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FILED

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UNITED STATES BANKRUPTCY COURT
SAN FRANCISCO, CA

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10 Accountants and Financial Advisors for Official
11 Committee of Unsecured Creditors

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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re
**PACIFIC GAS AND ELECTRIC
COMPANY, a California corporation,**
Debtor.

Case No. SF 01-30923 DM

Chapter 11

**SIXTH INTERIM APPLICATION OF FTI
CONSULTING INC. FOR ALLOWANCE
AND PAYMENT OF COMPENSATION
AND REIMBURSEMENT OF EXPENSES
(DECEMBER 1, 2002 THROUGH MARCH
31, 2003); DECLARATION OF THOMAS E.
LUMSDEN IN SUPPORT THEREOF**

Hearing:

Date: July 7, 2003

Time: 1:30 PM

Place: 235 Pine Street, 22nd Floor
San Francisco, CA

BKRP01

1 TO THE HONORABLE DENNIS MONTALI, UNITED STATES BANKRUPTCY
2 JUDGE, THE OFFICE OF THE UNITED STATES TRUSTEE, THE DEBTOR, AND
3 OTHER PARTIES IN INTEREST:

4 As previously disclosed to this Court through the Eighth Supplemental Declaration of
5 Mr. Thomas E. Lumsden and FTI's retention pleadings, on August 30, 2002 (the "Closing
6 Date"), the Business Recovery Services practice (the "BRS Practice") of
7 PricewaterhouseCoopers LLP ("PwC") was transferred to FTI Consulting, Inc. ("FTI"). This
8 transfer included the business, receivables and employees comprising the BRS Practice of PwC.
9 Effective upon the Closing Date, Mr. Lumsden, as well as all of the BRS Practice professionals
10 working on behalf of the Committee in this matter became employees of FTI.

11 As disclosed in FTI's retention pleadings filed on September 27, 2002 and approved by
12 the Court on October 31, 2002, *nunc pro tunc* to September 1, 2002, FTI, as successor to the
13 BRS Practice, will be responsible for filing appropriate fee applications regarding previously
14 unbilled services provided by PricewaterhouseCoopers LLP ("PwC") prior to the Closing Date.
15 Further, FTI will be entitled to all payments to be made by the Debtors after the Closing Date for
16 any outstanding receivables related to BRS services. It is anticipated that FTI would assume the
17 responsibility for filing a single, final fee application for pre-Closing Date BRS services and
18 post-Closing Date FTI services at the conclusion of these proceedings. As such, as outlined
19 above, FTI respectively submits this Sixth Interim Fee Application for services rendered by FTI
20 for the period from December 1, 2002 through March 31, 2003 to the Official Committee of
21 Unsecured Creditors (the "Committee").

22
23 I.
24 INTRODUCTION

25 This is the sixth long-form interim application filed by FTI for approval of compensation
26 and reimbursement of related expenses for services rendered on behalf of the Committee during
27 PG&E's chapter 11 case. FTI submits this Sixth Interim Application in accordance with
28 Bankruptcy Code sections 330 and 331, Rule 2016 of the Federal Rules of Bankruptcy Procedure

1 (the "Bankruptcy Rules"), the Office of the United States Trustee for the Northern District of
2 California Guidelines (the "UST Guidelines"), and the United States Bankruptcy Court Northern
3 District of California Guidelines for Compensation and Expense Reimbursement of Professionals
4 and Trustee ("Court Guidelines"). Through this Sixth Interim Application, FTI seeks (i) interim
5 approval and allowance of \$777,874 in fees accrued and \$20,240 in expenses incurred for
6 services rendered by FTI on behalf of the Committee during the period December 1, 2002
7 through and including March 31, 2003.

8 During the Sixth Application Period, FTI professionals spent a total of 1,948 hours
9 rendering services to the Committee in connection with the PG&E bankruptcy case at a
10 blended hourly rate of \$399.32. FTI also incurred \$20,240 in costs and expenses in
11 connection with those services, for which FTI is requesting reimbursement. Accordingly,
12 FTI seeks allowance and payment of a total of \$798,114 for services rendered and
13 reimbursement of costs and expenses incurred during the Sixth Application Period. To
14 date, PG&E has made payments for fees in the amount of \$503,505 and expenses in the
15 amount of \$17,483 on account of the Monthly Cover Sheet Applications for the period of
16 December 1, 2002 through March 31, 2003. These amounts reflect the cover sheet
17 applications for December 1, 2002 through February 28, 2003; the March 31, 2003
18 application has not yet been paid reflecting \$157,689 in fees and \$2,758 in expenses. The
19 services and costs for the Sixth Application Period are described below and are detailed
20 in the exhibits filed concurrently herewith.

21 22 23 **SUMMARY OF DEVELOPMENTS IN THE CASE**

24
25 On April 6, 2001 (the "Petition Date"), Pacific Gas and Electric Company (the
26 "Debtors") filed voluntary petitions for reorganization under Chapter 11 of title 11 of the United
27 States Bankruptcy Code ("Bankruptcy Code"). The Debtors continue to operate their business
28 and manage their properties as debtors-in-possession pursuant to Sections 1107(a) and 1108 of

1 the Bankruptcy Code.

2
3 On July 2, 2001 this Court entered an order authorizing, *nunc pro tunc*, employment of
4 PwC as of April 11, 2001, as Accountants and Financial Advisors for the Committee. On
5 October 31, 2002, an order (the "Retention Order") was entered to extend this employment to
6 FTI as successor to the PwC BRS Practice, *nunc pro tunc* to September 1, 2002,
7

8 The Retention Order authorized the retention of FTI to render to the Committee the
9 following essential services, which include but are not limited to the following:

- 10
- 11 (a) Assistance to the Committee in the review of financial related disclosures
12 required by the Court, including the Schedules of Assets and Liabilities,
13 the Statement of Financial Affairs and Monthly Operating Reports;
 - 14 (b) Assistance with a review of the Debtor's short-term cash management
15 practices;
 - 16 (c) Advice and guidance to the Committee with respect to utility accounting
17 and electric and gas utility operating elements, including elements of rate
18 making, cost recovery and the financial impact of regulatory decisions;
 - 19 (d) Assistance and advice to the Committee with respect to the value of the
20 Debtor's operating assets and make recommendations regarding the
21 highest and best use, operation, and ultimate disposition of such assets;
 - 22 (e) Assistance in the review of financial information distributed by the Debtor
23 to creditors and others, including, but not limited to, cash flow projections
24 and budgets, cash receipts and disbursement analysis, analysis of various
25 asset and liability accounts, and analysis of proposed transactions for
26 which Court approval is sought;
 - 27 (f) Attendance at meetings and assistance in discussions with the Debtor,
28 regulators, State agencies, mortgage holders and other secured lenders in

1 this chapter 11 case, the U.S. Trustee, other parties in interest and
2 professionals hired by the same, as requested;

3 (g) Assistance in the review and/or preparation of information and analysis
4 necessary for the confirmation of a Plan of Reorganization in this chapter
5 11 case;

6 (h) Assistance to the Committee and its counsel in the preparation and
7 evaluation of potential litigation;

8 (i) Assistance in the discharge of the Committee's duties and functions in this
9 case, including, but not limited to, compilation of material required for
10 court testimony; and

11 (j) Render such other general business consulting or such other assistance as
12 the Committee or its counsel may deem necessary that are not duplicative
13 of services provided by other professionals in this proceeding.

14
15 FTI incorporates by reference the overview of case activity presented in Sections II and
16 III of the Sixth Interim Application of Milbank Tweed Hadley & McCloy LLP for Allowance
17 and Payment of Compensation and Reimbursement of Expenses. The Debtor continues to
18 operate its business, and cash flow appears to be neutral pending regulatory decisions by the
19 California Public Utilities Commission. Two competing plans have been filed in the case and
20 confirmation hearings are still proceeding in the matter.

21
22 **II.**

23 **SUMMARY OF FTI'S EXPERIENCE**

24
25 FTI, as successor to the BRS practice of PwC, has extensive experience in financial
26 reorganizations and bankruptcy consulting services. Our professionals have provided services
27 to a wide variety of industries, and as a result, FTI has accumulated a wealth of knowledge
28

1 concerning the intricacies in these matters.

2 In bankruptcy restructurings, the FTI has accumulated over a quarter of a century of
3 experience serving Debtors, Creditors, and Trustees in bankruptcy matters.

4 FTI has assisted numerous Debtor and Debtor-In-Possession entities involving, successful
5 development of reorganization plans, numerous valuation projects, sales of assets in Chapter 11,
6 extensive tax consulting, and other services related to reorganization.

7 III.

8 SUMMARY OF SERVICES RENDERED BY FTI

9
10 During the Sixth Application Period, FTI represented and advised the Committee with
11 respect to a wide range of issues and challenges. Due to the comprehensive nature of the
12 services rendered by FTI during the Sixth Application Period, no attempt is made herein to detail
13 the totality of such services. The full scope of the services rendered by FTI is set forth in detail
14 in the billing reports filed concurrently herewith under captions entitled "Detail Reporting by
15 Task Code Exhibit for the Period December 1, 2002 to March 31, 2003" (the "Billing Reports").
16 However, in order to assist the Court, the United States Trustee, PG&E and other parties in
17 interest in reviewing this Sixth Interim Application, a brief summary of FTI's billing procedures
18 and the services rendered by FTI during the Sixth Application Period with regard to each activity
19 code category, including certain undertakings within each category, is set forth below.

20 A. Summary Of FTI's Billing Procedures.

21
22 It is FTI's normal business practice to charge its clients in full for services rendered and
23 all actual and necessary out-of-pocket costs and expenses incurred by FTI in providing those
24 services.

25
26 In the ordinary course of its practice, FTI maintains records of time expended by
27 professionals in rendering services to its clients. Time records are made substantially
28 contemporaneously with the rendition of these professional services and are prepared by the

1 professionals who have rendered the services. In matters such as this, time records are kept in 6
2 minute (.1 hour) increments.

3 This case, which was one of the ten largest bankruptcy cases filed in the United States,
4 has involved significant interaction with outside agencies, including the Federal Energy
5 Regulatory Commission, the California Public Utility Commission ("CPUC"), the California
6 Energy Commission, the Department of Water & Power ("DWR"), the State Legislature, the
7 Governors Office, as well as taxing authorities and other reporting agencies. The activity in this
8 case has been continuous and intense as the Debtor and Creditors have moved swiftly to grapple
9 with the innumerable issues of a regulated utility in bankruptcy, and parties have sought to
10 develop a consensual plan of reorganization structure. During the course of this case, we have
11 observed unprecedented action by all of the parties noted above to address the underpinnings of
12 the energy crisis in California. These have included the filing of two competing plans of
13 reorganization within one year of the case's commencement, proceedings by the legislature and
14 the CPUC to address hardship by the QF generators, proceedings by the Governor, Legislature
15 and FERC on price caps and refunds for energy, action by the Legislature and Energy
16 Commission to support development of power plants, proceedings with the CPUC over the DWR
17 power purchases, negotiations and legislative proceedings involving bailout measures for utilities
18 in California, issues involving the State Treasurers office, DWR, CPUC and the Governor over
19 bond financing for the DWR power purchases, interplay among the utilities in California, the
20 CPUC and DWR concerning allocation of the costs of power and bond financing as it may affect
21 each utility, and agreement between the CPUC and Southern California Edison (SCE) on a
22 means to repay SCE's past-due obligations. The issues at stake have been monumental with
23 PG&E's reported debt and claims exceeding \$13 Billion, the range of revenue at stake for their
24 electricity procurement activities varies from \$2.8 Billion to \$3.7 Billion per year, the proposed
25 allocation of DWR power and bond finance costs varying from \$2.0 Billion to over \$2.2 Billion
26 per year, and QF pre-petition claims on executory contracts exceeding \$1 Billion. During the
27 pendency of this case, we have observed electricity prices vary from hundreds of dollars per
28

1 Megawatt to power prices in the \$15-30 range. We have seen natural gas prices vary by a factor
2 of 10x the historic price average. Reported purchases of power by the DWR have varied from
3 over \$100 million per day to under \$12 million per day during this period. There have been
4 numerous legal challenges to actions of the Debtor, CPUC and the State of California in this
5 case, resulting in pending appeals and legal action on these matters.

6 The Committee organization structure has been unique for this case, with greater time
7 involvement by Committee members than in most any other case. The personal commitment of
8 Committee members to actively participate on a continuous basis has matched the activity level
9 in the case with over 11,500 filings listed in the Court docket through December 31, 2002. The
10 Committee has participated in an unprecedented number of meetings of the Committee, advisors,
11 the Debtor and the CPUC. The Committee, in order to address the monumental workload and
12 myriad of tasks at hand, created four distinct subcommittees: Financial, Legislative, Regulatory
13 and Plan. FTI assembled sub-teams of professionals to address the issues and work assignments
14 set forth by the Committee, subcommittees and working group. In the course of FTI's
15 representation of the Committee in this matter, it has been necessary and requested that more
16 than one or two professionals participate in meetings and conferences with the Committee
17 representatives, the CPUC or with the Debtor. This is not normally the case for FTI in such
18 matters and has been dictated by the size of the case, the complex nature of the matters being
19 discussed, the speed with which matters are being addressed in the case, and requirement to have
20 various specialty skills represented and participating in certain key discussions. In many cases,
21 these have been high-level meetings or key discussions with the Debtor representatives or the
22 CPUC and its advisors who are not able to make themselves available for repetitive follow-up
23 discussions. In many cases, the participation of multiple professionals by FTI has been dictated
24 by the specific specializations and backgrounds such as those of the following key professionals:

25
26 Michael Hamilton is FTI's senior Utility Specialist in Accounting and Regulatory
27 Matters. He has participated in each of the restructurings that have involved a utility for the Firm
28 over the past 25 years. He has unique knowledge of the regulatory and business environment

1 facing utilities. Mr. Hamilton has coordinated the Committee work on plan structuring,
2 regulatory matters, cash flow projections and legislative matters.

3 Thomas Lumsden is one of FTI's senior bankruptcy specialists, with specialization in
4 utilities and the California Market, having participated in development of the infrastructure for
5 the electricity deregulation in the State, and has operated and bought and sold electrical
6 generation facilities. Mr. Lumsden coordinated the Committee work on the financial modeling
7 and analysis of PG&E's operations and finances, the DWR power purchases and revenue
8 requirements, the tax issues involving the Plan structure, the retained generation filings with the
9 CPUC, the analysis of claims by class, analysis of the CPUC Plan, and development of
10 alternative plan structures.

11
12 M. Freddie Reiss is a senior bankruptcy specialist for FTI with expertise in serving
13 Committees and dealing with intercreditor matters. He has coordinated the Firm's negotiations in
14 the areas of employee retention issues, employment of Debtor professionals, ordinary course
15 motions, committee governance and plan negotiations with the Debtor and with the CPUC.

16 Rocky Ho is a Managing Director for FTI and has been responsible for coordinating staff
17 assignments and projects for the FTI team, review of work product, quality control, and active
18 participation in plan adjustments, and has specialized in review and coordination of all
19 Committee response to Debtor motions and filings, litigation matters and Committee consent on
20 expenditures.

21
22 Allison Young is a Director for FTI and has specialized in the financial modeling, the
23 statewide grid modeling, the cash flow analysis, the assessment of Debtor projections, the
24 assessment of the CPUC's projections, alternative plan structures and feasibility, tax analysis of
25 both plan proposals, and analysis of creditor claims by class.

26 Jennifer Kitchin is a Director for FTI and has specialized in the Rating Agency analysis
27 of PG&E, the DWR power purchases and contract data.
28

1 Margery Neis is a Utilities specialist in the BRS Practice who has coordinated the review
2 and monitoring of all matters with the CPUC, the DWR power purchases and contract database
3 and QF contracts.

4 An analysis of meetings with multiple FTI professionals in attendance and an explanation of the
5 role and purpose of each professionals' participation is presented in Exhibit 4 to this Application.
6

7 **B. Summary Of Exhibits Regarding Services Rendered By FTI.**

8 FTI has attached the following exhibits as support to its Application:

9 1. Attached to the Declaration of Thomas E. Lumsden ("Lumsden Declaration") is
10 Exhibit 1 - A summary schedule showing the professionals who performed the services, the
11 number of hours spent, the respective professional's billing rate, and the total fees for such
12 services;

13 2. Exhibit 2 and Exhibit 2-1 - Summary of Fees by Project Category and itemized
14 time records, in chronological order, of each specific service for which an award of
15 compensation is sought. The itemized record includes: (1) the date each service was rendered,
16 (2) the professional(s) who performed the service, (3) a description of the services rendered, and
17 (4) the time spent performing the service in increments of tenths of an hour for the Sixth Interim
18 Application;

19 3. Exhibit 3 - Expense Summary and Expense Detail reports by individual and
20 itemized total expenses for which reimbursement is sought. All expenses for which
21 reimbursements are sought are disclosed in detail by individual. It should be noted that any
22 airfare charges were incurred as a result of travel in coach class. FTI has not requested
23 reimbursement for certain out-of-pocket expenses when it would not be possible to assemble the
24 billing details for reimbursement under the Guidelines. These unbilled out-of-pocket expenses
25 typically include telephone charges for calls placed in its offices, postage costs including Federal
26 Express charges and copying and facsimile charges incurred at the Applicant's offices in
27 connection with these cases. These unbilled out-of-pocket expenses are real costs that have been
28

1 incurred by FTI and have benefited the Estate; and

2 4. Exhibit 4 – Summary of Meetings that more than two FTI professionals attended.
3 The summary highlights the relative importance of each team member and the purpose of their
4 involvement at the meetings.

5
6 **NARRATIVE SUMMARY OF SERVICES PROVIDED BY FTI.**

7 FTI has submitted detailed listings of time incurred by professional by task for the
8 monthly Cover Sheet Applications to the Debtor, Committee, the United States Trustee and the
9 Court for the period covered by this Sixth Interim Application. FTI has reclassified some of the
10 detailed time into categories that more appropriately reflect the work performed.
11 Reclassification were made to harmonize the categorization among professionals.

12
13 **1. Asset Sales/Valuation Issues (Category 01).**

14 During the Sixth Application Period, FTI professionals spent a total of 194.0
15 hours rendering services in this category, for which FTI seeks compensation of \$59,978. A
16 summary of the FTI professionals who rendered services in this category and the corresponding
17 amount of fees requested is included in Exhibit “2.” The Billing Record for this category, which
18 sets forth a detailed description of the services rendered are filed concurrently herewith.

19 Services rendered by FTI professionals in this category included:

- 20
21 a) FTI updated its valuation of the proposed business units under the PG&E
22 Plan of Reorganization and of PG&E as an integrated utility under the
23 CPUC Plan of Reorganization.
24
25 b) FTI prepared a valuation of the Debtor’s regulatory assets as well as a
26 liquidation analysis, both of which were used in the expert testimony of
27 Thomas E. Lumsden.

1 The purpose for the work performed was to enable the Committee to assess the
2 solvency of the Debtor, to assess the ability of the Debtor's assets, at market value, to provide
3 adequate coverage for the proposed debt to be issued under both plans of reorganization, and to
4 assess the approximate value of the Debtor's equity under the CPUC plan. The valuation of the
5 Debtors business segments involved analysis of each component of the Debtors operations,
6 adjusting for the different cost structure, resources, market pricing and regulatory environment in
7 California. This information has assisted the Committee in evaluating the debt capacity and
8 creditworthiness of each of the proposed new entities in the Debtor's Plan of Reorganization and
9 of the integrated utility under the CPUC/OCC Plan of Reorganization. In the process of
10 developing the comparable company data, which is referenced in valuations, FTI has also
11 utilized the information to assess the viability of the Debtors financial projections for plan
12 purposes.

13 **2. Bankruptcy Reporting (Category 02).**

14
15 During the Sixth Application Period, FTI professionals spent a total of 137.7
16 hours rendering services in this category, for which FTI seeks compensation of \$34,826. A
17 summary of the FTI professionals who rendered services in this category and the corresponding
18 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
19 sets forth a detailed description of the services rendered is filed concurrently herewith.

20 Services rendered by FTI professionals in this category included:

- 21
22 a) FTI reviewed and analyzed various motions and pleadings of the case, and
23 provided comment to the committee on the financial impact of these items.

24 There have been innumerable motions filed in the case by the Debtor and other
25 parties which required review and assessment by FTI to assist counsel to the Committee in
26 determining the necessary response. These included motions on capital expenditures, asset sales,
27 and claim settlements, Power Exchange, lease extensions, POR transition costs, procurement
28

1 plans, as well as document discovery requests. In many cases, the time associated with those
2 motions has been posted to a distinct task code, but in other more generic cases, the time has
3 been posted to the Bankruptcy Reporting task.

4 **3. Cash Flow Analysis (Category 03).**

5
6 During the Sixth Application Period, FTI professionals spent a total of 35.7 hours
7 rendering services in this category, for which FTI seeks compensation of \$14,231. A summary
8 of the FTI professionals who rendered services in this category and the corresponding amount of
9 fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
10 detailed description of the services rendered, is filed concurrently herewith.

11 Services rendered by FTI professionals in this category included:

- 12
13 a) FTI updated its analysis of the Debtors' cash flow forecasts to develop an
14 understanding of the Debtor's liquidity position and its ability to generate
15 sufficient cash to fund the proposed Plans of Reorganization.
16
17 b) FTI analyzed the new capital expenditure budget and its impact on the
18 debtors' cash flow projections.

19 The process was critical to understanding the financial projections, both cash based and
20 operating, to evaluate the liquidity of the debtor, and its parent, to assess the Committee position
21 with respect to motions related to ordinary course expenditures, capital expenditures, payments
22 to DWR, payments to ISO, the relationship and sensitivity of the cash flows to changes in natural
23 gas fuel prices, and the Debtor's ability to generate sufficient cash flows to fund either of the
24 proposed Plans of Reorganization.

25 **4. Claims Analysis (Category 04).**

26
27 During the Sixth Application Period, FTI professionals spent a total of 236.0
28 hours rendering services in this category, for which FTI seeks compensation of \$107,115. A

1 summary of the FTI professionals who rendered services in this category and the corresponding
2 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
3 sets forth a detailed description of the services rendered is filed concurrently herewith.

4 Services rendered by FTI professionals in this category included:

- 5
- 6 a) FTI coordinated with the Debtor to summarize and reconcile those claims
7 filed against the company to validate the value of potential allowed claims
8 that the Estate is responsible for.
 - 9 b) FTI reviewed and analyzed numerous claims stipulations.
 - 10 c) FTI reviewed the data on application of any generator and pass through
11 claims, and evaluated the FERC ordered refunds to reduce the allowed
12 claims in the case.
 - 13 d) FTI reviewed and analyzed issues surrounding NCPA / City of Palo Alto's
14 claim.
15
- 16

17 This work product has involved the review of claims filed by creditors totaling in
18 excess of \$44 Billion; reconciling these amounts to those reported by the Debtor, and to
19 information supplied by institutional creditors and in public filings; and evaluating those claims
20 which are subject to estimation or adjustment through the ISO or PX, and those subject to CPUC
21 review. Work in this area has resulted in validation on behalf of the Committee of a large
22 segment of the claims in this case and evaluation of key claims including those for Financial
23 Creditors, QF's, Sempra, ISO/Generators, cities, counties and other claimants where settlements
24 have been proposed or discussed. FTI spent time reviewing NCPA's \$1.5 billion claim and
25 continues to closely monitor the claims estimation proceedings as the dollar amount could
26 potentially impact the feasibility of both plans.

27
28

1 **5. CPUC Review (Category 05).**

2 During the Sixth Application period, FTI professionals spent a total of 174.5
3 hours rendering services in this category, for which FTI seeks compensation of \$65,022. A
4 summary of the FTI professionals who rendered services in this category and the corresponding
5 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
6 sets forth a detailed description of the services rendered is filed concurrently herewith.

7 Services rendered by FTI professionals in this category included:

- 8
- 9 a) FTI reviewed and monitored CPUC proceedings to determine the potential
10 financial impact the proceedings could have on the Debtor.
- 11
- 12 b) FTI reviewed the Debtor's, SCE's, SDG&E's, DWR's and TURN's
13 CPUC filings to determine the potential financial impact on the Debtor's
14 estate.
- 15 c) FTI reviewed the TRA-TCBA and GMA account statements to determine
16 correlation with power process.
- 17
- 18 d) FTI reviewed PG&E General Rate Case 2003 filing documents and
19 evaluated its impact on plan projections.

20 The work in this area is critical to the determination of future cash flow and
21 funding of the Debtor to complete a plan of reorganization. As an integrated utility, the Debtor is
22 regulated by the CPUC for all aspects of its owned generation (nuclear and hydro assets), intra-
23 state gas transmission and storage facilities, gas and electric procurement, and distribution of
24 electricity and gas to its wholesale and retail customers through its network of pipes and wires
25 throughout Northern California. The CPUC and PG&E have made filings and conducted
26 hearings on such regulatory topics as utility retained generation rate setting, general rate case,
27 DWR revenue requirement, net short procurement, attrition, and matters involving transition
28

1 period accounting during deregulation. PG&E has been actively engaged with the CPUC during
2 this period with the setting of the revenue requirements for its nuclear and hydro generation
3 assets and with the revenue requirement for the DWR power purchases and bond financing. FTI
4 has monitored the CPUC hearings, testimonies and developments closely, and has prepared
5 minutes of key hearings and modeled the range of outcomes for the Committee. FTI has also
6 performed a thorough analysis of the CPUC's settlement with SCE for the recovery of its past-
7 due procurement related obligations and how this agreement compares with the Plan proposed by
8 the CPUC for PG&E Company. FTI also researched elements of the CPUC regulation to assess
9 compliance of the Joint Plan of Reorganization.

10 **6. CPUC/OCC Plan of Reorganization (Category 06).**

11
12 During the Sixth Application period, FTI professionals spent a total of 222.3
13 hours rendering services in this category, for which FTI seeks compensation of \$104,324. A
14 summary of the FTI professionals who rendered services in this category and the corresponding
15 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
16 sets forth a detailed description of the services rendered is filed concurrently herewith.

17 Services rendered by FTI professionals in this category included:

- 18
- 19 a) FTI reviewed and analyzed the alternatives to the Joint Plan projections
20 and provided feedback to UBS and the CPUC on the reasonableness of the
21 Plan projections, including the proposed capital structure, capital
22 expenditures, and creditor recovery analysis.
 - 23 b) FTI analyzed the projected financial ratios from the Joint Alternate Plan
24 and compared to S&P benchmark ratios for utility investment grade
25 companies.
 - 26 c) FTI analyzed the Joint Plan projections prepared by UBS and provided
27 advice and comments to UBS and the Committee on the Joint Plan
28

1 projections.

2 d) FTI advised attorneys for the CPUC and the OCC in confirmation hearings for
3 the CPUC/OCC Plan, including preparing financial analyses (1) in support of
4 the CPUC/OCC plan, (2) in defense of PG&E objections to the CPUC/OCC
5 Plan, and (3) in support of UBS in its testimony and delivery of the UBS
6 Highly Confidential letter on financing of the Joint Plan.

7 e) FTI prepared the expert testimony for Thomas E. Lumsden

8 f) FTI reviewed and analyzed the UBS Bridge Term Sheet.

9
10
11 The work in this area enabled the Creditors Committee to provide meaningful
12 feedback to the CPUC on alterations to their Joint Plan to improve plan feasibility, to assist UBS
13 in developing the Joint Plan projections, and obtaining preliminary indications from ratings
14 agencies for the Joint Plan Securities. This work also enabled the CPUC to defend against
15 objections to the plan filed by the Debtor and helped the CPUC/OCC plan receive preliminary
16 investment grade ratings from the agencies. Significant work was performed during plan
17 confirmation hearings, including participating in depositions, monitoring of court activities, and
18 preparation of the Lumsden expert witness report regarding solvency and the regulatory
19 balancing accounts.

20 **7. Debtor Plan for Reorganization (Category 7)**

21
22 During the Sixth Application Period, FTI professionals spent a total of
23 284.8 hours rendering services in this category, for which FTI seeks compensation of
24 \$146,426. A summary of the FTI professionals who rendered services in this category
25 and the corresponding amount of fees requested is included in Exhibit "2". The Billing
26 Report for this category, which sets forth a detailed description of the services rendered, is
27 filed concurrently herewith.
28

1 Services rendered by FTI professionals in this category included:

- 2 a) FTI reviewed and analyzed various filings made by the debtor in support
3 of its Plan of Reorganization for the Plan's confirmation hearings. FTI
4 further participated in various depositions of key financial personnel of the
5 Debtor to obtain a better understanding of the changes to the Debtor's
6 financial projections.
7
8 b) FTI reviewed and analyzed CPUC's opposition to the Debtor's Plan of
9 Reorganization.
10
11 c) FTI attended PG&E's Plan of Reorganization Confirmation hearings.

12 The Committee has continued to monitor the Debtor's financial performance and
13 changes to the Debtor's plan of reorganization. This effort has included a review of underlying
14 detail of all plan assumptions and updates to current and projected financial performance. FTI
15 has attended certain related depositions of experts.

16 **8. DWR Contracts Analysis (Category 08).**

17
18 During the Sixth Application Period, FTI professionals spent a total of 124.7
19 hours rendering services in this category, for which FTI seeks compensation of \$48,994. A
20 summary of the FTI professionals who rendered services in this category and the corresponding
21 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
22 sets forth a detailed description of the services rendered is filed concurrently herewith.

23 Services rendered by FTI professionals in this category included:

- 24
25 a) FTI calculated the potential range of future payments that will be required
26 to be remitted to the DWR by the Debtor to pay for its purchased power,
27 administrative costs, and debt service requirements.
28

1 b) FTI evaluated how the revised DWR revenue requirement would impact
2 the projected financial statements of both Plans.

3 c) FTI reviewed updates to the DWR Revenue Requirement and the
4 underlying Navigant model and settlements amending the underlying
5 contracts.

6
7 Approximately 40% of the electricity that PG&E supplies to its customers has
8 been provided by the DWR through spot and contract purchases under the program initiated by
9 ABx1. FTI has monitored the power purchases supplied by DWR to PG&E, estimated the costs
10 of that power, as well as future costs associated with contractual commitments and spot
11 purchases to meet PG&E's net short position, and developed estimates of those future costs.
12 This information has been compared with financial data supplied by consultants to the DWR and
13 has also been shared with PG&E to assist in efforts to influence the structure of the allocation of
14 those costs among the utilities in California. FTI continued its review of the contracts that have
15 been completed by the DWR and updated our database model of those contracts for newly
16 obtained contracts and renegotiated contracts to enable the Committee and PG&E to estimate the
17 volume and cost of that power and its potential allocation to PG&E.

18 **9. Executory Contracts Analysis (Category 9).**

19
20 During the Sixth Application Period, FTI professionals spent a total of 2.1 hours
21 rendering services in this category, for which FTI seeks compensation of \$998. A summary of
22 the FTI professionals who rendered services in this category and the corresponding amount of
23 fees requested is included in Exhibit "2." The Billing Report for this category, which set forth a
24 detailed description of the services rendered are filed concurrently herewith.

25 Services rendered by FTI in this category included:

26
27 a) FTI reviewed and analyzed proposed stipulation between the debtor and
28 the Power Exchange to assume power contracts subject to certain

1 limitations.

2
3 This work involved review of proposed QF and other various settlement
4 agreements, and negotiations with the Debtor on structures for assumption and modification of
5 these executory contracts. The more than 300 QF generators supply approximately 1/3 of the
6 power PG&E delivers to its customers, and pre-petition claims approximated \$1 Billion. FTI's
7 work in this area helped the Committee to understand the financial consequences of the proposed
8 settlements and whether to support or reject the Debtor's proposed settlement agreements.

9 **10. Fee Application (Category 10).**

10
11 During the Sixth Application Period, FTI professionals spent a total of 89.6 hours
12 rendering services in this category, for which FTI seeks compensation of \$24,444. A summary
13 of the FTI professionals who rendered services in this category and the corresponding amount of
14 fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
15 detailed description of the services rendered are filed concurrently herewith.

16 Services rendered by FTI professionals in this category included:

- 17
18 a) Time spent preparing FTI's Fifth Interim Fee Application and the monthly
19 Cover Sheet Applications for Allowance and Payment of Interim
20 Compensation and Reimbursement of Expenses in accordance with the
21 requirements established by the United States Bankruptcy Code, the Court
22 and the U.S. Trustee. Time expended preparing this Sixth Interim
23 Application will be reported in the next interim fee statement.

24 **11. FERC (Category 11).**

25
26 During the Sixth Application Period, FTI professionals spent a total of 52.6 hours
27 rendering services in this category, for which FTI seeks compensation of \$23,655. A summary
28 of the FTI professionals who rendered services in this category and the corresponding amount of

1 fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
2 detailed description of the services rendered is filed concurrently herewith.

3 Services rendered by FTI professionals in this category included:
4

- 5 a) FTI monitored FERC proceedings to determine the potential financial
6 impact of regulatory proceedings on the Debtor's Estate, including
7 possible changes in rates, generator refunds, settlement of the California
8 PX/Generator claims, and progress on the Debtor's filings requesting
9 FERC approval for various aspects of its Plan of Reorganization.
- 10 b) FTI reported findings and analysis on FERC proceedings to the
11 Committee.
12

13 This analysis and monitoring, in concert with regulatory counsel for the
14 Committee, has been critical to assessment of potential refunds on claims that may be awarded to
15 PG&E, potentially reducing the pre-petition obligations, and analyzing the potential claim PG&E
16 will have from the settlement Generator claims against the now defunct California Power
17 Exchange. We have also advised the Committee with respect to the impact of FERC market price
18 caps and the impact of the retroactive application of those caps to the PX, ISO and DWR
19 purchases as they may affect the Debtor.

20 **12. Financial Statement Modeling (Category 12).**
21

22 During the Sixth Application Period, FTI professionals spent a total of 121.0
23 hours rendering services in this category, for which FTI seeks compensation of \$44,194. A
24 summary of the FTI professionals who rendered services in this category and the corresponding
25 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
26 sets forth a detailed description of the services rendered is filed concurrently herewith.

27 Services rendered by FTI professionals listed in this category included:
28

- 1 a) FTI continued to refine its integrated financial statement model to support
2 various alternative plans under consideration by the committee. This
3 integrated model enabled the committee to create financial projections to
4 support the joint CPUC/OCC plan of reorganization that has been filed
5 with the court.
- 6 b) FTI created a model to analyze the new financial projections of the PG&E
7 Plan of Reorganization as filed with the court in November 2002.
- 8
- 9 c) FTI reviewed GRC filings to model future rates of PG&E.

10 FTI's financial modeling effort has enabled the Committee to assess the feasibility
11 of the Debtor's and the CPUC's proposed plans of reorganization and to model various
12 alternative plan scenarios. This model proved integral in calculating the cash flows of multiple
13 alternative plans and assessing the feasibility of various capital structures. The joint CPUC/OCC
14 plan before the court is supported by the financial projections generated from FTI's financial
15 modeling efforts.

16

17 **13. Financial Statements (Category 13).**

18 During the Sixth Application Period, FTI professionals spent a total of 89.6 hours
19 rendering services in this category, for which FTI seeks compensation of \$41,397. A summary
20 of the FTI professionals who rendered services in this category and the corresponding amount of
21 fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
22 detailed description of the services rendered is filed concurrently herewith.

23

24 Services rendered by FTI professionals in this category included:

- 25 a) FTI reviewed the Debtor's historical financial statements filed durin ghtis
26 period, including SEC, FERC and bankruptcy filings.
- 27
- 28 b) FTI used its research of the Debtor's historical performance in performing

1 various financial analyses on the Debtor's financial condition and ability
2 to reorganize, including assessment of changes in the parent financial
3 condition.

4 As a regulated utility, the Debtor's financial statement filings include submissions
5 to the SEC, FERC, and the CPUC that outline the accounting for GAAP (generally accepted
6 accounting principals) presentation and regulatory accounting purposes. These financial
7 statements present voluminous information on the historical performance and financial health of
8 the Debtor. FTI reviewed certain public filings to verify financial projections in the plan of
9 reorganization and to summarize the financial performance of the utility post-petition for the
10 creditors committee.

11
12 **14. General Committee Matters (Category 14).**

13 During the Sixth Application Period, FTI professionals spent a total of 51.5 hours
14 rendering services in this category, for which FTI seeks compensation of \$26,139. A summary
15 of the FTI professionals who rendered services in this category and the corresponding amount of
16 fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
17 detailed description of the services rendered is filed concurrently herewith.

18 Services rendered by FTI professionals listed in this category included:

- 19
20 a) FTI prepared for and attended numerous meetings and conference calls
21 including the full Committee on various issues, including general case
22 administration, financial issues, regulatory issues, litigation issues, Plan
23 issues and confirmation hearing matters.
24
25 b) FTI personnel prepared for and participated in various formal and informal
26 conference calls between Committee members, Committee working group
27 members, Committee advisors and PG&E regarding the financial impact
28 of various motions brought by PG&E, the Debtor's and the CPUC/OCC's

1 proposed plans of reorganization, confirmation hearings, and other issues
2 surrounding the Debtor's estate.

- 3 c) FTI prepared numerous presentations for distribution to the Committee
4 regarding a the financial impact of various matters affecting the Debtor's
5 Estate, and addressed questions from individual creditors on aspects of the
6 Plan of Reorganization.

7
8 As has been mentioned earlier, the Committee has participated in a significant
9 number of meetings and conferences to address the volume of issues facing the Debtor and to
10 accelerate the process of reorganization of this Debtor. FTI has structured its team into
11 subgroups with partners and staff splitting responsibility for various areas. This category
12 captures the time spent associated with the myriad of meetings and conferences that FTI has
13 participated in which do not address any one particular task code topic. FTI has attempted to
14 minimize the participation of more than one or two professionals in these meetings and
15 conferences, but in many cases, the variety and complexity of the issues addressed, the speed
16 with which activities in the case have progressed, and the particular specialties of the FTI
17 professionals involved have dictated the need to have more than one or two professionals in
18 attendance. For meetings where more than two FTI professionals were present, Exhibit 4
19 summarizes the role of each team member and the purpose of their involvement at the meeting.

20 **15. Legislative Review (Category 15).**

21
22 During the Sixth Application Period, FTI professionals spent a total of 0.3 hours
23 rendering services in this category, for which FTI seeks compensation of \$104. A summary of
24 the FTI professionals who rendered services in this category and the corresponding amount of
25 fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
26 detailed description of the services rendered is filed concurrently herewith.

27 Services rendered by FTI professionals listed in this category included:
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a) FTI performed a general review and analysis of financial implications of potential and passed legislation affecting the Debtor's estate.

This utility bankruptcy has involved not just the interplay of the Debtor, creditors and regulators, but has also drawn in the legislative element as the governor and state legislators seek a resolution to the crisis that affected the energy supply in California. FTI has monitored, in concert with Saybrook Capital representatives, the various alternatives being presented by the governor and legislators to assess if these may serve as a proxy for a plan of reorganization for PG&E, and to determine if any of these proposals would have detrimental impact to the Debtor or the two proposed Plans of Reorganization.

16. Professional Compensation Matters (Category 16).

During the Sixth Application Period, FTI professionals spent a total of 79.6 hours rendering services in this category, for which FTI seeks compensation of \$6,724. A summary of the FTI professionals who rendered services in this category and the corresponding amount of fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a detailed description of the services rendered is filed concurrently herewith.

Services rendered by FTI professionals listed in this category included:

- a) FTI Reviewed and analyzed the Fifth Interim Fee Application of other professionals.
- b) FTI attended fee application hearings for the Fifth Interim Fee Application and reviewed UST objections to various professionals' fee applications.

17. Subcommittee Matters (Category 17).

1 During the Sixth Application Period, FTI professionals spent a total of 37.6 hours
2 rendering services in this category, for which FTI seeks compensation of \$21,280. A summary
3 of the FTI professionals who rendered services in this category and the corresponding amount of
4 fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
5 detailed description of the services rendered is filed concurrently herewith.

6 Services rendered by FTI professionals listed in this category included:

- 7
- 8 a) FTI prepared for and participated in numerous meetings and
9 teleconferences with the OCC's Plan Subcommittee to evaluate plan
10 alternatives, discuss the reasonableness of supporting plan assumptions,
11 and strategize on steps for achieving confirmation of the joint CPUC/OCC
12 Plan of Reorganization.

13

14 FTI played an active role in developing and evaluating alternative plan scenarios
15 with the OCC Plan Subcommittee. FTI's in-depth knowledge of PG&E's operations and the
16 CPUC regulatory framework aided the committee in rapidly creating a plan which should face
17 fewer legal and financing challenges than either of the previous plans filed in the case. This
18 effort involved activities with Committee Counsel and Saybrook representatives.

19 **18. Tax Review (Category 18)**

20

21 During the Sixth Application Period, FTI professionals spent a total of 10.7 hours
22 rendering services in this category, for which FTI seeks compensation of \$5,406. A summary of
23 the FTI professionals who rendered services in this category and the corresponding amount of
24 fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
25 detailed description of the services rendered is filed concurrently herewith.

26 Services rendered by FTI professionals listed in this category included:

- 27
- 28 a) FTI reviewed and analyzed tax related matters between PG&E Corp and

1 its subsidiaries.

2 FTI researched and summarized key tax issues of the Debtor's Plan of
3 reorganization for the Committee and the tax impact of alternative plan proposals, highlighting
4 the potential financial impact on the Debtor and any potential tax liabilities to the creditor. FTI
5 also kept the Committee apprised of the status on IRS submissions and the implications of the
6 CPUC's proposed tax sharing agreement.

7
8
9 **19. Travel Time (Category 19).**

10
11 During the Sixth Application Period, FTI professionals spent a total of 3.5 hours
12 rendering services in this category, for which FTI seeks compensation of \$2,083. A summary of
13 the FTI professionals who rendered services in this category and the corresponding amount of
14 fees requested is included in Exhibit "2." The Billing Report for this category, which sets forth a
15 detailed description of the services rendered is filed concurrently herewith.

16 Services rendered by FTI professionals listed in this category included:

- 17
18 a) This category includes the time required for FTI professionals to travel to
19 case related meetings after September 11, 2001.

20 **IV.**

21
22 **SUMMARY OF ACTUAL AND NECESSARY EXPENSES INCURRED BY FTI**

23 FTI maintains records of all actual and necessary out-of-pocket expenses incurred
24 and typically charged in connection with rendering professional services to its clients in the
25 ordinary course of its business practice. As is typical of FTI's practice when representing
26 creditor committees, FTI has reduced to cost or not charged certain of these out-of-pocket
27 expenses to the estate in accordance with the UST Guidelines and the Court Guidelines and to
28

1 ensure the reasonableness of FTI's fee and expense request. A brief explanation of certain costs
2 incurred and charged to the estate is set forth below:

- 3 a) FTI does not charge its clients for photocopying done in-house; copying done by
4 third-party services is charged at cost;
- 5 b) FTI charges its clients for document retrieval services, computer research and other
6 specialized searches and services, such as messengers and library retrievals, at cost;
- 7 c) FTI charges its clients for mileage (\$0.36 per mile, if sought) and parking costs
8 incurred by its professionals in connection with services rendered, at cost;
- 9 d) FTI charges its clients for transportation and travel-related costs including out-
10 of-town meals, excluding lunches, incurred by its professionals when working
11 on specific client matters, at cost; and
- 12 e) FTI normally charges its clients for the cost of overtime and weekend meals
13 and transportation when pressing client matters require the professional to
14 work past normal office hours; however, in accordance with the UST
15 Guidelines and the Court Guidelines, no such charges are included in this Sixth
16 Interim Application.

17
18
19
20 V.

21 **COMPENSATION REQUESTED AND RELEVANT LEGAL STANDARD**

22 To grant a request for compensation pursuant to Bankruptcy Code section 330,
23 the Court must find that such request is reasonable. The reasonableness of a compensation
24 request is determined by the "lodestar" method. See In re Yermakov, 718 F.2d 1465, 1471 (9th
25 Cir. 1983). Under the lodestar approach, "reasonable" compensation is calculated by
26 multiplying the number of hours reasonably expended by the hourly rate of the professional. In
27 re Rheuban, 121 B.R. 368, 383 (Bankr. C.D. Cal. 1990). There is a strong presumption that the
28

1 lodestar product is reasonable under Bankruptcy Code section 330. See In re Drexel Burnham
2 Lambert Group, Inc., 133 B.R. 13, 22 (Bankr. S.D.N.Y. 1991).

3 The reasonableness of a professional's hourly rate is based on the cost for
4 comparable services charged in the area, in non-bankruptcy matters. See In re Yermakov, 718
5 F.2d at 1471. The reasonableness of the hours expended on a task is based on whether the
6 services provided were actual and necessary. See In re Nucorp Energy, Inc., 764 F.2d 655, 658
7 (9th Cir. 1985).

8
9 FTI's fees are reasonable given the size and complexity of the bankruptcy case
10 and are commensurate with the fees that FTI has been awarded in comparable chapter 11 cases
11 and that accountants and financial advisors of comparable experience and expertise charge on a
12 regular basis to represent creditor committees in comparable chapter 11 cases. Accordingly,
13 utilizing the lodestar method, FTI's fee and expense request is reasonable and should be allowed
14 and paid pursuant to Bankruptcy Code section 330. See Drexel, 133 B.R. at 22.

15
16 VI.

17 CONCLUSION

18 For the reasons set forth above and pursuant to Bankruptcy Code sections 330 and
19 331, Bankruptcy Rule 2016, the Court Guidelines, the UST Guidelines and the standards adopted
20 by courts in awarding accountants' and financial advisors' fees and costs, FTI submits that the
21 fees for services rendered and costs and expenses incurred on behalf of the Committee during the
22 Sixth Application Period in the total amount of \$798,114 are reasonable and should be allowed
23 on an interim basis and paid in full.

24 As previously mentioned, FTI purchased all outstanding receivables of the BRS
25 Practice, including receivables related to PwC's work as accountants and financial advisors to
26 the Official Committee of Unsecured Creditors in the Pacific Gas and Electric bankruptcy case.
27 No agreement or understanding of any kind or nature exists between FTI and any other person or
28

1 entity for the sharing, division, or payment of any portion of the compensation awarded for our
2 services rendered or expenses incurred in connection with the representation of the Committee in
3 the bankruptcy case.

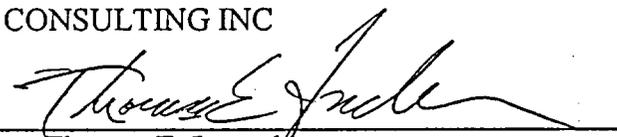
4 WHEREFORE FTI respectfully requests that this Court enter an order:

- 5
- 6 1. Approving this Sixth Interim Application in its entirety;
- 7
- 8 2. Approving an interim award of compensation in the amount of \$777,874
9 for professional services rendered and reimbursement of costs and expenses incurred in the
10 amount of \$20,240, for a total amount of \$798,114.
- 11 3. Authorizing and directing PG&E to immediately pay to FTI the allowed
12 amounts, less any such amounts already paid pursuant to the Order Establishing Interim Fee
13 Application and Expense Reimbursement Procedure; and
- 14
- 15 4. Granting such other and further relief as the Court deems just and proper.
- 16

17 DATED: May 14, 2003

Respectfully submitted.

18 FTI CONSULTING INC

19 By: 

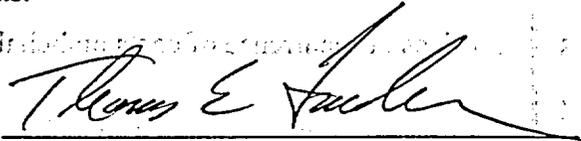
20 Thomas E. Lumsden

21 Accountants and Financial Advisors to Official Committee
22 of Unsecured Creditors
23
24
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CERTIFICATION

I, Thomas E. Lumsden, am the professional designated by FTI Consulting, Inc. to ensure compliance with the United States Bankruptcy Court Northern District of California Guidelines for Compensation and Expense Reimbursement of Professionals and Trustee ("Court Guidelines"). I served as the senior managing director for FTI Consulting Inc. in connections with this matter. I certify that (a) I have read the Sixth Interim Application; (b) to the best of my knowledge, information and belief, formed after reasonable inquiry, the compensation and expense reimbursement sought is in conformity with the Court Guidelines, except as specifically noted in the Application; and (c) the compensation and expense reimbursement requested are billed at rates, in accordance with practices, no less favorable than those customarily employed by FTI and generally accepted by FTI's clients.

DATED: May 14, 2003


Thomas E. Lumsden

1 compensation covering 1,948.0 hours of professional time devoted to advising the Committee in
2 PG&E's bankruptcy case, resulting in the accumulation of \$777,874 in fees for professional
3 services rendered and \$20,240 for expenses incurred, for a total amount of \$798,114.

4
5 5. It is FTI's normal business practice to charge its clients in full for services
6 rendered and for all actual and necessary costs and expenses incurred in connection with such
7 services.

8 6. FTI received no pre-petition retainer in connection with this bankruptcy
9 case.

10
11 7. FTI has submitted monthly fee notices in accordance with the interim fee
12 procedures that were established by the Court. FTI has received payments totaling \$520,988 in
13 connection with the Monthly Cover Sheet Applications covering the period December 1, 2002 to
14 March 31, 2003, comprised of \$503,505 in fees and \$17,483 in expenses (\$157,689 in fees and
15 \$2,758 in expenses related to the March 31, 2003 Cover Sheet Application have not yet been
16 paid amounting to a total of \$160,446)

17 8. No agreement or understanding of any kind or nature exists between FTI
18 and any other person or entity for the sharing, division, or payment of any portion of the
19 compensation awarded to FTI or the BRS Practice for services rendered or expenses incurred in
20 connection with our representation of the Committee in this chapter 11 proceeding, except as
21 among the employees and shareholders of FTI.

22
23 9. I am one of the designated professionals responsible for overseeing the
24 billing in this matter and for assuring compliance with the Guidelines of the Office of the United
25 States Trustee for the Northern District of California relating to billing (the "Guidelines").
26 Based upon my review of the Sixth Interim Application submitted by FTI for the Sixth
27 Application Period, I believe that the Sixth Interim Application complies with the Court
28 Guidelines and the UST Guidelines.

1 10. Attached hereto as Exhibit "1" is a summary of the total hours expended,
2 billing rate, and fees incurred by each FTI professional during the Sixth Application Period.

3 11. Attached hereto as Exhibit "2" and "Exhibit 2-1" is a summary of each
4 category of services, setting forth the name of each professional who expended time in that
5 category and the total hours and amount billed by each professional in that category during the
6 Sixth Application Period.

7
8 12. Attached hereto as Exhibit "3" are Expense Summary and Expense Detail
9 reports by individual and itemized total expenses for which reimbursement is sought.

10 13. Attached hereto as Exhibit "4", is a summary of meetings that more than
11 two FTI professionals attended with a description of the relative importance of each team
12 member and the purpose of their involvement at the meetings.

13
14 14. Attached hereto as Exhibit "5", is a copy of the Declaration of Clara Yang
15 Strand, executed on, in support of the Sixth Interim Application of FTI Consulting.

16 I declare under penalty of perjury under the laws of the United States of America
17 that the foregoing is true and correct.

18
19 Executed this 14th day of May, 2003 at San Francisco, California.

20
21 _____
22 Thomas E. Lumsden
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