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8 Independent Auditor, Accountant,
9 Tax Advisor and Consultant to
10 Debtor and Debtor in Possession
11 Pacific Gas and Electric Company

50-275
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8 UNITED STATES BANKRUPTCY COURT
9 NORTHERN DISTRICT OF CALIFORNIA, SAN FRANCISCO DIVISION

10 In re
11 PACIFIC GAS AND ELECTRIC
12 COMPANY, a California Corporation,
13 Debtor.
14 Federal I.D. No. 94-0742640

Case No. 01-30923 DM
Chapter 11
**DELOITTE & TOUCHE LLP'S COVER
SHEET APPLICATION FOR
ALLOWANCE AND PAYMENT OF
INTERIM COMPENSATION AND
REIMBURSEMENT OF EXPENSES
(DECEMBER 1, 2002, TO DECEMBER 31,
2002)**

[No Hearing Scheduled]

17
18 Deloitte & Touche LLP (the "Firm") submits this Cover Sheet Application for Allowance
19 and Payment of Interim Compensation and Reimbursement of Expenses ("Application") for
20 December 1, 2002, to December 31, 2002 ("Application Period"). In support of the Application,
21 the Firm respectfully represents as follows:

22 1. The Firm is Independent Auditor, Accountant, Tax Advisor, and Consultant to Debtor
23 Pacific Gas & Electric Company ("Debtor"). On July 10, 2001, the Firm's retention in this
24 capacity was approved *nunc pro tunc*, effective April 6, 2001. On April 11, 2002, the Firm's
25 employment to audit financial statements being prepared for four entities that would succeed to
26 Debtor's business assets upon confirmation of Debtor's proposed reorganization plan
27 ("Supplemental Services") was approved *nunc pro tunc*, effective October 1, 2001. By this

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1700 CGE Master Center
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1 Application, the Firm is applying to the Court for allowance and payment of (a) interim
 2 compensation for services rendered during the Application Period and (b) reimbursement of
 3 expenses incurred during the Application Period.

4 2. The Firm logged \$91,221.00 in hourly fees ("Hourly Fees"), representing 306.5 hours
 5 expended, during the Application Period, and the Firm incurred \$172.03 in expenses
 6 ("Expenses") during the Application Period. These Hourly Fees and Expenses are shown as
 7 follows:

8	9	10	11
Period	Hourly Fees	Expenses	Total
12/1/02 to 12/31/02	\$91,221.00 ¹	\$172.03	\$91,393.03

11 3. The Firm seeks payment of a total of \$77,709.88 at this time.² This is the sum of (i)
 12 85% of the Hourly Fees for services rendered from December 1, 2002, through December 31,
 13 2002, and (ii) 100 % of the Expenses incurred from December 1, 2002, through December 31,
 14 2002.

15 For the post-petition period, the Firm has been paid to date as follows:

17	18	19	20
Application Period	Amount Applied For	Description	Amount Paid
21 First (4/7/01 to 22 2/28/02)	\$62,333.90 ³	\$62,263.50 in hourly fees and \$70.40 in expenses, less \$22,346.50, which was withdrawn from the Firm's request in its June 25, 2002, reply to the United State's Trustee's objection to the Firm's First Interim Application	\$39,987.40 ⁴

23 ¹ In addition to fees for Supplemental Services, the amount requested includes \$12,731.00 for time
 24 expended in preparing fee applications and \$7,205.00 in fees for responding to a request from the Office
 of Rate Payer Advocate of the California Public Utilities Commission to review working papers related to
 the Firm's audits of Debtor's consolidated financial statements for the years 2000 and 2001.

25 ² Payment of this amount would result in a fees "holdback" of \$13,683.15.

26 ³ The relevant cover sheet application requested a total of \$62,573.90 in fees and costs, but the Firm
 later reduced the amount requested to \$62,333.90 due to a \$240 error in the initial billing.

1	Second (10/1/01 to 3/31/02) ⁵	1,643,315.50	\$1,643,315.50 in hourly fees, less \$4,500 disallowed by the court at the July 2, 2002, hearing on the Firm's First Interim Application	\$1,638,815.50
2				
3				
4	Third (4/1/02 to 4/30/02)	\$232,523.00	\$232,523 in hourly fees	\$232,523.00
5				
6	Fourth (5/1/02 to 5/31/02)	\$147,016.50	\$147,016.50 in hourly fees	\$147,016.50
7				
8	Fifth (6/1/02 to 6/30/02)	\$115,006.00	\$115,006 in hourly fees	\$115,006.00
9				
10	Sixth (7/1/02 to 7/31/02)	\$128,834.50	\$128,834.50 in hourly fees less \$3,064.50, which was withdrawn from the Firm's request in its November 22, 2002 Memorandum re Supplemental Time Diaries Supporting Second Interim Application for Compensation by Deloitte & Touche LLP	\$125,770.00
11				
12				
13				
14				
15	Seventh (8/1/02 to 8/31/02)	\$156,475.00	85% of \$156,475 in hourly fees	\$133,003.75
16	Ninth (10/1/02 to 10/31/02)	\$426,408.75	85% of \$426,408.75 in hourly fees	\$362,447.44

17 The Firm has also received (1) \$855,000 as the Firm's base fee for auditing and reporting
18 on Debtor's consolidated financial statements and reviewing interim financial information for the
19 2001 fiscal year and (2) \$940,000 of the base fee for auditing and reporting on Debtor's
20 consolidated financial statements and reviewing interim financial information for the 2002 fiscal
21 year. The July 10, 2001, order approving the Firm's employment, together with the November 5,
22 2002, order approving the 2002 base audit fee, authorized Debtor to pay these fees upon receipt

23 *(Footnote Continued from Previous Page.)*

24 ⁴ Debtor initially paid the Firm \$54,331.45 on account of its first cover sheet application, but the \$240
25 and \$22,346.50 reductions, discussed above, were later netted against other amounts owing to the Firm,
reducing the amount paid for the first application period to \$39,987.40.

26 ⁵ The Application Periods for the Firm's first two "cover sheet" applications overlapped because the
27 Firm did not seek compensation for any of the Supplemental Services until after the court's April 11,
2002, "nunc pro tunc" order specifically authorizing that work.

1 of invoices from the Firm. Including the 2001 Base Audit Fee and the paid portion of the 2002
2 Base Audit Fee, the total paid to the Firm to date is \$4,589,569.59.

3 To date, the Firm is owed as follows (excluding amounts owed pursuant to this
4 Application):

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6 Application Period	Amount	Description
7 Seventh (8/1/02 to 8 8/31/02)	\$23,471.25	15% of holdback of fees requested by the Firm's seventh "cover sheet" application filed September 27, 2002
9 Eighth (9/1/02 to 10 9/30/02)	\$130,353.50	Fees requested by the Firm's eighth "cover sheet" application filed on October 31, 2002
11 Ninth (10/1/02 to 12 10/31/02)	\$63,961.31	15% of holdback of fees requested by the Firm's ninth "cover sheet" application filed on November 26, 2002
13 Tenth (11/1/02 to 14 11/30/02)	\$183,805.19	Fees and expenses requested by the Firm's tenth "cover sheet" application filed on December 20, 2002
15 Total Owed to the 16 Firm to Date	\$401,591.25 ⁶	

17 6. Attached as Exhibits 1 and 2, respectively, to the copies of this Application served on
18 counsel for the Official Committee of Unsecured Creditors, counsel for Debtor, and the Office of
19 the United States Trustee are (i) a list of the names and hourly billing rates of each professional
20 who performed services for which compensation is sought by this Application and (ii) detailed
21 time and expense statements for the Application Period that comply with all Northern District of
22 California Bankruptcy Local Rules and Compensation Guidelines and the Guidelines of the
23 Office of the United States Trustee.

24 ⁶ The \$401,591.25 does not include any fees incurred but not yet paid for the Firm's 2002 audit of
25 Debtor's consolidated financial statements and review of interim financial information.

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1 7. The Firm has served a copy of this Application on each person shown on the Special
2 Notice List for this case. (Only the parties referred to in paragraph 6 received Exhibits 1 and 2;
3 the copies served on other parties did not include the exhibits.)

4 8. Pursuant to this Court's Second Amended Order Establishing Interim Fee Application
5 and Expense Reimbursement Procedure, filed on March 18, 2002, the Debtor will be authorized
6 to make the payment requested herein without further hearing or order unless an objection to this
7 Application is filed with the court by the Debtor, the Committee, or the United States Trustee
8 and served by the fifteenth day of the month following the service of this Application. If such an
9 objection is filed, Debtor will be authorized to pay the amounts, if any, not subject to the
10 objection. The Firm is informed and believes that this Application was mailed to all persons
11 shown on the Special Notice List by first class mail, postage prepaid, on January 24, 2003.

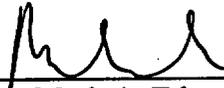
12 9. The interim compensation and reimbursement sought by this Application is on
13 account and not final. At the conclusion of this case, the Firm will seek fees and reimbursement
14 of expenses incurred for the totality of its employment in this case. Any interim fees or
15 reimbursement of expenses approved by the court and received by the Firm (along with any
16 retainer paid to the Firm) will be credited against such final fees and expenses as may be allowed
17 by the court.

18 10. The Firm represents and warrants that its billing practices comply with all Northern
19 District of California Bankruptcy Local Rules and Compensation Guidelines and the Guidelines
20 of the Office of the United States Trustee. Neither the Firm nor any member of the Firm has any
21 agreement or understanding of any kind or nature to divide, pay over or share any portion of the
22 fees or expenses awarded to the Firm with any other person or entity other than members and/or
23 associates of the Firm.

24 **WHEREFORE**, the Firm respectfully requests that Debtor pay compensation to the Firm
25 as requested herein pursuant to and in accordance with the terms of the Second Amended Order
26 Establishing Interim Fee Application and Expense Reimbursement Procedure.

1 Dated: January 24, 2003

DELOITTE & TOUCHE LLP

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3 By  _____
4 Mark A. Edmunds, Partner
5 Independent Auditor, Accountant, Tax
6 Advisor and Consultant to Debtor Pacific Gas
7 and Electric Company
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2 **PROOF OF SERVICE**

3 I am over the age of 18, and I am employed at the offices of Deloitte & Touche LLP,
4 located at 50 Fremont Street, San Francisco, California.

5 On January 24, 2003, I served the foregoing **DELOITTE & TOUCHE LLP'S COVER
6 SHEET APPLICATION FOR ALLOWANCE AND PAYMENT OF INTERIM
7 COMPENSATION AND REIMBURSEMENT OF EXPENSES (FOR SERVICES
8 RENDERED FROM DECEMBER 1, 2002, TO DECEMBER 31, 2002)** by (1) depositing
9 true and correct copies thereof in the United States Mail at San Francisco, California, in sealed
10 envelopes with first class postage thereon fully prepaid, addressed to each party shown on the
11 attached list and (2) by sending true and correct copies via United Parcel Service, for overnight
12 delivery, with charges fully prepaid, to each of the following three addressees⁶:

13 James L. Lopes
14 Howard, Rice, Nemerovski, Canady, Falk & Rabkin
15 Three Embarcadero Center, 7th Floor
16 San Francisco, CA 94111
17 [Counsel for Pacific Gas and Electric Company]

18 Stephen Johnson
19 Office of the U.S. Trustee
20 250 Montgomery Street, Suite 1000
21 San Francisco, CA 94104-3401
22 [United States Trustee]

23 Robert J. Moore
24 Paul S. Aronzon
25 Milbank, Tweed, Hadley & McCloy LLP
26 601 South Figueroa Street
27 Los Angeles, CA 90017
28 [Counsel for Official Committee of Unsecured Creditors]

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.

Dated: January 24, 2003.

Lydia Lee

⁶ Only the copies served on the Office of the United States Trustee, counsel for debtor Pacific Gas and Electric Company, and counsel for the official committee of unsecured creditors included Exhibits 1 and 2; the copies served on other parties did not include the exhibits.