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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

HOWARD  
RICE  
NEMEROVSKI  
CANADY  
FALK  
& RABKIN  
A Professional Corporation

21 DECLARATION OF DAVID W. PHILLIPS IN SUPPORT OF  
22 DEBTOR'S MOTION FOR ORDER AUTHORIZING PAYMENT  
23 OF NON-ENERGY BILLING ADJUSTMENTS

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1 I, David W. Phillips, declare as follows:

2 1. I am employed as a Senior Program Manager in the New Business Department for  
3 Pacific Gas and Electric Company ("PG&E" or the "Debtor"), a position that I have held  
4 since May, 2000. Prior to this position I was an Industrial Power Engineer, with  
5 responsibility for large commercial project management. I make this declaration based upon  
6 my personal knowledge of PG&E's operations, and upon my review of PG&E's records  
7 concerning the matters stated herein. If called as a witness, I could and would testify  
8 competently to the facts stated herein.

9 2. I make this declaration in support of the PG&E's Motion for Order Authorizing  
10 Payment of Certain Non-Energy Billing Adjustments.

11 3. PG&E performs construction and engineering work for its customers that is  
12 generally related to the overall provision of gas and electric service. For example, PG&E  
13 may relocate a PG&E-owned gas meter for the convenience of the customer, convert  
14 facilities for temporary services, or perform construction or engineering services related to  
15 distribution or transmission projects. Because of its expertise and specialized equipment,  
16 PG&E is often the first, if not the only, choice for this work.

17 4. Typically the customer requests that PG&E perform certain work. PG&E designs  
18 the job and provides a contract with a stated amount to be charged for the work. The  
19 contract is signed and the money is collected in advance of performance of the construction  
20 or engineering work. The funds are deposited into the non-energy billing system ("NEBS").

21 5. Certain such contracts were entered into prior to the filing of the Chapter 11 case  
22 and, as a result thereof, funds were deposited into NEBS. After the filing and during the  
23 Chapter 11 case, certain customers cancelled or modified the construction projects or the  
24 engineering work resulting in a partial or total reduction of the contract cost. Since the work  
25 had been paid for in full pre-petition, the funds remain in NEBS. Prior to the Chapter 11  
26 case, PG&E would in such situations make the appropriate adjustment to NEBS and pay the  
27 full or unused portion of the contract amount from NEB to the customer. The typical  
28 cancellation or modification adjustment amount is estimated to be \$10,000 or less.

DECL. DAVID PHILLIPS ISO D'S MOT. FOR ORD. AUTHOR. REFUND CERTAIN PROJECT DEPOSITS

HOWARD  
RICE  
NEMEROVSKI  
CANALE  
BALK  
BARBIN  
A Regulated Corporation

1           6. A similar situation exists under "Actual Cost Contracts" entered into prior to the  
 2 Chapter 11 case for services generally related to transmission projects. Again, the customer  
 3 contacted PG&E to perform construction or engineering or design work relating to the  
 4 building of higher voltage projects. PG&E and the customer entered into an Actual Cost  
 5 Contract. PG&E then designed the job, billed the customer and funds were collected and  
 6 deposited into NEBS. The terms of the Actual Cost Contracts provide for a reconciliation at  
 7 the time of completion of the project between the actual cost of the project and the billed and  
 8 collected amount. Prior to the Chapter 11 case, in such situations, PG&E reconciled the  
 9 Actual Cost Contract amount with the actual project cost. When the adjustment was a credit  
 10 balance, the amount was paid to the customer. Since the filing of the Chapter 11 case, these  
 11 funds have been held in NEBS.

12           7. PG&E currently holds approximately 164 outstanding pre-petition credit  
 13 adjustments relating to such cancellations or modifications, totaling approximately \$2.25  
 14 million. Of the 164 credit adjustments, 131 credits are under \$10,000. Since substantially  
 15 higher amounts are involved in transmission projects, the cancellation or modification of  
 16 transmission projects result in significantly higher credit adjustments averaging  
 17 approximately \$28,000.

18           8. PG&E also estimates that a small percentage of additional NEB credit  
 19 adjustments for Actual Cost Contracts or cancellations or modifications as described above  
 20 are likely to accrue in NEBS during the remaining pendency of the Chapter 11 case.  
 21

22           I declare under penalty of perjury under the laws of the United States of America that  
 23 the foregoing is true and correct. Executed this 21 day of August, 2003, at San Rafael,  
 24 California.

  
 \_\_\_\_\_  
 DAVID W. PHILLIPS

26 WD 071503/1-1419903/1089938/v1

HOWARD  
 RICE  
 NEMENOVSKI  
 CANADY  
 BAUK  
 STRACIN  
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