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11 Attorneys for Debtor and Debtor in Possession
12 PACIFIC GAS AND ELECTRIC COMPANY

13 UNITED STATES BANKRUPTCY COURT
14 NORTHERN DISTRICT OF CALIFORNIA
15 SAN FRANCISCO DIVISION

16 In re

17 PACIFIC GAS AND ELECTRIC
18 COMPANY, a California corporation,

19 Debtor.

20 Federal I.D. No. 94-0742640,

Case No. 01-30923 DM

Chapter 11 Case

Date: September 10, 2003
Time: 9:30 a.m.
Place: 235 Pine Street, 22nd Floor
San Francisco, California
Judge: Hon. Dennis Montali

21 DECLARATION OF MICHAEL J. DONNELLY IN SUPPORT OF MOTION FOR
22 AUTHORITY TO PAY FILING FEES AND PRINTER'S COSTS IN CONNECTION
23 WITH THE FILING OF REGISTRATION STATEMENT WITH THE
24 SECURITIES AND EXCHANGE COMMISSION

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1 I, Michael J. Donnelly, declare as follows:

2 1. I am the Assistant Treasurer of Pacific Gas and Electric Company ("PG&E"), a
3 position that I have held since September of 2000. Except as otherwise indicated, I make
4 this declaration based upon my personal knowledge concerning the matters stated herein. If
5 called as a witness, I could and would testify competently to the facts stated herein.

6 2. I make this declaration in support of PG&E's Motion for Authority to Pay Filing
7 Fees and Printer's Costs in connection with the Filing of Registration Statement with the
8 Securities and Exchange Commission (the "Motion").

9 3. PG&E, together with its parent corporation, PG&E Corporation ("Parent"), and
10 the Official Committee of Unsecured Creditors (the "Committee") have jointly proposed a
11 Plan of Reorganization (the "Plan"). The Disclosure Statement for the Plan (the "Disclosure
12 Statement") was approved by the Court on July 31, 2003. The confirmation hearing has
13 been scheduled to commence on November 3, 2003.

14 4. A significant component of the Plan involves the issuance of debt securities by
15 the Reorganized Debtor as a means of financing the implementation of the Plan.

16 5. As set forth in PG&E's Motion for Authority to Pay Fees of Designated
17 Underwriters' Counsel, filed on August 19, 2003, PG&E will utilize underwriters and
18 designated underwriters' counsel in connection with the securities offerings. Specifically,
19 PG&E has requested authority to pay underwriters' counsel to assist with, among other
20 items, the preparation of the registration statement and related prospectus to be filed with the
21 SEC by PG&E for the offerings of New Money Notes (as defined in the Plan) to the public.

22 6. Conditions precedent to the effectiveness of the Plan include the consummation
23 the sale of its New Money Notes by the Reorganized Debtor. Once the registration
24 statement is filed, there may be a lengthy SEC review process for the securities offerings
25 before the registration statement is declared effective. Therefore, in order to meet the
26 foregoing conditions precedent to the effectiveness of the Plan, PG&E intends to file the
27 registration statements as soon as possible.

28 7. Currently, the legal work and due diligence process is underway in connection

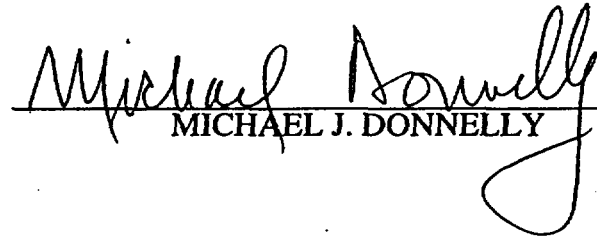
1 with the preparation of the registration statement and PG&E anticipates that the registration
2 statement may be ready for filing by September 30, 2003.

3 8. At the time the registration statement is filed, PG&E will be required to pay filing
4 fees to the SEC. PG&E estimates that the total filing fees may be up to \$1,102,290, based
5 on a total principal amount of \$8.7 billion in debt to be offered subject to increase or
6 decrease in accordance with the actual amount registered (the SEC filing fee increase from
7 \$92 for each \$1 million of debt offered to \$126.70 as early as October 1, 2003). In addition,
8 a professional printer will be needed to prepare and file the registration statements with the
9 SEC in the electronic filing format required by SEC Regulation S-T. The printer's costs for
10 these services are a function of the size of the filings, the number of amendments
11 required by the SEC staff and the number of individual revisions made in preparing the
12 filings and amendments; as a result, these fees are difficult to estimate in advance. However,
13 PG&E anticipates that the printer's costs for these services will not exceed \$500,000 prior to
14 confirmation of the Plan. After confirmation, additional amendments will be required and
15 preliminary and final prospectus must be printed to conduct the offering.

16 9. Sound business justifications support PG&E's request to pay the SEC filing fees
17 and printer's costs described above. These costs must be incurred in order to file the
18 registration statements with the SEC and to proceed with the process of obtaining SEC
19 clearance for the debt securities offerings that are necessary to implement the Plan. PG&E
20 believes that the registration statement must be filed promptly in order to ensure that PG&E
21 can timely meet the conditions precedent to the effectiveness of the Plan. Finally, PG&E is
22 solvent and has sufficient cash to pay these expenses without causing any detriment to its
23 creditors. As reflected in PG&E's June 2003 Monthly Operating Report, PG&E held more
24 than \$3.7 billion in cash reserves as of June 30, 2003.

HOWARD
RICE
NEMEROVSKI
CANADY
FALK
& RABKIN
A Professional Corporation

1 I declare under penalty of perjury under the laws of the United States of America that
2 the foregoing is true and correct. Executed this 21 day of August, 2003, at San Francisco,
3 California.

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5 MICHAEL J. DONNELLY
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13 HOWARD
14 RICE
NEMEROVSKI
CANADY
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& RABKIN
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