

50-275/323

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SATELLITE SENIOR INCOME FUND II, and
10 DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Successor Administrative Agent

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

15 In re:
16 PACIFIC GAS AND ELECTRIC
COMPANY, a California corporation,

17 Debtor.

Case No. 01-30923-DM

Chapter: 11

18 **OBJECTIONS, PURSUANT TO 11 U.S.C.**
19 **§§ 1129(a)(1), 1129(a)(3), 1129(a)(7),**
20 **1129(a)(8), 1129(a)(11) 1129(b)(1), 1129(b)(2)**
21 **AND FED. R. BANKR. P. 9014, OF**
22 **SATELLITE SENIOR INCOME FUND,**
23 **SATELLITE SENIOR INCOME FUND II**
24 **AND DEUTSCHE BANK TRUST**
25 **COMPANY AMERICAS TO**
26 **CONFIRMATION OF PLAN OF**
27 **REORGANIZATION UNDER CHAPTER 11**
28 **OF THE BANKRUPTCY CODE FOR**
PACIFIC GAS AND ELECTRIC COMPANY
DATED JUNE 27, 2003

Objection Deadline: September 2, 2003
Time: 4:00 p.m. (Pacific Time)
Place: 235 Pine Street, 22nd Floor
San Francisco, California
Judge: Hon. Dennis Montali

¹ Admitted *pro hac vice*.

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1 Claimants' Claims are classified as Class 4(f) claims (Prior Bond Claims). See Plan at Article I, §
2 1.1. The Plan purports to leave Class 4(f) claims unimpaired (as that term is defined in
3 Bankruptcy Code section 1124) by satisfying in cash the principal amount of the Class 4(f) claims
4 and by calculating interest due on such Claimants' Claims at a fluctuating rate of interest without
5 compounding. See Plan at Article 4, § 4.12.

6
7 **CLAIMANTS OBJECT TO THE PROPOSED**
8 **TREATMENT OF THEIR CLAIMS UNDER THE PLAN**

9 In no way limiting any of their Objections or waiving any of their rights or
10 remedies at law or equity, Claimants dispute the proposed treatment of Claimants' Claims under
11 the Plan. On March 27, 2002, the Court approved a settlement (the "Unsecured Claims
12 Settlement") which established the minimum interest rate and interest calculation scheme that
13 must be employed by the Debtor's estate in calculating payments due to unsecured creditors
14 under the Plan. Notwithstanding the Unsecured Claims Settlement, under the Plan, the Plan
15 Proponents fail to provide Claimants with the requisite treatment. Further, the Plan Proponents,
16 as proponents of a plan of reorganization seeking to satisfy the financial obligations of a solvent
17 chapter 11 estate, have failed to abide by all of their financial obligations to Claimants under the
18 Reimbursement Agreements, the Bankruptcy Code, common law and at equity. Specifically, the
19 Plan Proponents and the Plan fail to provide Claimants with (a) an appropriate rate of interest
20 pursuant to the Unsecured Claims Settlement, (b) payment of all the agent's fees and expenses,
21 including, but not limited to, reasonable attorneys' fees and expenses, and (c) an economic
22 recovery that would have been realized by Claimants had the Debtor not filed for bankruptcy
23 protection from its creditors.

24 Claimants assert that the failure of the Plan to provide the foregoing relief violates
25 both the law of this bankruptcy case established by the Court through the Unsecured Claims
26 Settlement, as well as the provisions of the Bankruptcy Code.⁴

27 ⁴ Claimants' Objections are presented in summary, "bullet point" fashion pursuant to the Discovery Protocol and
28 Trial Scheduling Order on the PG&E/OCC Plan of Reorganization signed by the Court on August 8, 2003 (the
"Discovery Protocol") which provides at paragraph 4: "Objections to the PG&E/OCC Plan shall briefly state the
grounds on which each objection is based in a manner which is sufficient to give notice to the proponents of the

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OBJECTIONS

Subject to the reservations set forth in this pleading, Claimants respectfully assert the following Objections to the Plan under the following sections of the Bankruptcy Code:

<u>Code Section</u>	<u>Summary Description</u>
• 1129(a)(1)	Section 1129(a)(1) is not satisfied because the Plan violates Bankruptcy Code sections 1122 and 1123(a)(1), (2) and (4), (a) by failing to provide Claimants with (i) a fixed rate of interest, (ii) compound interest, (iii) payment of all fees and expenses, (b) by failing to make Claimants economically whole to the degree Claimants would be if the Debtor had not filed for bankruptcy protection, and (c) by providing for disparate treatment between Class 5 claims and Class 4(f) claims. The Plan also violates section Bankruptcy Code 365(c)(2) by attempting to reinstate the Reimbursement Agreements and the Prior Bonds (as that term is defined in the Plan).
• 1129(a)(3)	The Plan is proposed in bad faith to the extent that the Plan violates sections 1129(a)(1) and 1123(a)(1), (2) and (4) because the Plan (a) fails to provide Claimants with (i) a fixed rate of interest, (ii) compound interest, (iii) payment of all fees and expenses, (b) fails to make Claimants economically whole to the degree they would be if the Debtor had not filed for bankruptcy protection, (c) provides for unequal treatment of similarly situated creditors (holders of Class 5 claims and Class 4(f) claims) in a manner that violates the law of this bankruptcy case as established by the Court through its approval of the Unsecured Claims Settlement and is inconsistent with the underlying objectives and purposes of the Bankruptcy Code, and (d) purports to reinstate the Reimbursement Agreements and the Prior Bonds in violation of section 365(c)(2). The Plan is further proposed in bad faith because (a) PG&E's representatives made representations to creditors regarding the treatment of unsecured claims under a plan of reorganization that are not contained in the Plan and (b) PG&E determined not to provide Class 5 treatment to holders of Class 4(f) claims because PG&E had adequate support for a plan and Class 4(f) was not needed to accomplish the necessary vote to support a plan.
• 1129(a)(7)	The Plan fails to provide for the Claimants to receive (a) a fixed rate of interest, (b) compound interest, (c) payment of all fees and

Plan of the nature of the objections, but shall NOT include a memorandum of legal or factual points and authorities or other discussion of the legal theories for the objection."

1 expenses or (d) full economic recovery, *i.e.*, to be made whole to
2 the same degree they would if the Debtor had not filed for
3 bankruptcy protection and, therefore, Claimants will not receive
4 property of a value, as of the Effective Date (as that term is defined
5 in the Plan), that is greater than the amount they would receive if
6 this solvent debtor were liquidated under chapter 7 of the
7 Bankruptcy Code.

- 8 • 1129(a)(8) The Claimants are impaired under section 1124 because the Plan (a)
9 fails to provide Claimants with (i) a fixed rate of interest,
10 (ii) compound interest, (iii) payment of all fees and expenses, and
11 (b) fails to make Claimants economically whole to the degree they
12 would if the Debtor had not filed for bankruptcy protection and,
13 therefore, Claimants should have been given the opportunity to vote
14 to accept or reject the Plan and the Court cannot confirm the Plan
15 unless the "cramdown" provisions of the Bankruptcy Code are
16 satisfied.
- 17 • 1129(a)(11) The Plan is not feasible as required by this section because, *inter*
18 *alia*, the Plan provides for the reinstatement of the Reimbursement
19 Agreements and the Prior Bonds (as defined in the Plan) in
20 violation of section 365(c)(2).
- 21 • 1129(b)(1) & (2) The Plan discriminates unfairly and is not fair and equitable
22 because the Plan (a) fails to provide Claimants with (i) a fixed rate
23 of interest, (ii) compound interest, and (iii) payment of all fees and
24 expenses, and (b) fails to make Claimants economically whole to
25 the degree they would if the Debtor had not filed for bankruptcy
26 protection and, therefore, Claimants will not receive property of a
27 value, as of the Effective Date (as that term is defined in the Plan),
28 equal to the amount of their claims, and junior claimants and equity
will receive or retain property on account of their claims.

In addition to the foregoing Objections, Claimants reserve the right to join in the
objections to confirmation of the Plan filed by other holders of Claims and interests.

RESERVATION OF RIGHTS

Claimants contend that the Objections are sufficient to give the Plan Proponents
and all parties in interest notice of the nature of Claimants' Objections. The foregoing
notwithstanding, Claimants reserve all of their rights to expand, amend, modify or supplement the
Objections, and all procedural and substantive rights including, but not limited to, the right to
submit a memorandum of legal or factual points under the Bankruptcy Code, the Federal Rules of

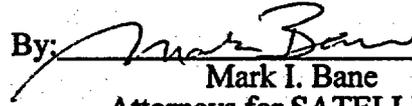
1 Civil Procedure, the Bankruptcy Rules, and the Discovery Protocol in connection with or related
2 to the Plan or the bankruptcy case.

3 **CONCLUSION**

4 For the reasons set forth herein, Claimants respectfully request that (a) the
5 Objections be sustained, (b) confirmation of the Plan be denied, and (c) Claimants be awarded
6 such other and further relief as this Court shall deem just and proper.

7
8 DATED: August 28, 2003

9 KELLEY DRYE & WARREN LLP
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11 By: 
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14 INCOME FUND, SATELLITE SENIOR
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