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PACIFIC GAS AND ELECTRIC COMPANY

— and —

Attorneys for Co-Objector PG&E CORPORATION
listed on attached Counsel Page

50-275/323

HOWARD RICE NEMEROVSKI CANADY FALK & RABKIN
A Professional Corporation

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 27, 2002 Time: 1:30 p.m. Place: 235 Pine Street, 22nd Floor San Francisco, California Judge: Hon. Dennis Montali

DECLARATION OF JAMES L. LOPES IN SUPPORT OF PG&E'S OPPOSITION TO JOINT MOTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS AND THE CALIFORNIA PUBLIC UTILITIES COMMISSION FOR AN ORDER APPROVING (1) PROCEDURES FOR RESOLICITATION OF PREFERENCES CONCERNING COMPETING PLANS OF REORGANIZATION FOR THE DEBTOR, (2) SUPPLEMENTAL DISCLOSURES IN CONNECTION THEREWITH, AND (3) PROPOSED FORM OF BALLOT

Add: Rids OgcMail Loom

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HOWARD RICE NEMEROVSKI CANADY FALK & RABKIN
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I, James L. Lopes, declare as follows:

1. I am an attorney admitted to practice in the State of California and before this Court. I am a director at the law firm of Howard, Rice, Nemerovski, Canady, Falk & Rabkin, A Professional Corporation ("Howard, Rice"), attorneys for Pacific Gas and Electric Company, the debtor and debtor in possession in the above-captioned bankruptcy case (the "Debtor"). I have personal knowledge of the facts stated herein, and, if called as a witness, could and would testify competently thereto under oath.

2. I submit this declaration in support of the joint opposition (the "Opposition") by the Debtor and the co-proponent of its plan of reorganization, PG&E Corporation, to the Joint Motion of the Official Committee of Unsecured Creditors ("OCC") and the California Public Utilities Commission ("CPUC") for an Order Approving (1) Procedures for Resolicitation of Preferences Concerning Competing Plans of Reorganization for the Debtor, (2) Supplemental Disclosures in Connection Therewith, and (3) Proposed Form of Ballot.

3. Attached hereto as Exhibit 1 are true and correct copies of relevant pages from the (official) Transcript of the September 20, 2002 hearing which I attended in the above-captioned case obtained by Howard, Rice.

4. Attached hereto as Exhibit 2 are true and correct copies of relevant pages from the (official) Transcript of the May 15, 2002 hearing which I attended in the above-captioned case obtained by Howard, Rice.

5. Attached hereto as Exhibit 3 are true and correct copies of relevant pages from the (unofficial) Transcript of the November 18, 2002 hearing which I attended in the above-captioned case (containing the testimony of Gary M. Cohen, counsel for the CPUC) obtained by Howard, Rice.

6. Attached hereto as Exhibit 4 are true and correct copies of relevant pages from the (unofficial) Transcript of the November 19, 2002 hearing which I attended in the above-captioned case (containing the testimony of Gary M. Cohen, counsel for the CPUC) obtained by Howard, Rice.

7. Attached hereto as Exhibit 5 is a true and correct copy of correspondence dated

November 19, 2002 from Standard & Poor's to counsel for the CPUC and OCC obtained by Howard, Rice.

8. Attached hereto as Exhibit 6 is a true and correct copy of correspondence dated November 18, 2002 from Fitch Rating to counsel for the OCC obtained by Howard, Rice.

I declare under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct. Executed this 22nd day of November, 2002, at San Francisco, California.

JAMES L. LOPES

HOWARD RICE NEMEROVSKI CANADY FALK & RABKIN
A Professional Corporation

COPY

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

--o0o--

In Re:	Case No. 01-30923-DM
PACIFIC GAS AND ELECTRIC COMPANY,	San Francisco, California Friday, September 20, 2002 2:59 P.M.
Debtor.	
	Chapter 11

Hearing re: (1) motion for order (1) authorizing the re-solicitation of votes and preferences for movants' amended plan of reorganization for the debtor, (2) approving movants' supplemental disclosure in connection therewith, (3) approving movants' proposed form of ballot, and (4) authorizing inclusion of the Official Committee of Unsecured Creditors' revised report and recommendation in the solicitation package and joint motion by CPUC and the Official Committee of Unsecured Creditors; and (2) motion by City of Palo Alto to compel implementation of equitable procedures regarding data room, or in the alternative, for relief from discovery order deadlines.

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE DENNIS MONTALI
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

APPEARANCES:

For Debtor:	JAMES L. LOPES GARY M. KAPLAN STEVEN N. SHERR Howard, Rice, Nemerovski, Canady, Falk & Rabkin Three Embarcadero Center Seventh Floor San Francisco, CA 94111-4065 (415)434-1600
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For Official Committee of Unsecured Creditors:	PAUL S. ARONZON ROBERT JAY MOORE MICHAEL H. DIAMOND Milbank, Tweed, Hadley & McCloy 601 South Figueroa Street Suite 3000 Los Angeles, CA 90017 (213) 892-4307
For Unofficial Committee of of First Interest Bondholders, Class 3:	RICHARD G. MASON Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, NY 10019-6150 (212) 403-1000
For CPUC:	BRIAN S. HERMANN WALTER RIEMAN ROBERTA A. KAPLAN Paul, Weiss, Rifkind, Wharton & Garrison 1285 Avenue of the Americas New York, NY 10019-6064 (212) 373-3209
For The City of Palo Alto:	G. LARRY ENGEL Brobeck, Phleger & Harrison One Market Plaza Spear Street Tower San Francisco, CA 94123 (415) 442-0900

APPEARANCES (Cont.):

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For NCPA:	MARK GORTON McDonough, Holland & Allen 555 Capitol Mall, Ninth Floor Sacramento, CA 95814 (916) 444-3900
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Transcription Service:	V/ARS, Inc. 6905 Vicksburg Place Stockton, CA 95207 (209) 472-2433

Proceedings recorded by electronic sound recording; transcript produced by transcription service.

mean, I realize that you're arguing that we shouldn't re-solicit the preference vote, but I can't disagree that there is a significant change of events here.

MR. LOPES: Well, Your Honor, I think the Court has expressed many times an interest in this preference issue, and its been something that has caused concern, and its not at all clear to me that you need to go out and have a plebiscite of creditors to determine their preference.

I mean, the 1129(c) says that the Court shall take into account the preferences of creditors. And the initial ballot went out, and you've got a pretty good idea of what the preferences of creditors were by reason of the yes/no votes.

But things do change. There is news. There had been significant developments --

THE COURT: Right.

MR. LOPES: -- with respect to both plans. And I don't know that the Court needs to go resolicit. There are very sophisticated creditors in this case who are owed a lot of money and can very easily make their preferences known to this Court, and I suspect by the time we get to the confirmation hearing, and concluding the confirmation hearing, if -- it only comes into play if the Court confirms -- is able to confirm two plans.

THE COURT: I know that well.

MR. LOPES: I suspect the Court will have a pretty

of what I think is progress with the Commission and the committee improving the plan, but that's not to say that the debtor's interests aren't being considered here too.

My concern here is that there has to be some finality, and although you get to a point where it's harder to pay creditors more than they're owed, or more than the controlling law says they have to be paid, but I am troubled by the fact that there is a risk that as competing proponents alter their treatment, it's sort of a one-up the other side, and re-solicit.

And that's not to say that that's what the debtor would choose to do. The debtor isn't asking to re-solicit just because it's reaching settlement agreements with certain of its objecting parties.

But I'm worried about the process, and to me, the process of voting and having a bit of finality to it is very important. That being said, I recognize that the Commission perhaps took its best shot when it took it, and it went to vote, and if it had made the progress that it made with the -- to date now with the committee and we could go back in time with the now co-sponsored plan with what appear to be improvements, that might have changed the result.

But I -- consistent with my notion about finality, I think you've got to close the voting booth at some point and see where you go from there. If the objections to the

Commission/Committee plan are overruled, then it was unnecessary to get more votes to deal the acceptances.

The Commission plan made it through with the minimum number, admittedly by a close call, but nevertheless, it's as good as, you know, a win is a win, and it got the impaired classes accepting.

So as I questioned Mr. Hermann, I've continued to ask myself why is it so important to get the votes of the classes, and my comments here now are the votes of the classes on the plan, not the -- what we've been calling the preference.

The preference vote, or the determination of the preference is very critical. The methodology for getting that preference ascertained is something I'll address in a moment. My point is that I don't see a need to have any re-solicitation of the creditor universe generally at this point.

The committee joining as a proponent is relevant, it may -- and important, and significant, and it may be relevant as a preference matter, but it is not in my mind relevant to the accept or reject decision based upon treatment, particularly when the committee, in fact, recommended acceptance of the Commission's plan, and yes, it also recommended acceptance of the debtor's plan. It did not recommend a preference vote at that time.

But to me, although I stated two or three times now that it may be significant that the committee has chosen to

that the plan is objectionable and should be defeated, I can take those arguments in due course.

I don't think there is any need or any purpose to be served by soliciting the vote of Class 3 at this point.

So I was tempted initially to permit the limited solicitation that the debtor in its papers acknowledged would be somewhat less burdensome. But I finally decided that it is simply not appropriate, and I make this observation for the following reason:

I think finality is important, and I think a lack of confusion is important. And to try to figure out, well, who's going to vote in what class, those who voted this way, or not that way, or those who expressed a preference are not that way, or those who voted against the Commission's plan, but not who voted for the debtor's plan, while that's not a Class 3 analysis, it is relevant to my decision generally to say I'm not going to approve any re-solicitation of the classes.

Focusing on Class 3 specifically, I don't, for the reason I stated, I accept the technical argument that an improvement -- excuse me, an improvement of position is an impairment, and impaired classes vote, but I countered that with the policy that says, if there's no material change and adverse change, there's no need to re-vote.

I'll take my chances that Class 3 makes an argument that they've been denied the right to vote, but to me, you

don't need to vote if -- under these circumstances, in this time frame. That leaves me --

And furthermore, although again, I don't mean to be facetious about it, I don't fully understand why it is so important to pick up some votes of classes unless there is a significant improvement to get rid of the risk of cram-down. But I don't think that justifies the confusion and the expense that will follow with a re-solicitation.

Now I turn to the preference vote. I am persuaded that at some point there should be a disclosure and a dissemination of information to the creditors to express their preference again.

Mr. Lopes argues that it doesn't have to be the mechanical method of doing it by a ballot. While that's technically true, the rules do contemplate that as we adopted in the initial vote in this case, that it's a way to collect the preferences by doing it as part of the accept and reject decision. That's Rule 3018(b).

My problem is, as was evident from the discussion, is this is such a moving target. I didn't know until counsel told me 45 minutes ago that the Ninth Circuit's been asked to stay Judge Walker's decision.

While it's important as the debtor has argued that Judge Walker's decision perhaps should be disclosed, similarly a stay of it should be disclosed, and what if the circuit

reviews it on the merits, and decides that should be disclosed? And what if something else happens? That should be disclosed.

What I'm perhaps more persuaded by is Mr. Aronzon's suggestion, and so I can bring my comments to a close, I'm going to take Mr. Aronzon's suggestion.

And that is, I'm going to permit a period of time to run for the assembly of some appropriate, full disclosure of the terms of the new -- what I'll call the new plan, the revised Committee/Commission plan not in the traditional disclosure statement format, but in some way to allow the universe of voters to express in a formal structured way, rather than a just, you know, maybe they'll let us know way, to express their vote.

I want that vote to come in certainly by the time we realistically we think the confirmation trial will be ended. I don't know when the -- I'm assuming also the confirmation trial will start on schedule. There are some that want me to delay it At the moment, I'm not delaying it. If I'm persuaded to delay it in the future, we'll adjust.

But as of now, I want, Mr. Aronzon, you and the others to work on a procedure in your mind that is not unlike what you outlined, so that there is an ample opportunity to review the adequacy of, what for convenience, I'm going to call the preference disclosure. But it doesn't and shouldn't look like a disclosure statement, or what we as bankruptcy people

know to be a disclosure statement.

It's got to be something, and I don't know what, and I'll leave that to your creative talents to come up with the right answer, and I guess like everything else, we have to have a hearing on it. But I think what I would prefer is that you go back to the drawing board and figure out what it's going to take, and we will, obviously, having just observed that we have a moving target here, at some point we have to, you know, meet the deadline, as the journalists might say.

And -- but it's not now. So I'm -- in summary, I'm going to deny this motion on the re-solicitation generally. I'm going to grant it in part, that is to say to have a re-solicitation of all creditors who were solicited in the first place to express their preference in the plan, and I'm going to order, as I say, I will order that the current vote be -- remain confidential.

And I do that in part because since I've made my mind up that there's going to be a re-solicitation of preference, it could only do mischief to have any public dissemination of a vote that frankly, I'm going to just -- or vote's the wrong word -- from an expression of preference that I think I'm not going to pay attention to.

So that's not a perfect solution for everybody, but that's the way I think we have to come out on this, and that's what I'll do.

THE CLERK: I think we have both, let me check.

(Pause)

THE CLERK: 1:30.

THE COURT: Okay. 1:30 is the protective order and may or may not be the Warburg. I'm not pre-deciding the timing of the Warburg motion, and it may well be that there's no need to rush it. I don't like rushing these things either.

Okay. Bye everybody, have a nice weekend. Thank you for you're time.

ALL COUNSEL: Thank you, Your Honor.

MR. ENGEL: We appreciate your --

(Whereupon the hearing in the above-entitled matter was adjourned at 5:40 p.m.)

--o0o--

CERTIFICATE

I certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter.

Patricia A. Petrilla October 4, 2002

Patricia A. Petrilla, Transcriber

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COPY

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

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In Re: PACIFIC GAS AND ELECTRIC COMPANY, Debtor.	Case No. 01-30923-DM San Francisco, California Wednesday, May 15, 2002 9:30 A.M. Chapter 11 1. CPUC's Disclosure Statement 2. Motion by PG&E and the CPUC for order 1) approving notices of nonvoting status, notices to parties to executory contracts, and notice to state agencies; and 2) approving voting solicitation procedures, form of voting ballots, voting timetable, and tabulation procedures regarding plans of reorganization 3. S/C Debtor's plan

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE DENNIS MONTALI
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

For Debtor and Debtor-in-Possession:

JAMES L. LOPES
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EXHIBIT 2

MR. KORNBERG: Your Honor, we did agree to the procedure that Mr. Kessler described because we thought that was practical. I think in a perfect world, maybe creditors unimpaired under both plans would be able to express a preference by means of ballot or a ballot like item.

But I don't think that works here for the reason that Mr. Lopes described which is it would I believe increase exponentially the expense of sending out plans --

THE COURT: Why?

MR. KORNBERG: -- and I think you do have to send them out because I don't think you can assume that all of these kinds of creditors will have ready access to the Internet.

And I think -- I did think that the parties that really care will find their way to this courtroom and express a preference in connection with the confirmation hearings Mr. Kessler described. So I just think the practical result is the one that we've adopted here, and those that are really significantly affected and have a strong preference I think will be heard in the confirmation process.

THE COURT: Well, I think what I've just heard from both sides is that if Deutsche Bank wishes to submit something saying we prefer this plan over that plan, no one's going to strike it and -- move to strike it and say you can't do that. I'm not.

I'll add it to the list. I don't know what else we

THE COURT: Okay. Well, you'll coordinate with Mr. Lopes and get him to sign off on the order --

MR. HERMANN: Yes.

THE COURT: -- and we'll take it from there. Okay.

MR. KORNBERG: Thank you, Your Honor.

MR. HERMANN: Thank you, Your Honor.

(Whereupon, the hearing in the above-entitled matter was adjourned at 12:52 p.m.)

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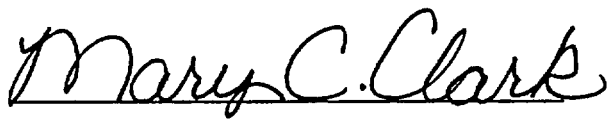
CERTIFICATE

I certify that the foregoing is a correct transcript, from the electronic sound recording of the proceedings in the above-entitled matter.



May 22, 2002

Mary C. Clark, Transcriber
AAERT CET**00214

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

--oOo--

In Re:	Case No. 01-30923-DM
PACIFIC GAS AND ELECTRIC COMPANY,	San Francisco, California
	Monday, November 18, 2002
	9:30 a.m.
Debtor.	
	Chapter 11
	Confirmation Hearing
	Day 1

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE DENNIS MONTALI
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

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MR. NEAL: Thank you, Your Honor.

CROSS-EXAMINATION

BY MR. NEAL:

Q. Mr. Cohen, I'm Stephen Neal. I represent PG&E. I'm going to come back a little later to your last answer, that is to your belief that the Commission has the legal authority to bind itself, and I'm going to come back later and talk to you some about the bases for that belief.

But first of all, you would agree that the reorganization plan which has been put -- the reorganization agreement which has been put forth as part of the joint plan proposed by the PUC and the OCC is a critical part of the joint plan.

A. Actually, Mr. Neal, in my opinion, it need not be, but I have been told by certain representatives of creditors and other folks in the financial community that it is.

Q. Okay. Fair enough. So regardless of what you believe, you at least understand that the reorganization agreement was critical to the OCC becoming a joint proponent of the plan.

A. It was, yes.

Q. And you understand that the reorganization agreement is critical to the evaluation that's taking place right at the rating agencies concerning your plan.

A. I guess I can't speak completely as to what is critical or isn't as to the rating agencies. I know that they have asked -- well, one of them, Standard & Poor's, has asked for a

this statement by Mr. Neal, so there's really nothing in evidence about it, so --

THE WITNESS: My understanding of (iii) is that in setting rates for PG&E, a factor for the Commission to consider during the time that these securities are outstanding is whether those rates facilitate achieving and maintaining investment grade credit ratings.

BY MR. NEAL:

Q. Because it's a factor to be considered, but there's nothing mandatory in 2.2(iii)?

A. I think it's mandatory that the Commission set rates to facilitate achieving and maintaining investment grade credit ratings. I don't think that (iii) directs the Commission as to how exactly to do that, but it states that -- it's mandatory that the Commission do it.

Q. Does it direct the Commission to do anything in particular that we would have the ability to come in here and ask this Court to enforce?

A. I don't know. I think you'd have to -- it would depend on what the Commission did or didn't do. I can't speculate.

Q. As you sit here today, can you identify anything that the words to facilitate achieving and maintaining investment grade ratings mandate the Commission to do under the reorganization agreement that we would have the ability to come in and ask this Court to enforce if they failed to do it?

the specific provision (iii) about maintaining investment grade credit ratings is not something that the law requires the Commission to consider in setting rates. So that is -- there is an addition of a factor there that is not something that the Commission would necessarily be required to consider.

But otherwise what I've said to the rating agencies is that I think that (ii) essentially embodies costs of service rate making and I think that (i) essentially embodies a notion that if the Commission authorizes the issuance of securities and finds that issuing those securities is just and reasonable, that it will permit the issuer to recover the cost of the securities.

Q. You have unequivocally told the rating agencies that the reorganization agreement, quote, requires CPUC to do what it is already obligated to do under state law, close quote; correct?

A. I think that was probably a heading on a presentation that we made to them, yes.

Q. It was a presentation that you made on October 31st and November 1 to both Moody's and S&P; correct?

A. Right. And Fitch.

Q. Yeah. Let's put up Tab 3 for a minute, page 19. Tab -- let's put up the first page first.

This is -- this Joint Plan Exhibit 48 is a quarterly update to the rating agencies provided by the State of California Public Utilities Commission for the fourth quarter

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

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In Re:	Case No. 01-30923-DM
PACIFIC GAS AND ELECTRIC COMPANY,	San Francisco, California
	Tuesday, November 19, 2002
	9:30 a.m.
Debtor.	
	Chapter 11
	Confirmation Hearing
	Day 2

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE DENNIS MONTALI
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

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Proceedings recorded by electronic digital sound recording.
Transcript produced by transcription service.

EXHIBIT 4

the Southern Cal decision on your plan?
A. I remember saying that there are a lot of legal cases in various courts at various stages of review and consideration and that it was my view that it was likely that no plan could become effective until some of that legal certainty has been resolved.
Q. Have you ever told the rating agencies that you plan could not be confirmed if the California Supreme Court agrees with the Ninth Circuit?
A. I probably told the rating agencies that our plan as currently written if the California Supreme Court agrees with the Ninth Circuit can't be confirmed because it calls for the use of cash that the California Supreme Court could say under certain circumstances we can't use.
Q. Have you received any letters from S&P since you took the stand yesterday?
A. Not that I'm aware, no.
Q. Okay. As far as you know, there's still no letter in from Standard & Poor's?
A. As far as I know.
Q. You now have actually signed your November 15th letter. Your draft letter is now a final letter, is it not?
A. It is.
THE COURT: I'm sorry. The November 15th draft, Mr. Neal, is that what you said?

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Managing Director
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Corporate & Government Ratings

Standard & Poor's
A Division of The McGraw-Hill Companies

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298
Attention: Gary M. Cohen, Esq.

Official Committee of Unsecured Creditors
In re: Pacific Gas and Electric Company
c/o Milbank, Tweed, Hadley & McCloy LLP
601 South Figueroa Street, 30th Floor
Los Angeles, CA 90017-5735
Attention: Paul S. Aronzon, Esq.

November 19, 2002

Ladies and Gentlemen:

Pursuant to your request, Standard & Poor's has performed a credit assessment of $7.845 billion principal amount senior secured debt, $1 billion principal amount senior unsecured debt and $832 million par amount preferred stock ("Securities") anticipated to be issued or reinstated by Pacific Gas and Electric Company ("PG&E") in connection with its emergence from bankruptcy should the proposed Plan of Reorganization ("CPUC Plan") jointly filed in the Chapter 11 bankruptcy proceedings of PG&E by the California Public Utilities Commission ("CPUC") and the Official Committee of Unsecured Creditors ("OCUC") be adopted.

In arriving at this credit assessment, we have had discussions with the CPUC and its advisors, as well as with representatives of the OCUC. We have reviewed materials supplied to us by representatives of the CPUC and the OCUC including, but not limited to:

- The CPUC Plan;
- The Reorganization Agreement appended to the CPUC Plan;
- Regulations promulgated by the present Commission in furtherance of the CPUC Plan;
- The financial model ("Model") including financial forecasts and assumptions jointly supplied to Standard & Poor's by representatives of the CPUC and OCUC;

Received Nov-18-02 05:45pm From-5627330024 To-COOLEY GODWARD LLP Page 02

EXHIBIT 5

- Details of the "regulatory asset" proposed to be created by the CPUC and its related amortization schedule;
- CPUC's and OCUC's Memorandum of Points and Authorities in Support of Confirmation of First Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for Pacific Gas and Electric Company dated August 30, 2002, as amended;
- Declaration of Paul S. Aronzon dated November 6, 2002 and the exhibits appended thereto;
- PG&E's Trial Brief in Opposition to the CPUC and OCUC Plan dated November 8, 2002; and
- Such other materials as we have deemed appropriate.

Based upon our review of the foregoing materials, it is Standard & Poor's credit assessment that the $7.845 billion principal amount senior secured debt -- but not the $1 billion principal amount senior unsecured debt or the $932 million par amount preferred stock -- exhibits indicia of marginal investment grade credit quality based upon our credit metrics. Our conclusion with respect to the secured debt reflects the benefits of the over-collateralization provided by the assets pledged to secure the debt. The Issuer Credit Rating of PG&E under the CPUC Plan, however, has been determined to be speculative grade. Please note that the ultimate assignment of investment grade ratings on the $7.845 billion principal amount senior secured debt hinges on the satisfaction of each of the issues cited in this letter and on the conditions below having been met.

A credit assessment is not a rating. A credit assessment is solely a credit opinion based on the facts and circumstances presented to us by CPUC and OCUC. In this case a credit assessment is warranted by the quantity and quality of the information provided to us and issues associated with the reliability of the Model. Please note, however, that as the Model is refined and supplemented a more definitive outcome may be possible.

This credit assessment should be understood as qualified by the fact that (i) additional information or changes to the information previously presented to us may result in credit risk stronger or weaker than that suggested by the credit assessment and, consequently, a different definitive rating; (ii) the credit assessment is not a prediction of the actual future performance of the Securities; (iii) Standard & Poor's does not warrant or endorse suitability of the credit assessment for any particular purpose or use; (iv) the credit assessment is provided without any express or implied warranties whatsoever; (v) the credit assessment is based solely on information provided to us by CPUC and OCUC and does not represent an audit by Standard & Poor's; (vi) Standard & Poor's relied upon CPUC and OCUC, their accountants, counsel and other experts for the accuracy and completeness of the information submitted in connection with the credit assessment; (vii) the credit assessment shall not be construed to have been undertaken with the rigor and level of detail required for Standard & Poor's to provide a definitive rating opinion; and (viii)

Standard & Poor's does not and cannot guarantee the accuracy, completeness or timeliness of the information relied upon in connection with the credit assessment or the results obtained from the use of such information. Please note that the credit assessment speaks only as of the date hereof and is not subject to surveillance or update. As noted, a more comprehensive analysis might lead to an outcome different than the credit assessment. In addition, the credit assessment does not address the validity of the assumptions made by CPUC and OCUC in preparing the Model.

Standard & Poor's credit assessment is predicated upon the satisfaction of the following conditions:

a) The CPUC Plan is confirmed by January 31, 2003 and is implemented substantially in its current form with all preconditions to the CPUC Plan's confirmation and implementation being satisfied and not waived;
b) All financial targets set forth in the Model are justified by provable assumptions and are substantially attained without any material deviation from the projected results;
c) PG&E can access capital markets to the extent forecast, that PG&E can secure the assumed liquidity facilities, that forecast cash balances are available to discharge a portion of creditors' claims as contemplated, and that owned and contracted electric generation dispatches at prices and quantities consistent with the forecast;
d) The Securities are amortized as forecast and interest costs do not materially exceed projected levels;
e) Receipt of evidence of (i) the methodology employed by CPUC in preparing the Model and (ii) the propriety of the consolidation by CPUC of elements of the financial and operational forecasts for the four companies proposed to succeed the debtor as reflected in PG&E's proposed reorganization plan;
f) Receipt of evidence that the Model reflects all decisions of the CPUC rendered subsequent to the filing by PG&E of its proposed reorganization plan;
g) All CPUC regulations necessary to the implementation of the CPUC Plan and necessary for the maintenance of investment grade ratings on the Securities have been promulgated by the CPUC prior to the sale of the Securities;
h) Receipt of a legal opinion from independent California counsel satisfactory in form and substance to Standard & Poor's to the effect that the Reorganization Agreement and the regulations referred to in the preceding paragraph will bind the CPUC throughout the life of the Securities;
i) Receipt of a judicial determination that the Reorganization Agreement and the regulations referred to in paragraph (g) will bind the CPUC throughout the life of the Securities;
j) The regulations referred to in paragraph (g) include, but are not limited to, the timely creation of the "regulatory asset" provided for in the CPUC Plan, and mechanisms that compel the CPUC to timely reconcile any imbalances between revenues and cash expended for fuel and electricity procurement;

k) The regulatory asset (i) can be demonstrated to increase PG&E's rate base by the full amount presented in the financial forecast, (ii) is amortized in a time frame consistent with the Model, and, (iii) throughout the life of the Securities, neither the amortization nor the creation of the regulatory asset may be altered by the CPUC if such modification would compromise the Securities' projected financial performance or erode their credit quality;

l) Receipt of any other regulatory approvals beyond those described in paragraphs (g), (j) and (k), whether state or federal, that are necessary for the implementation of the CPUC Plan and the realization of the projections contained in the Model are timely achieved by PG&E and/or CPUC, as the case may be;

m) The "Reorganization Agreement," as defined in the Plan, is (i) executed in the form presented to us, (ii) validly adopted by the CPUC, (iii) approved by the bankruptcy court and (iv) pursuant to its terms, binding upon the CPUC throughout the life of the Securities;

n) The quantum of claims made against the bankruptcy estate are substantially as estimated in the CPUC Plan;

o) The Utility Reform Network appeal to the 9th Circuit Court of Appeals that challenges on both procedural and substantive grounds the settlement agreement reached between CPUC and Southern California Edison in Southern California Edison's "filed rate doctrine" litigation, does not establish legal precedents that defeat or diminish CPUC's capacity to validly execute a binding Reorganization Agreement or to act as a co-proponent of the Plan, does not impair cash balances forecast to be available for the satisfaction of creditors' claims, or diminish or defeat PG&E's entitlement to recover historical power procurement costs;

p) Prior to the assignment of financial responsibility for any DWR contracts to PG&E, CPUC shall deem all costs associated with such DWR contracts to be prudent and recoverable in rates by PG&E, such a determination will be a precondition to the transfer of financial responsibility for DWR contracts to PG&E, and the determination shall be binding upon the CPUC throughout the life of the Securities;

q) Evidence that the amount of collateral that PG&E must post to procure residual net short power or other electricity is consistent with the levels that have been forecast in the CPUC Plan and procurement costs are recoverable in rates;

r) Evidence that should CPUC reject any or all of PG&E's proposed electric procurement plans, or portions thereof, PG&E will be able to secure alternative wholesale electric supplies at prices acceptable to the CPUC and the costs associated with such electric supply are recoverable in rates;

s) Evidence that CPUC has developed and implemented a methodology for the prospective approval of the prudence and reasonableness of PG&E risk management and risk tolerance activities and evidence that the CPUC will permit as a ministerial matter the recovery of PG&E's costs of securing risk management tools and also permit the recovery of costs associated with that portion of the power and fuel portfolio that is not hedged; and

t) Evidence that the CPUC Plan will not be amended to include restrictions on dividends to PG&E Corp. the parent of PG&E.

You may use this credit assessment in connection with proceedings in *In re: Pacific Gas and Electric Company*. Standard & Poor's reserves the right to publish this credit assessment and the conditions attendant thereto and to advise its own clients, subscribers, and the public thereof.

CPUC and OCUC understand that Standard & Poor's has not consented to, and will not consent to, being named an "expert" under the federal securities laws, including without limitation, Section 7 of the Securities Act of 1933. In addition, it should be understood that the credit assessment is neither a "market" rating nor a recommendation to buy, hold, or sell the instruments.

We are pleased to have been of service to CPUC and OCUC. If we can be of further assistance, please do not hesitate to contact us.

Very truly yours,

Ronald M Barone

EXHIBIT
Jt. Pl. 131

FitchRatings

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New York, NY 10004

T 212 908 0500 / 800 75 FITCH
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November 18, 2002

Official Committee of Unsecured Creditors
in the Chapter 11 Proceedings of Pacific Gas
and Electric Company (the "Committee")
c/o Paul S. Aronzon, Esq.
Milbank, Tweed, Hadley & McCloy LLP
601 South Figueroa Street, 30th Floor
Los Angeles, California 90017

Ladies and Gentlemen:

Re: Credit Assessment for Joint Plan of Reorganization,
Reorganized Pacific Gas & Electric Co.

You have requested that Fitch Ratings assess the creditworthiness and indicative credit ratings of certain proposed securities to be issued by Reorganized Pacific Gas & Electric Co. (RPGE) pursuant to the Joint Plan of Reorganization proposed by the California Public Utilities Commission (CPUC) and the Official Committee of Unsecured Creditors (Committee). The Proposed Securities are:

$5,773 million new First Mortgage Bonds
$1,500 million new Secured Bank Term Loan Agreement
$1,000 million new unfunded Senior Secured Revolving Credit Facilities
(collectively with the Term Loan agreements, the "Senior Secured Loans")
$1,000 million new Senior Unsecured Bonds
$ 500 million new Preferred Securities

EXHIBIT 6

FitchRatings

This credit assessment does not constitute a credit rating by Fitch of the Proposed Securities outlined above and is not meant for publication or distribution other than in the normal procedures of the US Bankruptcy Court in the bankruptcy proceedings of Pacific Gas & Electric Co. Please note that our procedures for issuing a credit rating differ from the procedures used by us in issuing this credit assessment, but the rating criteria employed are consistent with those used by Fitch Ratings in its normal credit ratings.

This letter is to advise you that, based upon our analysis, which included the review of summaries of the proposed Reorganization Plan and Agreement provided by the California Public Utilities Commission, financial projections for RPGE provided by UBS, information filed by PG&E Corporation with the Securities and Exchange Commission, and publicly available information regarding California laws affecting electric utility tariffs, power procurement and procurement cost recovery, Fitch's assessment of the creditworthiness of Reorganized Pacific Gas & Electric is in the general category of 'BBB'. This is an underlying rating, reflecting the credit of RPGE before taking into consideration two additional factors that would affect the actual ratings of securities to be issued in the transaction. These two factors are: (i) the features of the individual securities (collateral, seniority or subordination, and covenants); and (ii) the financial condition and credit standing of RPGE's parent. Fitch's rating criteria constrains the ratings of a regulated utility subsidiary of a parent company with weaker financial profile, as will be illustrated below.

At the present time, Fitch Ratings does not publish credit ratings of Pacific Gas & Electric's parent PG&E Corp., but we do maintain indicative ratings. Currently, our indicative rating of PG&E Corp. are in the range of 'CCC to B-'. For the purpose of assessing the likely constraint posed by the parent rating on the ratings of the Proposed Securities to be issued under the Alternate Plan of Reorganization, we considered that the likely range of indicative ratings of PG&E Corp. is from a low of 'B-' to a high of 'BB'. The parent's actual credit standing at the time of RPGE's reorganization will depend upon the circumstances of PG&E Corp.'s subsidiary PGE National Energy Group and upon a more detailed understanding of the tax position of the PG&E Corp. and other matters that would affect the parent company cash flow and ability to cover parent level obligations.

The grid on the following page represents the expected ratings of the Proposed Securities, taking into consideration a range of possible ratings for the parent company and the likely ratings for different classes of instruments proposed to be issued.

FitchRatings

However, Fitch Ratings has not considered the possibility of any special structuring or changes of ownership or corporate structure that could be designed to further insulate the credit of RPGE from that of PG&E Corporation.

Indicative ratings of proposed RPGE securities	Underlying ratings before considering parent credit quality	Security ratings if parent rating is BB or higher	Security ratings if parent rating is 'BB-'	Security ratings if parent rating is 'B' or 'CCC'	Security ratings with parent in default (DDD to D category), no higher than:
Sr. Secured Loans and First Mortgage Bonds	BBB	BBB	BBB-	BB+	BB+
Sr. Unsecured Debt	BB+	BB+	BB+	BB-	BB-
Preferred Securities	BB-	BB-	BB-	B	B

While we have not specifically assessed the terms of the $900 million securitized credit facility proposed in the Joint Plan of Reorganization, we expect that a bankruptcy remote entity could be structured to achieve very high ratings (typically 'AAA'), assuming a portfolio of utility receivables of a size and quality consistent with and a structure that complies with our criteria for such facilities and entities.

This credit assessment is based on the documents and information provided to us as of the date of this letter by the Official Committee of Unsecured Creditors and the California Public Utilities Commission and their experts and agents and the assumptions discussed above. Fitch did not verify the truth or accuracy of any such information and does not take responsibility for the appropriateness of the information provided to us and used in the analysis.

Because this is only a general assessment of the creditworthiness of the proposed securities of Reorganized Pacific Gas & Electric and not an actual credit rating, there can be no assurance that an actual credit rating for the Proposed Securities, if issued by Fitch, will be the same as this assessment or that the assessment will not materially change over time. For example, if, for any reason, there are material changes in the documents, financial projections or actual results of operations, the credit rating of the Proposed Securities is likely to differ from this assessment.

FitchRatings

This credit assessment is not a recommendation to buy, sell, or hold any security or to enter into any agreement or arrangement relating to the Proposed Securities to be issued by RPGE. This credit assessment does not comment on the adequacy of market price, the suitability of any security, investment or other arrangement for a particular party, or the tax-exempt nature or taxability of payments made in respect of any security.

This credit assessment does not constitute consent by Fitch to the use of its name as an expert in connection with any registration statement or other offering document filed under, or prepared in accordance with, the U.S. federal securities laws, the Financial Services Act 1986 or any other domestic or international securities law applicable.

Fitch does not represent, warrant or guarantee, and the Committee acknowledges that Fitch does not represent, warrant or guarantee (i) that it is providing any financial advice, auditing, accounting, appraisal, valuation or actuarial services, (ii) the accuracy, correctness, integrity, completeness or timeliness of any part of this credit assessment, or (iii) that the information, analyses and assessment contained in, and constituting a part of, this credit assessment will fulfill any of the Committee's particular purposes or needs. Fitch is not responsible for any underwriting, credit, loan, purchase or investment decision, or damages or other losses resulting from use of this credit assessment.

This credit assessment may be shown only in its entirety.

We are pleased to have had the opportunity to provide this assessment to you. If we can be of further assistance, please contact me at (212) 908-0504 or ellen.lapson@fitchratings.com.

Sincerely,

Ellen Lapson

Ellen Lapson, CFA
Managing Direct