



October 30, 2002

Dear Bankruptcy Claimant:

Enclosed you will find a check representing payment as described below relating to your claim in the Pacific Gas and Electric Company (PG&E) bankruptcy case. If you filed a claim on behalf of a client, you may be receiving this payment on their behalf.

In March 2002, PG&E filed a motion in the U.S. Bankruptcy Court requesting permission from the Court to pay certain valid claims of \$5,000 or less, along with undisputed reclamation and mechanics' liens claims prior to confirmation and implementation of a Plan of Reorganization. The motion also sought authorization to pay interest on such claims from the date of PG&E's April 6, 2001 Chapter 11 filing through June 30, 2002, for payments being made as of July 30. The Court granted the motion on March 25, 2002.

If your claim was \$5,000 or less, the enclosed payment is full satisfaction of the claim and you should expect that you will not receive any further notices or other mailings regarding PG&E's bankruptcy case.

Additionally, in response to a separate motion filed by PG&E, the Bankruptcy Court authorized PG&E to make quarterly payments of interest accrued since April 6, 2001 on certain categories of undisputed claims over \$5,000. As such, PG&E will begin making payments July 30, 2002 on interest accrued through June 30, 2002. If your claim was over \$5,000, the enclosed payment is the first in a series of quarterly interest payments you will receive. Notwithstanding the payments, PG&E retains the right to object to the claim(s). Payments will continue until such time as payment is made on the claim balance, which is pursuant to a Court confirmed Plan of Reorganization.

Should you have general questions regarding this payment, please contact us at 415-973-9012. For payment detail at the invoice level, please contact us at 1-800-756-PAID. Thank you for your patience while we bring Pacific Gas and Electric Company back to financial health.

Sincerely,

G. Michael Schonherr
Chapter 11 Claims Resolution Project Director