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

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11 UNITED STATES BANKRUPTCY COURT

12 NORTHERN DISTRICT OF CALIFORNIA, SAN FRANCISCO DIVISION

13 In re

14 PACIFIC GAS AND ELECTRIC
15 COMPANY, a California Corporation,

16 Debtor.

17 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
(JANUARY 1, 2003, TO JANUARY 31, 2003)**

[No Hearing Scheduled]

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 January 1, 2003, to January 31, 2003 ("Application Period"). In support of the Application, the
21 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

28 DELOITTE & TOUCHE LLP'S COVER SHEET APPLICATION FOR
ALLOWANCE AND PAYMENT OF INTERIM COMPENSATION AND
REIMBURSEMENT OF EXPENSES (JANUARY 1, 2003, TO JANUARY
31, 2003)

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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 \$343,873.50 in hourly fees ("Hourly Fees"), representing 1,396.5
5 hours expended, during the Application Period, and the Firm incurred \$341.30 in expenses
6 ("Expenses") during the Application Period. These Hourly Fees and Expenses are shown as
7 follows:

8 Period	Fees	Expenses	Total
9 1/1/03 to 1/31/03	\$343,873.50 ¹	\$341.30	\$344,214.80

10 The Firm seeks payment of a total of \$292,633.78 at this time.² This is the sum of (i)
11 85% of the Hourly Fees for services rendered from January 1, 2003, through January 31, 2003,
12 and (ii) 100 % of the Expenses incurred from January 1, 2003, through January 31, 2003.

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

15 Application Period	Amount Applied For	Description	Amount Paid
16 First (4/7/01 to 17 2/28/02)	\$62,333.90 ³	18 \$62,263.50 in hourly fees 19 and \$70.40 in expenses, 20 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

21 ¹ In addition to fees for Supplemental Services, the amount requested includes \$8,485.00 for time
22 expended in preparing fee applications and \$1,575.00 in fees for responding to a request from the Office
23 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.

24 ² Payment of this amount would result in a fees "holdback" of \$51,581.03.

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

27 ⁴ Debtor initially paid the Firm \$54,331.45 on account of its first cover sheet application, but the \$240
28 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.

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
Third (4/1/02 to 4/30/02)	\$232,523.00	\$232,523 in hourly fees	\$232,523.00
Fourth (5/1/02 to 5/31/02)	\$147,016.50	\$147,016.50 in hourly fees	\$147,016.50
Fifth (6/1/02 to 6/30/02)	\$115,006.00	\$115,006 in hourly fees	\$115,006.00
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
Seventh (8/1/02 to 8/31/02)	\$156,475.00	85% of \$156,475 in hourly fees	\$133,003.75
Eighth (9/1/02 to 9/30/02)	\$127,836.00 ⁶	85% of \$127,836 in hourly fees	\$108,660.60
Ninth (10/1/02 to 10/31/02)	\$426,408.75	85% of \$426,408.75 in hourly fees	\$362,447.44
Tenth (11/1/02 to 11/30/02)	\$183,805.19	85% of \$170,783.25 in hourly fees and 100 % of \$13,021.94 in expenses requested by the Firm's tenth "cover sheet" application filed on December 20, 2002	\$158,187.70

⁵ The Application Periods for the Firm's first two "cover sheet" applications overlapped because the 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.

⁶ The relevant cover sheet application requested a total of \$130,353.50 in fees, but the Firm and Debtor later agreed that the amount would be reduced by \$2,517.50.

The Firm has also received (1) \$855,000 as the Firm's base fee for auditing and reporting on Debtor's consolidated financial statements and reviewing interim financial information for the 2001 fiscal year and (2) \$1,040,000 of the base fee for auditing and reporting on Debtor's consolidated financial statements and reviewing interim financial information for the 2002 fiscal year. The July 10, 2001, order approving the Firm's employment, together with the November 5, 2002, order approving the 2002 base audit fee, authorized Debtor to pay these fees upon receipt of invoices from the Firm. Including the 2001 Base Audit Fee and the paid portion of the 2002 Base Audit Fee, the total paid to the Firm to date is \$4,956,417.89.

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

Application Period	Amount	Description
Seventh (8/1/02 to 8/31/02)	\$23,471.25	15% of holdback of fees requested by the Firm's seventh "cover sheet" application filed September 27, 2002
Eighth (9/1/02 to 9/30/02)	\$19,175.40	15% of holdback of fees requested (after agreed \$2,517.50 reduction—see footnote 6) by the Firm's eighth "cover sheet" application filed on October 31, 2002
Ninth (10/1/02 to 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
Tenth (11/1/02 to 11/30/02)	\$25,617.49	15% of holdback of fees requested by the Firm's tenth "cover sheet" application filed on December 20, 2002
Eleventh (12/1/02 to 12/31/02)	\$91,393.03	Fees and expenses requested by the Firm's eleventh "cover sheet" application filed on

1		January 24, 2003
2	Total Owed to the Firm to Date	\$223,618.48 ⁷

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

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

13 8. Pursuant to this Court's Second Amended Order Establishing Interim Fee Application
14 and Expense Reimbursement Procedure, filed on March 18, 2002, the Debtor will be authorized
15 to make the payment requested herein without further hearing or order unless an objection to this
16 Application is filed with the court by the Debtor, the Committee, or the United States Trustee
17 and served by the fifteenth day of the month following the service of this Application. If such an
18 objection is filed, Debtor will be authorized to pay the amounts, if any, not subject to the
19 objection. The Firm is informed and believes that this Application was mailed to all persons
20 shown on the Special Notice List by first class mail, postage prepaid, on February 28, 2003.

21 9. The interim compensation and reimbursement sought by this Application is on
22 account and not final. At the conclusion of this case, the Firm will seek fees and reimbursement
23 of expenses incurred for the totality of its employment in this case. Any interim fees or
24 reimbursement of expenses approved by the court and received by the Firm (along with any

25 ⁷ The \$223,618.48 does not include any fees incurred but not yet paid for the Firm's 2002 audit of
26 Debtor's consolidated financial statements and review of interim financial information.

1 retainer paid to the Firm) will be credited against such final fees and expenses as may be allowed
2 by the court.

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

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

12 Dated: February 28, 2003

DELOITTE & TOUCHE LLP

By 

Mark A. Edmunds, Partner

Independent Auditor, Accountant, Tax
Advisor and Consultant to Debtor Pacific Gas
and Electric Company

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PROOF OF SERVICE

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

On February 28, 2003, I served the foregoing **DELOITTE & TOUCHE LLP'S COVER SHEET APPLICATION FOR ALLOWANCE AND PAYMENT OF INTERIM COMPENSATION AND REIMBURSEMENT OF EXPENSES (FOR SERVICES RENDERED FROM JANUARY 1, 2003, TO JANUARY 31, 2003)** by (1) depositing true and correct copies thereof in the United States Mail at San Francisco, California, in sealed envelopes with first class postage thereon fully prepaid, addressed to each party shown on the attached list and (2) by sending true and correct copies via United Parcel Service, for overnight delivery, with charges fully prepaid, to each of the following three addressees⁸:

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

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

Robert J. Moore
Paul S. Aronzon
Milbank, Tweed, Hadley & McCloy LLP
601 South Figueroa Street
Los Angeles, CA 90017
[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: February 28, 2003.

Lydia Lee

⁸ 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.