The Client agrees that it shall only communicate the evaluation services to third parties who execute and deliver to the Client and to Standard & Poor's a letter to the effect that such third party (i) understands and agrees that Standard & Poor's has and assumes no duty toward such third party, (ii) agrees not to rely on the rating evaluation, (iii) received a copy of the Terms and Conditions and understands the scope of the evaluation services and the limitations thereof and (iv) agrees not to communicate the ratings evaluation service to any third party without the Client's consent and in compliance with this paragraph, provided however that Client may share the evaluation services with its financial and legal advisors without obtaining the written acknowledgement referred to in this sentence.

3 Term. Unless terminated sooner in accordance with its terms, this Agreement shall terminate on the completion of services hereunder. This Agreement may be terminated by either party at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination.

4 Limitation on Warranties. THIS AGREEMENT IS AN EVALUATION SERVICES ENGAGEMENT. STANDARD & POOR'S WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH. STANDARD & POOR'S DISCLAIMS ALL OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

5. Limitation on Damages. Client agrees that Standard & Poor's, its officers, directors, shareholders and employees shall not be liable to Client for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the aggregate fees paid by Client to Standard & Poor's under this Agreement. In no event shall Standard & Poor's, its officers, directors, shareholders or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by Client as a result of the performance by Standard & Poor's of its services hereunder or based on anything that appears to be advice or recommendations furnished to Client hereunder. The provisions of this Paragraph shall apply regardless of the form of action, damage, claim, liability, costs, expenses or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. Standard & Poor's does not waive any protections or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

6. Cooperation. Client shall cooperate with Standard & Poor's in the performance by Standard & Poor's of its services hereunder, including, without limitation, providing Standard & Poor's with timely access to all data and information relevant to the performance of the services and to personnel of Client. Client shall be responsible for the performance of its employees and agent and for the accuracy and completeness of all data and information provided to Standard & Poor's for purposes of the performance by Standard & Poor's of its services.

7. Force Majeure. Neither Client nor Standard & Poor's shall be liable for any delays resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

8. Limitation of Actions. No action, regardless of form, arising under or relating to this Agreement, may be brought by either party more than one year after the cause of actions has accrued, except that an action for non-payment may be brought by Standard & Poor's not later than one year following the date of the last payment due to Standard & Poor's hereunder.

9 Independent Contractor. It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is, nor shall be considered to be, an agent, fiduciary, distributor or representative of the other. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

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10. Confidentiality. Client and Standard & Poor's acknowledge and agree that all information communicated to either Client or Standard & Poor's by the other party in connection with the performance by a party under this Agreement shall be received in confidence, shall be used only for purposes of this Agreement, and no such confidential information shall be disclosed by the respective parties or their agents or personnel without the prior written consent of the other party. Notwithstanding the foregoing Client agrees that in the event such information is material to the rating, such information may be used to raise, lower, suspend, withdraw, place on CreditWatch and change the Outlook assigned to any such rating and such changed rating may be communicated to the public. Except to the extent otherwise required by applicable law, the parties' obligations under this section do not apply to information that: (a) is or becomes generally available to the public other than as a result of disclosure by Client or Standard & Poor's, (b) was known to either Client or Standard & Poor's or had been previously possessed by Client or Standard & Poor's without restriction against disclosure at the time of receipt thereof by Client or Standard & Poor's, (c) was independently developed by Client or Standard & Poor's without violation of this Agreement, or (d) Client and Standard & Poor's agree from time to time to disclose.

Each party shall be deemed to have met its nondisclosure obligations under this Section as long as it exercises the same level of care to protect the other's information as it exercises to protect its own confidential information. Standard & Poor's may retain, subject to the terms of this Section, copies of Client's confidential information required for compliance with internal policies.

11. Survival. The provisions of Paragraphs 1, 2, 4, 5, 8, 9, 10, 11, 12 and 14 hereof shall survive the expiration or termination of this Agreement.

12. Assignment. Except as provided below, neither party may assign, transfer or delegate any of the rights or obligations hereunder without the prior written consent of the other party. Standard & Poor's may assign its rights and obligations hereunder to any affiliate that is a successor in interest to all or substantially all of the assets or business of Standard & Poor's practice, without the consent of Client.

13. Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void or unenforceable, then the remainder of this Agreement shall not be affected, impaired or invalidated, and each such term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

14. Entire Agreement. These terms, and the Proposal or Engagement letter to which these terms are appended, including Exhibits (together the "Agreement") constitute the entire agreement between Standard & Poor's and Client with respect to the subject matter hereof and supersede all other oral and written representation, understandings or agreements relating to the subject matter hereof. This Agreement may not be changed, amended or modified except in a writing signed by authorized representatives of both parties.

15. Notice. All notices or other communications under this Agreement shall be in writing and shall be deemed given upon receipt by hand deliver, mail, overnight delivery telecopy or other electronic means capable of producing a written record, addressed at the addresses set forth in the agreement.