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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 Federal I.D. No. 94-0742640

20 Case No. 01-30923 DM
21 Chapter 11 Case
22 Date: February 6, 2003
23 Time: 1:30 p.m.
24 Place: 235 Pine Street, 22nd Floor
25 San Francisco, California

26 DECLARATION OF KENNETH RICHERSON IN SUPPORT OF
27 MOTION FOR AUTHORITY TO INCUR LEASE EXTENSION FEES

28 I, Kenneth Richerson, declare:

1. I have been employed by Pacific Gas and Electric Company ("PG&E") in its Building and Land Services Department since 1973. Since 1993, I have held the positions of Transaction Specialist and Senior Transaction Specialist in the Property Planning and Transactions Group. Previous to 1993, I held various positions within PG&E, including Senior Property Appraiser, Property Appraiser, Right of Way Agent, Sales and Lease Agent and Document Writer. In my current position as a Senior Transaction Specialist, I am responsible for identifying, and obtaining satisfactory leases for, all lease sites necessary to support implementation of PG&E's Plan of Reorganization (the "Plan").

2. This declaration is submitted in support of PG&E's Motion for Authority to

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A Professional Corporation

1 Incur Lease Extension Fees (the "Motion"). Defined terms used herein shall have the
2 meanings set forth in the Motion. I make this declaration based on personal knowledge,
3 except where otherwise indicated, and if called as a witness, could and would testify
4 competently to the matters set forth herein.

5 3. PG&E anticipates that up to seven new buildings will need to be leased and
6 prepared for occupancy for use by the New Entities by the Effective Date under the Plan
7 ("Plan Effective Date"). These new facilities are needed to provide separate working areas
8 for field employees of the Reorganized Debtor and the New Entities by the Plan Effective
9 Date. For example, PG&E currently has substation maintenance facilities that include both
10 distribution and electric transmission functions. Since the Reorganized Debtor and the New
11 Entities will be separate legal entities, it is important that there be no confusion about
12 employee supervision and compliance with legal and business requirements. Physical
13 separation of the employees of the Reorganized Debtor and the New Entities will
14 accomplish these important objectives. These new facilities, a subset of the total new
15 facilities that will ultimately be needed by the New Entities, represent only those facilities
16 that are necessary by the Plan Effective Date for the New Entities' commencement of initial
17 field operations.

18 4. The present Motion relates to lease "option" payments (referred to herein as
19 "Extension Fees") for the new buildings that PG&E has now identified as key sites to be
20 leased by one or more of the New Entities immediately following Plan confirmation in order
21 to ensure that the new facilities will be operational by the Plan Effective Date.

22 5. PG&E is in the process of negotiating the Extension Fees as part of a
23 written lease (or lease assignment) with each landlord (or current tenant) for the various
24 properties described below; however, the leases will not be effective unless and until the
25 Plan is confirmed and the Court has authorized PG&E to enter into the leases. PG&E
26 intends to bring a subsequent motion seeking authority to enter into the leases effective upon
27 Plan confirmation.

28 6. As explained further below, there are five buildings currently available for

1 lease that are well-suited to the needs of the New Entities and for which PG&E has been
2 able to negotiate or expects to obtain favorable lease terms. However, the landlords (or
3 tenants) of the five buildings are actively attempting to lease (or sublease) the space and are
4 not willing to hold the properties exclusively for PG&E pending the outcome of the Plan
5 confirmation proceedings. PG&E is also considering a sixth building, described in
6 Paragraph 14 below. Additional buildings may be needed but have not yet been identified.

7 7. In order to prevent the buildings from being leased or subleased to others,
8 PG&E is requesting authority to make month to month payments in exchange for the
9 landlord's agreement to lease the property to PG&E upon Plan confirmation (provided that
10 there may be other conditions to be satisfied, including Court approval). PG&E anticipates
11 that it will obtain six successive "extension periods" of one month each for the properties
12 (i.e., the period of time during which the landlords will agree to accept monthly payments in
13 exchange for waiving the right to lease the properties to another tenant). The only exception
14 is for the Foster City property described in Paragraph 13 below, where PG&E expects to
15 obtain four successive extension periods of one month each.

16 8. The following describes the particular properties that PG&E intends to lease
17 and the anticipated Extension Fees to be paid for each property in order to ensure the
18 continued availability of each property for lease by PG&E upon Plan confirmation. The
19 properties described below (i) are necessary for the New Entities to commence business
20 operations by the Plan Effective Date, (ii) meet the specific requirements of the New Entities
21 (such as sufficient warehouse space that includes an outside storage or parking area), and
22 (iii) are located in key geographic areas designed to meet the New Entities' needs for
23 regional employee headquarters and to provide convenient access for service employees
24 relative to the service territories to be covered.

25 9. GTrans Construction Headquarters in Stockton. PG&E has identified an
26 industrial building in Stockton that is well-suited for use by GTrans as its Construction
27 Headquarters. Employees to be located here will be responsible for all transmission pipeline
28 construction and major emergency repair activities. This location will be near GTrans'

1 transmission pipeline and underground storage facilities and has outstanding freeway access
2 allowing for efficient dispatch of construction crews and fast emergency response. The
3 building also offers a mix of building to yard area that is not readily available in the
4 Stockton area. The building, consisting of approximately 20,000 square feet, includes both a
5 warehouse area and an office area; the site includes a large parking lot and covers
6 approximately 3.6 acres. GTrans intends to use the building for offices, storage of materials
7 and a fabrication shop, and to use the lot for parking of construction trucks. PG&E is in the
8 process of negotiating the lease terms and anticipates that the Extension Fees will commence
9 in April 2003 in the amount of approximately \$12,000 per month. This amount is equivalent
10 to the base rent (i.e., rental fees without any other charges such as taxes or insurance) that
11 PG&E expects to negotiate for a lease of the property.

12 10. GTrans Offices and Maintenance Base in Turlock. PG&E has identified an
13 industrial building in Turlock that is well-suited to GTrans' needs because of its location in
14 relation to GTrans' local transmission facilities. This facility is ideally located for
15 maintenance personnel and emergency response for the area between Ceres and Livingston.
16 The property is desirable due to its large yard area and because it requires only minimal
17 tenant improvements. The building includes both warehouse and office areas, consisting of
18 approximately 6,000 square feet; the site includes a parking lot covering approximately
19 7,500 square feet. This facility will be used for general offices by maintenance and
20 operating personnel and for the storage and parking of a portion of the GTrans' truck fleet.
21 PG&E is in the process of negotiating the lease terms and anticipates that the Extension Fees
22 will commence in February 2003 (following approval of the Motion) in the amount of
23 approximately \$3,100 per month. This amount is equivalent to the base rent that PG&E
24 expects to negotiate for a lease of the property.

25 11. GTrans Offices and Maintenance Base in Oakland. PG&E has identified an
26 industrial building in Oakland that is well-suited to GTrans' needs because of its central
27 location with respect GTrans' local transmission system located between Hayward and
28 Rodeo. PG&E has spent several months looking for an alternative site in the Oakland area

1 and has found no other suitable site. This site also offers good freeway access for rapid
2 emergency response. The building includes both warehouse and office areas (consisting of
3 approximately 11,180 square feet), and will be used as a headquarters for East Bay
4 maintenance and operations employees as well as for storage and parking of a portion of the
5 GTrans truck fleet. PG&E is in the process of negotiating the lease terms and anticipates
6 that the Extension Fees will commence on March 1, 2003 in the amount of approximately
7 \$7,500 per month. This amount is equivalent to the base rent that PG&E expects to
8 negotiate for a lease of the property.

9 12. ETrans Warehouse in Woodland. PG&E has identified an industrial
10 building in Woodland that is well-suited for use as a warehouse by ETrans because of its
11 location along the Interstate 5 and Highway 113 transportation corridors and its large
12 outdoor storage area. The building will be utilized as a warehouse with limited office space,
13 consisting of approximately 64,800 square feet; the appurtenant land covers approximately
14 8.42 acres and includes a fenced and paved lot. PG&E is in the process of negotiating the
15 lease terms and anticipates that the Extension Fees will commence in February 2003
16 (following approval of the Motion) in the amount of approximately \$22,700 per month for
17 the first 3 months and approximately \$32,100 for the next 3 months. The first three months'
18 Extension Fees are equivalent to approximately 85% of the base rent under the lease that
19 would be assigned to PG&E by the current tenant and the next three months' Extension Fees
20 are based on the current tenant's full lease costs (including rent, real estate taxes and
21 insurance).

22 13. Shared Building for ETrans and GTrans in Foster City. PG&E has
23 identified an industrial building in Foster City that is well-suited for use by both ETrans and
24 GTrans due to its location between San Francisco and San Jose, near local transmission
25 facilities. ETrans and GTrans intend to use this facility to maintain and operate their
26 respective local transmission facilities located throughout the San Francisco Peninsula
27 region. PG&E has spent several months looking for possible alternatives to this building
28 and has not found a suitable alternative site. The site contains both warehouse and office

1 areas, consisting of approximately 20,000 square feet, and also includes a 13,500 square foot
2 parking lot. The site would be used for general offices, material storage, truck parking and a
3 fabrication shop. PG&E is in the process of negotiating the lease terms and anticipates that
4 the Extension Fees will commence in February 2003 (following approval of the Motion) in
5 the amount of approximately \$20,600 per month. This amount is equivalent to the base rent
6 under the lease that would be assigned to PG&E by the current tenant.

7 14. Potential ETrans Site In Or Near Rocklin. PG&E is currently searching for
8 a suitable industrial building for ETrans along either the Highway 50 or Highway 80
9 corridors, including warehouse and office space, areas suitable for truck parking, material
10 storage and a fabrication shop. PG&E has located only two possible sites that meet ETrans'
11 requirements for outside storage space, both in the Rocklin area and consisting of
12 approximately 10,000 square feet (building) and approximately 30,000 square feet (yard).
13 The market is competitive for this type of facility because few such facilities exist in the
14 area. PG&E requests authority at this time to make monthly payments of Extension Fees, if
15 necessary to retain the property once a decision has been made, in the amount of
16 approximately \$8,500 per month. PG&E believes that this amount is equivalent to the base
17 rent that could be negotiated for a lease of the properties under consideration.

18 15. Sound business justifications exist for approval of the Extension Fees
19 described above. PG&E has identified the need for each property, including the various
20 properties' desirability based on location, unavailability or higher cost of suitable alternative
21 sites, and satisfaction of specific needs and requirements such as ample warehouse or yard
22 space. PG&E believes that the Extension Fee amounts are reasonable and comparable to the
23 base rent that could be negotiated for a long-term lease of each property. At the same time,
24 PG&E is not assuming the long-term obligations associated with a typical lease until such
25 time as Plan confirmation occurs and this Court has authorized PG&E to enter into leases.
26 PG&E also believes that these properties will not be available to PG&E several months from
27 now without payment of the Extension Fees; therefore, PG&E believes that the Extension
28 Fees are essential to implementation of the Plan.

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Attorneys at Law

1 I declare under penalty of perjury under the laws of the United States of America
2 that the foregoing is true and correct and that this Declaration is executed this 17th day of
3 January, 2003, at San Francisco, California.

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5 KENNETH RICHERSON

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