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7 PACIFIC GAS AND ELECTRIC COMPANY

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9 UNITED STATES BANKRUPTCY COURT  
10 NORTHERN DISTRICT OF CALIFORNIA  
11 SAN FRANCISCO DIVISION  
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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 Case

Date: September 29, 2003

Time: 1:30 p.m.

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

Judge: Hon. Dennis Montali

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19 NOTICE OF MOTION AND MOTION FOR ORDER AUTHORIZING PACIFIC GAS  
20 AND ELECTRIC COMPANY TO COMPROMISE CLAIMS AGAINST EL PASO  
21 NATURAL GAS COMPANY ET ALIA AND TO ENTER INTO AGREEMENTS  
RESOLVING THE CLAIMS

22 [SUPPORTING MEMORANDUM OF POINTS AND AUTHORITIES AND  
23 DECLARATION OF JOSHUA BAR-LEV FILED SEPARATELY]  
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1 PLEASE TAKE NOTICE that on September 29, 2003 at 1:30 p.m., or as soon  
2 thereafter as the matter may be heard, in the Courtroom of the Honorable Dennis Montali,  
3 located at 235 Pine Street, 22nd Floor, San Francisco, California, Pacific Gas and Electric  
4 Company (the "Debtor" or "PG&E"), the debtor and debtor in possession in the above-  
5 captioned Chapter 11 case, will and hereby does move the Court for entry of an Order  
6 Authorizing Pacific Gas And Electric Company To Compromise Claims Against El Paso  
7 Natural Gas Company Et Alia And To Enter Into Agreements Resolving The Claims (the  
8 "Motion").

9 By this Motion, PG&E seeks the Court's authorization to enter into certain  
10 agreements which resolve potential claims by PG&E and others (collectively, the "Settling  
11 Claimants")<sup>1</sup> against El Paso Corporation, El Paso Natural Gas Company and El Paso  
12 Merchant Energy, L.P. (collectively, "El Paso") arising out of the California energy crisis of  
13 2000 and 2001 (the "Settlement"). These agreements include, but are not limited to, the  
14 Master Settlement Agreement (the "MSA"), the Allocation Agreement (the "AA"), the  
15 Designated Representative Agreement (the "DRA") and the Escrow Agreement (the "EA").

16 The terms of the compromise between El Paso and the Settling Claimants are set  
17 forth in the MSA, executed on June 24, 2003, and described herein. Under the terms of the  
18 MSA, El Paso has agreed to provide, inter alia, \$1.55 billion in settlement consideration,  
19 valued in nominal dollars,<sup>2</sup> in three principal forms: (1) up-front payments; (2) deferred

20 <sup>1</sup>In addition to PG&E, the Settling Claimants consist of: the Attorney General of the  
21 State of California, the Governor of the State of California, the California Public Utilities  
22 Commission, the California Department of Water Resources, the California Energy  
23 Oversight Board, the Attorney General of the State of Washington, the Attorney General of  
24 the State of Oregon, the Attorney General of the State of Nevada, Southern California  
25 Edison Company, the City of Los Angeles, the City of Long Beach, and classes consisting of  
26 all individuals and entities in California that purchased natural gas and/or electricity for use  
27 and not for resale or generation of electricity for the purpose of resale, between September 1,  
1996 and March 20, 2003, inclusive, represented by class representatives Continental Forge  
Company, Andrew and Andrea Berg, Gerald J. Marcil, United Church Retirement Homes of  
Long Beach, Inc., doing business as Plymouth West, Long Beach Brethren Manor, Robert  
Lamond, Douglas and Valerie Welch, William Patrick Bower, Thomas L. French, Frank and  
Kathleen Stella, John Clement Molony, SierraPine, Ltd., John and Jennifer Frazee, John  
W.H.K. Phillip, and Cruz Bustamante.

28 <sup>2</sup>Nominal dollars are amounts that have not been adjusted to remove the effect of  
inflation.

1 payments; and (3) a contract concession. Specifically, El Paso will make up-front payments  
2 to the Settling Claimants totaling approximately \$550 million; will make semiannual  
3 payments to the Settling Claimants over twenty years totaling approximately \$875 million;  
4 and will reduce the price of power to the Settling Claimants by \$125 million under a long-  
5 term power supply contract between El Paso and the California Department of Water  
6 Resources.

7 To implement the payment of consideration under the MSA, the Settling  
8 Claimants entered into the AA and the DRA, and will soon enter into the EA. The AA and  
9 DRA were executed simultaneously with the MSA and are also attached herein. PG&E  
10 expects the EA to be finalized by approximately September 2003.

11 This Motion is brought pursuant to Rule 9019 of the Federal Rules of Bankruptcy  
12 Procedure and is based on the grounds that the proposed Settlement is fair and equitable and  
13 in the best interests of the bankruptcy estate. This Motion is based on this Notice Of Motion  
14 And Motion, the accompanying Memorandum Of Points And Authorities in support thereof,  
15 the supporting Declaration Of Joshua Bar-Lev,<sup>3</sup> the record of this case, and any admissible  
16 evidence presented to the Court prior to or at the hearing on this Motion.

17 **PLEASE TAKE FURTHER NOTICE** that pursuant to Rule 9014(c)(2) of the  
18 Bankruptcy Local Rules of the United States District Court for the Northern District of  
19 California, any opposition to the Motion and the relief requested herein must be filed with  
20 the Bankruptcy Court and served upon appropriate parties (including counsel for PG&E) at  
21 least five (5) days prior to the scheduled hearing date. If there is no timely objection to  
22 the requested relief as described in this paragraph, the Court may enter an order granting  
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25 <sup>3</sup>Exhibits to the Declaration of Joshua Bar-Lev are not included in the service copies  
26 of this document. You may obtain copies of the exhibits in one of the following ways:  
27 through the "Pacific Gas & Electric Company Chapter 11 Case" link accessible through the  
28 Bankruptcy Court's website ([www.canb.uscourts.gov](http://www.canb.uscourts.gov)), by written request to Howard, Rice,  
Nemerovski, Canady, Falk & Rabkin, Attn: Nathaniel H. Hunt, Three Embarcadero Center,  
7th Floor, San Francisco, California 94111-4024, or by emailing your request to  
[nhunt@howardrice.com](mailto:nhunt@howardrice.com).

1 such relief without further hearing.

2 DATED: September 8, 2003.

3 Respectfully,

4 HOWARD, RICE, NEMEROVSKI, CANADY,  
5 FALK & RABKIN  
6 A Professional Corporation

7 By: William J. Lafferty  
8 WILIAM J. LAFFERTY  
9 Attorneys for Debtor and Debtor in Possession  
10 PACIFIC GAS AND ELECTRIC COMPANY

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& RABKIN

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NOTICE OF MOTION & MOTION FOR ORDER AUTH. PG&E TO COMP. CLAIMS AGAINST EL PASO