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1 Thomas E. Lumsden
FTI Consulting Inc.
2 353 Sacramento Street
San Francisco, CA 94111
3 Telephone: (415) 283-4200
Facsimile: (415) 283-4266
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FILED

SEP 12 2003

UNITED STATES BANKRUPTCY COURT
SAN FRANCISCO, CA

5 Accountants and Financial Advisors for Official
Committee of Unsecured Creditors
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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

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

Case No. SF 01-30923 DM

Chapter 11

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

Hearing:

Date: November 13, 2003
Time: 1:30 PM
Place: 235 Pine Street, 22nd Floor
San Francisco, CA

BKRPO1

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 Seventh Interim Fee Application for services rendered by
20 FTI for the period from April 1, 2003 through July 31, 2003 to the Official Committee of
21 Unsecured Creditors (the "Committee").

22
23 **I.**

24 **INTRODUCTION**

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

1 Bankruptcy Procedure (the "Bankruptcy Rules"), the Office of the United States Trustee for the
2 Northern District of California Guidelines (the "UST Guidelines"), and the United States
3 Bankruptcy Court Northern District of California Guidelines for Compensation and Expense
4 Reimbursement of Professionals and Trustee ("Court Guidelines"). Through this Seventh
5 Interim Application, FTI seeks (i) interim approval and allowance of \$727,043 in fees accrued
6 and \$17,754 in expenses incurred for services rendered by FTI on behalf of the Committee
7 during the period April 1, 2003 through and including July 31, 2003.

8 During the Seventh Application Period, FTI professionals spent a total of 1,610.3 hours
9 rendering services to the Committee in connection with the PG&E bankruptcy case at a blended
10 hourly rate of \$451.50. FTI also incurred \$17,754 in costs and expenses in connection with
11 those services, for which FTI is requesting reimbursement. Accordingly, FTI seeks allowance
12 and payment of a total of \$744,797 for services rendered and reimbursement of costs and
13 expenses incurred during the Seventh Application Period. To date, PG&E has made payments
14 for fees in the amount of \$415,965 and expenses in the amount of \$10,463 on account of the
15 Monthly Cover Sheet Applications for the period of April 1, 2003 through July 31, 2003. These
16 amounts reflect the cover sheet applications for April 1, 2003 through June 30, 2003; the July 31,
17 2003 application has not yet been paid reflecting \$202,023 in fees and \$7,312 in expenses. The
18 services and costs for the Seventh Application Period are described below and are detailed in the
19 exhibits filed concurrently herewith.

20
21
22 **SUMMARY OF DEVELOPMENTS IN THE CASE**

23
24 On April 6, 2001 (the "Petition Date"), Pacific Gas and Electric Company (the
25 "Debtors") filed voluntary petitions for reorganization under Chapter 11 of title 11 of the United
26 States Bankruptcy Code ("Bankruptcy Code"). The Debtors continue to operate their business
27 and manage their properties as debtors-in-possession pursuant to Sections 1107(a) and 1108 of
28 the Bankruptcy Code.

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

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

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

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 the Seventh
16 Interim Application of Milbank Tweed Hadley & McCloy LLP for Allowance and Payment of
17 Compensation and Reimbursement of Expenses. The Debtor continues to operate its business,
18 and cash flow appears to be neutral pending regulatory decisions by the California Public
19 Utilities Commission. Two competing plans have been filed in the case and confirmation
20 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
8 **III.**

9 **SUMMARY OF SERVICES RENDERED BY FTI**

10 During the Seventh 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 Seventh Application Period, no attempt is made herein to
13 detail the totality of such services. The full scope of the services rendered by FTI is set forth in
14 detail in the billing reports filed concurrently herewith under captions entitled "Detail Reporting
15 by Task Code Exhibit for the Period April 1, 2003 to July 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 Seventh Interim Application, a brief summary of FTI's billing
18 procedures and the services rendered by FTI during the Seventh Application Period with regard
19 to each activity code category, including certain undertakings within each category, is set forth
20 below.

21 **A. Summary Of FTI's Billing Procedures.**

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

26
27 In the ordinary course of its practice, FTI maintains records of time expended by
28 professionals in rendering services to its clients. Time records are made substantially

1 contemporaneously with the rendition of these professional services and are prepared by the
2 professionals who have rendered the services. In matters such as this, time records are kept in 6
3 minute (.1 hour) increments.

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

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

7 The Committee organization structure has been unique for this case, with greater time
8 involvement by Committee members than in most any other case. The personal commitment of
9 Committee members to actively participate on a continuous basis has matched the activity level
10 in the case with over 13,300 filings listed in the Court docket through July 31, 2003. The
11 Committee has participated in an unprecedented number of meetings of the Committee, advisors,
12 the Debtor and the CPUC. The Committee, in order to address the monumental workload and
13 myriad of tasks at hand, created four distinct subcommittees: Financial, Legislative, Regulatory
14 and Plan. FTI assembled sub-teams of professionals to address the issues and work assignments
15 set forth by the Committee, subcommittees and working group. In the course of FTI's
16 representation of the Committee in this matter, it has been necessary and requested that more
17 than one or two professionals participate in meetings and conferences with the Committee
18 representatives, the CPUC or with the Debtor. This is not normally the case for FTI in such
19 matters and has been dictated by the size of the case, the complex nature of the matters being
20 discussed, the speed with which matters are being addressed in the case, and requirement to have
21 various specialty skills represented and participating in certain key discussions. In many cases,
22 these have been high-level meetings or key discussions with the Debtor representatives or the
23 CPUC and its advisors who are not able to make themselves available for repetitive follow-up
24 discussions. In many cases, the participation of multiple professionals by FTI has been dictated
25 by the specific specializations and backgrounds such as those of the following key professionals:

26
27 Michael Hamilton is FTI's senior Utility Specialist in Accounting and Regulatory
28 Matters. He has participated in each of the restructurings that have involved a utility for the Firm

1 over the past 25 years. He has unique knowledge of the regulatory and business environment
2 facing utilities. Mr. Hamilton has coordinated the Committee work on plan structuring,
3 regulatory matters, cash flow projections and legislative matters.

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

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

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

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

27 Jennifer Kitchin is a Director for FTI and has specialized in the Rating Agency analysis
28

1 of PG&E, the DWR power purchases and contract data.

2 Maryam Ghazi is a Director for FTI and has specialized in the analysis of the Settlement
3 Agreement and assisted in the preparation of Thomas E. Lumsden's testimony in support of the
4 Settlement Agreement.

5
6 Margery Neis is a Utilities specialist in the BRS Practice who has coordinated the review
7 and monitoring of all matters with the CPUC, the DWR power purchases and contract database
8 and QF contracts.

9 An analysis of meetings with multiple FTI professionals in attendance and an explanation of the
10 role and purpose of each professionals' participation are presented in Exhibit 4 to this
11 Application.

12
13 **B. Summary Of Exhibits Regarding Services Rendered By FTI.**

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

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

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

25 3. Exhibit 3 - Expense Summary and Expense Detail reports by individual and
26 itemized total expenses for which reimbursement is sought. All expenses for which
27 reimbursements are sought are disclosed in detail by individual. It should be noted that any
28

1 airfare charges were incurred as a result of travel in coach class. FTI has not requested
2 reimbursement for certain out-of-pocket expenses when it would not be possible to assemble the
3 billing details for reimbursement under the Guidelines. These unbilled out-of-pocket expenses
4 typically include telephone charges for calls placed in its offices, postage costs including Federal
5 Express charges and copying and facsimile charges incurred at the Applicant's offices in
6 connection with these cases. These unbilled out-of-pocket expenses are real costs that have been
7 incurred by FTI and have benefited the Estate; and

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

11
12 **NARRATIVE SUMMARY OF SERVICES PROVIDED BY FTI.**

13
14 FTI has submitted detailed listings of time incurred by professional by task for the
15 monthly Cover Sheet Applications to the Debtor, Committee, the United States Trustee and the
16 Court for the period covered by this Seventh Interim Application. FTI has reclassified some of
17 the detailed time into categories that more appropriately reflect the work performed.

18 Reclassification was made to harmonize the categorization among professionals.

19
20 **1. Asset Sales/Valuation Issues (Category 01).**

21 During the Seventh Application Period, FTI professionals spent a total of 14.2
22 hours rendering services in this category, for which FTI seeks compensation of \$5,151. A
23 summary of the FTI professionals who rendered services in this category and the corresponding
24 amount of fees requested is included in Exhibit "2." The Billing Record for this category, which
25 sets forth a detailed description of the services rendered are filed concurrently herewith.

26
27 Services rendered by FTI professionals in this category included:
28

- 1 a) FTI updated its valuation of PG&E as an integrated utility under the
2 Settlement Agreement.
- 3 b) FTI prepared a valuation of the Debtor's regulatory assets as well as a
4 liquidation analysis, both of which were used in the expert testimony of
5 Thomas E. Lumsden.

6
7 The purpose for the work performed was to enable the Committee to assess the
8 solvency of the Debtor, to assess the ability of the Debtor's assets, at market value, to provide
9 adequate coverage for the proposed debt to be issued and to assess the approximate value of the
10 Debtor's equity under the proposed Settlement Agreement. In the process of developing the
11 comparable company data, which is referenced in valuations, FTI has also utilized the
12 information to assess the viability of the Debtors financial projections for plan purposes.

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

14
15 During the Seventh Application Period, FTI professionals spent a total of 58.7
16 hours rendering services in this category, for which FTI seeks compensation of \$25,079. 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 Seventh Application Period, FTI professionals spent a total of 136.3
7 hours rendering services in this category, for which FTI seeks compensation of \$55,029. A
8 summary of the FTI professionals who rendered services in this category and the corresponding
9 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
10 sets forth a detailed description of the services rendered, is filed concurrently herewith.

11 Services rendered by FTI professionals in this category included:

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

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

24
25 **4. Claims Analysis (Category 04).**

26 During the Seventh Application Period, FTI professionals spent a total of 156.7
27 hours rendering services in this category, for which FTI seeks compensation of \$69,953. A
28

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
- 11 c) FTI reviewed the data on application of any generator and pass through
12 claims, and evaluated the FERC ordered refunds to reduce the allowed
13 claims in the case.

14 This work product has involved the review of claims filed by creditors totaling in excess of \$44
15 Billion; reconciling these amounts to those reported by the Debtor, and to information supplied
16 by institutional creditors and in public filings; and evaluating those claims which are subject to
17 estimation or adjustment through the ISO or PX, and those subject to CPUC review. Work in
18 this area has resulted in validation on behalf of the Committee of a large segment of the claims in
19 this case and evaluation of key claims including those for Financial Creditors, QF's, Sempra,
20 ISO/Generators, cities, counties and other claimants where settlements have been proposed or
21 discussed.

22

23 **5. CPUC Approval of Settlement Agreement (Category 05).**

24 During the Seventh Application period, FTI professionals spent a total of 118.3
25 hours rendering services in this category, for which FTI seeks compensation of \$56,201. A
26 summary of the FTI professionals who rendered services in this category and the corresponding
27 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
28

1 sets forth a detailed description of the services rendered is filed concurrently herewith.

2 Services rendered by FTI professionals in this category included:

- 3
- 4 a) FTI analyzed the Settlement Agreement and prepared a presentation for
- 5 the OCC detailing the key terms and conditions of the Settlement
- 6 Agreement.
- 7 b) FTI worked with UBS in the preparation of models to calculate the
- 8 financial metrics achieved thru the Settlement Agreement.
- 9
- 10 c) FTI monitored the process for CPUC approval of the Settlement
- 11 Agreement and analyzed testimony filed by interveners for the related
- 12 CPUC hearings.

13 FTI's work was critical to the assessment of the reasonableness of the Settlement

14 Agreement and in the determination of whether the Settlement Agreement is in the best interest

15 of the OCC. FTI worked closely with the CPUC, its consultants and PG&E to articulate the

16 benefits of the agreement to all involved parties and to determine the likely reception of the

17 Settlement Agreement by the ratings agencies and Wall Street. FTI's findings were essential in

18 obtaining OCC support of the Settlement Agreement and were relied on by the CPUC and PG&E

19 to validate their independent review of the agreement.

20

21 **6. CPUC Review (Category 06).**

22 During the Seventh Application period, FTI professionals spent a total of 76.3

23 hours rendering services in this category, for which FTI seeks compensation of \$30,187. 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

28 Services rendered by FTI professionals in this category included:

- 1 a) FTI reviewed and monitored CPUC proceedings to determine the potential
2 financial impact the proceedings could have on the Debtor.
- 3 b) FTI reviewed the Debtor's, SCE's, SDG&E's, DWR's and TURN's
4 CPUC filings to determine the potential financial impact on the Debtor's
5 estate.
- 6 c) FTI reviewed the TRA-TCBA and GMA account statements to determine
7 correlation with power process.
- 8 d) FTI reviewed filings and proceedings related to the DWR refund
9 proceedings and its potential impact on PG&E's forecasted cash balance.
10
11

12 The work in this area is critical to the determination of future cash flow and
13 funding of the Debtor to complete a plan of reorganization. As an integrated utility, the Debtor is
14 regulated by the CPUC for all aspects of its owned generation (nuclear and hydro assets), intra-
15 state gas transmission and storage facilities, gas and electric procurement, and distribution of
16 electricity and gas to its wholesale and retail customers through its network of pipes and wires
17 throughout Northern California. The CPUC and PG&E have made filings and conducted
18 hearings on such regulatory topics as utility retained generation rate setting, general rate case,
19 DWR revenue requirement, net short procurement, attrition, and matters involving transition
20 period accounting during deregulation. PG&E has been actively engaged with the CPUC during
21 this period with the setting of the revenue requirements for its nuclear and hydro generation
22 assets and with the revenue requirement for the DWR power purchases and bond financing. FTI
23 has monitored the CPUC hearings, testimonies and developments closely, and has prepared
24 minutes of key hearings and modeled the range of outcomes for the Committee. FTI has also
25 performed a thorough analysis of the CPUC's settlement with SCE for the recovery of its past-
26 due procurement related obligations and how this agreement compares with the Plan proposed by
27 the CPUC for PG&E Company. FTI also researched elements of the CPUC regulation to assess
28 compliance of the Joint Plan of Reorganization.

1 **7. CPUC/OCC Plan of Reorganization (Category 7).**

2 During the Seventh Application period, FTI professionals spent a total of 121.5
3 hours rendering services in this category, for which FTI seeks compensation of \$59,462. 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
8 Services rendered by FTI professionals in this category included:

- 9 a) FTI reviewed and analyzed the alternatives to the Joint Plan projections
10 and provided feedback to UBS and the CPUC on the reasonableness of the
11 Plan projections, including the proposed capital structure, capital
12 expenditures, and creditor recovery analysis.
- 13 b) FTI analyzed the projected financial ratios from the Joint Plan and
14 derivations of that plan structure and compared S&P benchmark ratios for
15 utility investment grade companies.
- 16 c) FTI analyzed the modified Joint Plan projections prepared by UBS and
17 provided advice and comments to UBS and the Committee on the
18 modified Joint Plan projections.
19
20

21 The work in this area enabled the Creditors Committee to provide meaningful
22 feedback to the CPUC on modifications to the Joint Plan to improve plan feasibility, to assist
23 UBS in developing modifications to the Joint Plan projections, and assessing indications for
24 ratings for modified Joint Plan Securities. This work also enabled the CPUC to address
25 objections to the plan filed by the Debtor and helped the CPUC/OCC plan receive preliminary
26 investment grade ratings from the agencies.

27 **8. Debtor Plan for Reorganization (Category 8)**
28

1 During the Seventh Application Period, FTI professionals spent a total of 27.8
2 hours rendering services in this category, for which FTI seeks compensation of \$13,961. A
3 summary of the FTI professionals who rendered services in this category and the corresponding
4 amount of fees requested is included in Exhibit "2". The Billing Report for this category, which
5 sets forth a detailed description of the services rendered, is filed concurrently herewith.

6 Services rendered by FTI professionals in this category included:

- 7
- 8 a) FTI reviewed and analyzed various filings regarding the Debtor's POR to
9 compare the Debtor's proposed POR to the forecasted financial models
10 that support both the Joint plan and the Settlement Agreement.

11 The Committee has continued to monitor the Debtor's financial performance and
12 changes to the Debtor's plan of reorganization. This effort has included a review of underlying
13 detail of all plan assumptions and updates to current and projected financial performance.

14

15 **9. DWR Contracts Analysis (Category 09).**

16 During the Seventh Application Period, FTI professionals spent a total of 41.8
17 hours rendering services in this category, for which FTI seeks compensation of \$15,887. A
18 summary of the FTI professionals who rendered services in this category and the corresponding
19 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
20 sets forth a detailed description of the services rendered is filed concurrently herewith.

21 Services rendered by FTI professionals in this category included:

- 22
- 23 a) FTI calculated the potential range of future payments that will be required
24 to be remitted to the DWR by the Debtor to pay for its purchased power,
25 administrative costs, and debt service requirements.
- 26
- 27 b) FTI evaluated how the revised DWR revenue requirement would impact
28 the projected financial statements of both Plans and the Settlement

1 Agreement.

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

5
6 Approximately 40% of the electricity that PG&E supplies to its customers has
7 been provided by the DWR through spot and contract purchases under the program initiated by
8 ABx1. FTI has monitored the power purchases supplied by DWR to PG&E, estimated the costs
9 of that power, as well as future costs associated with contractual commitments and spot
10 purchases to meet PG&E's net short position, and developed estimates of those future costs.
11 This information has been compared with financial data supplied by consultants to the DWR and
12 has also been shared with PG&E to assist in efforts to influence the structure of the allocation of
13 those costs among the utilities in California. FTI continued its review of the contracts that have
14 been completed by the DWR and updated our database model of those contracts for newly
15 obtained contracts and renegotiated contracts to enable the Committee and PG&E to estimate the
16 volume and cost of that power and its potential allocation to PG&E.

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

18
19 During the Seventh Application Period, FTI professionals spent a total of 88.2
20 hours rendering services in this category, for which FTI seeks compensation of \$25,242. A
21 summary of the FTI professionals who rendered services in this category and the corresponding
22 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
23 sets forth a detailed description of the services rendered are filed concurrently herewith.

24 Services rendered by FTI professionals in this category included:

- 25
26 a) Time spent preparing FTI's Sixth Interim Fee Application and the monthly
27 Cover Sheet Applications for Allowance and Payment of Interim
28 Compensation and Reimbursement of Expenses in accordance with the

1 requirements established by the United States Bankruptcy Code, the Court
2 and the U.S. Trustee. Time expended preparing this Seventh Interim
3 Application will be reported in the next interim fee statement.

4 **11. FERC Review (Category 11).**

5
6 During the Seventh Application Period, FTI professionals spent a total of 23.1
7 hours rendering services in this category, for which FTI seeks compensation of \$9,330. A
8 summary of the FTI professionals who rendered services in this category and the corresponding
9 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
10 sets forth a detailed description of the services rendered is filed concurrently herewith.

11 Services rendered by FTI professionals in this category included:

- 12
13 a) FTI monitored FERC proceedings to determine the potential financial
14 impact of regulatory proceedings on the Debtor's Estate, including
15 possible changes in rates, generator refunds, settlement of the California
16 PX/Generator claims, and progress on the Debtor's filings requesting
17 FERC approval for various aspects of its Plan of Reorganization.
18
19 b) FTI reported findings and analysis on FERC proceedings to the
20 Committee.

21 This analysis and monitoring, in concert with regulatory counsel for the
22 Committee, has been critical to assessment of potential refunds on claims that may be awarded to
23 PG&E, potentially reducing the pre-petition obligations, and analyzing the potential claim PG&E
24 will have from the settlement Generator claims against the now defunct California Power
25 Exchange. We have also advised the Committee with respect to the impact of FERC market price
26 caps and the impact of the retroactive application of those caps to the PX, ISO and DWR
27 purchases as they may affect the Debtor.
28

1 **12. Financial Statement Modeling (Category 12).**

2 During the Seventh Application Period, FTI professionals spent a total of 72.2
3 hours rendering services in this category, for which FTI seeks compensation of \$31,337. 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 listed in this category included:

- 8
- 9 a) FTI monitored and compared PG&E's actual financial results to those
10 forecasted in FTI's models and refined assumptions in future projection
11 periods to reflect current market conditions.
- 12
- 13 b) FTI modeled expected "headroom" for 2003 to determine its impact on
14 cash flows and to assess the reasonableness of projected cash flows under
15 the Joint Plan and the Settlement Agreement.

16 FTI's financial modeling effort has enabled the Committee to assess the feasibility
17 of the Debtor's POR, the CPUC/OCC's Joint POR and the Settlement Agreement. This model
18 proved integral in calculating the cash flows of the alternative plans and assessing the feasibility
19 of various capital structures. The joint CPUC/OCC plan before the court is supported by the
20 financial projections generated from FTI's financial modeling efforts.

21

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

23 During the Seventh Application Period, FTI professionals spent a total of 88.4
24 hours rendering services in this category, for which FTI seeks compensation of \$38,212. A
25 summary of the FTI professionals who rendered services in this category and the corresponding
26 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
27 sets forth a detailed description of the services rendered is filed concurrently herewith.

Services rendered by FTI professionals in this category included:

- a) FTI reviewed the Debtor's historical financial statements filed during this period, including SEC, FERC and bankruptcy filings.
- b) FTI used its research of the Debtor's historical performance in performing various financial analyses on the Debtor's financial condition and ability to reorganize, including assessment of changes in the parent financial condition.

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

14. General Committee Matters (Category 14).

During the Seventh Application Period, FTI professionals spent a total of 93.6 hours rendering services in this category, for which FTI seeks compensation of \$50,658. 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 prepared for and attended numerous meetings and conference calls including the full Committee on various issues, including general case administration, financial issues, regulatory issues, litigation issues, Plan

1 issues, Settlement Agreement issues and confirmation hearing matters.

2 b) FTI personnel prepared for and participated in various formal and informal
3 conference calls between Committee members, Committee working group
4 members, Committee advisors and PG&E regarding the financial impact
5 of various motions brought by PG&E, the Debtor's and the CPUC/OCC's
6 proposed plans of reorganization, confirmation hearings, and other issues
7 surrounding the Debtor's estate.

8
9 c) FTI prepared numerous presentations for distribution to the Committee
10 regarding the financial impact of various matters affecting the Debtor's
11 Estate, and addressed questions from individual creditors on aspects of the
12 two Plans of Reorganization and the Settlement Agreement.

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

25
26 **15. Legislative Review (Category 15).**

27 During the Seventh Application Period, FTI professionals spent a total of 44.1
28

1 hours rendering services in this category, for which FTI seeks compensation of \$18,501. A
2 summary of the FTI professionals who rendered services in this category and the corresponding
3 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
4 sets forth a detailed description of the services rendered is filed concurrently herewith.

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

- 6
7 a) FTI performed a general review and analysis of financial implications of
8 potential and passed legislation affecting the Debtor's estate.

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

16
17 **16. Mediation Support (Category 16).**

18 During the Seventh Application Period, FTI professionals spent a total of 116.6
19 hours rendering services in this category, for which FTI seeks compensation of \$60,465. 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
24 Services rendered by FTI professionals listed in this category included:

- 25 a) FTI reviewed and analyzed various alternatives under consideration during
26 the mediation process and analyzed financial forecasts and sensitivities of
27 various financing structures under consideration.
28

Services rendered by FTI professionals listed in this category included:

- a) FTI prepared testimony for filing with the CPUC in support of the Settlement Agreement.
- b) FTI performed in-depth research to support its findings that the Settlement Agreement is in the best interest of the CPUC, PG&E, the OCC and ratepayers. In support of its findings, FTI performed the following analysis:
 - Comparisons of the projected financial results of PG&E under the Settlement Agreement terms to the financial results of a comparable peer group of utilities.
 - Comparison of the projected financial results of PG&E to PG&E's historical performance prior to the energy crisis.
 - Verify the accuracy of the "PG&E Bankruptcy Proposed Settlement Plan Data Sheet" such as (1) foregone dividends (2) value of the conservation easements or donations to public agencies of 140,000 acres of watershed lands, and (3) rate calculation and the impact of the Regulatory Asset.
 - Research the different definitions of Head Room per the Settlement Agreement as it compares to the traditional definition of Head Room.

FTI further researched the reasonableness of other quantitative and qualitative factors of the Settlement Agreement. The findings from FTI's analysis were incorporated into the Testimony of Thomas E. Lumsden, which was filed in the CPUC hearings in support of the Settlement Agreement.

19. Settlement POR and Disclosure Statement (Category 19)

During the Seventh Application Period, FTI professionals spent a total of 103.3

1 hours rendering services in this category, for which FTI seeks compensation of \$52,648. A
2 summary of the FTI professionals who rendered services in this category and the corresponding
3 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
4 sets forth a detailed description of the services rendered is filed concurrently herewith.

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

- 6
- 7 a) FTI reviewed and summarized key terms of the Settlement Agreement and
8 tied these terms to numerous drafts of the Plan of Reorganization and
9 Disclosure Statement to be filed with the court.

10 FTI spent considerable time reviewing and agreeing terms of the Settlement
11 Agreement to drafts of the Disclosure Statements and Plan of Reorganization documents before
12 they were filed with the court. FTI's thorough understanding of the financial terms of the
13 Settlement Agreement enabled to insure the filed Disclosure Statement and POR documents
14 accurately reflected the settlement terms agreed in mediation.

15

16 **20. Tax Review (Category 20)**

17 During the Seventh Application Period, FTI professionals spent a total of 7.2
18 hours rendering services in this category, for which FTI seeks compensation of \$3,112. A
19 summary of the FTI professionals who rendered services in this category and the corresponding
20 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
21 sets forth a detailed description of the services rendered is filed concurrently herewith.

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

- 23
- 24 a) FTI reviewed and analyzed tax related matters between PG&E Corp and
25 its subsidiaries.

26

27 FTI researched and summarized key tax issues of the Debtor's Plan of
28 Reorganization, the Joint Plan of Reorganization and the Settlement Agreement for the

1 Committee and the tax impact of alternative plan proposals, highlighting the potential financial
2 impact on the Debtor and any potential tax liabilities to the creditor. FTI also kept the
3 Committee apprised of the status on IRS submissions and the implications of the CPUC's
4 proposed tax sharing agreement.

5 **21. Travel Time (Category 21).**

6
7 During the Seventh Application Period, FTI professionals spent a total of 5.1
8 hours rendering services in this category, for which FTI seeks compensation of \$3,188. A
9 summary of the FTI professionals who rendered services in this category and the corresponding
10 amount of fees requested is included in Exhibit "2." The Billing Report for this category, which
11 sets forth a detailed description of the services rendered is filed concurrently herewith.

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

- 13
14 a) This category includes the time required for FTI professionals to travel to
15 case related meetings after September 11, 2001.

16
17
18 **IV. SUMMARY OF ACTUAL AND NECESSARY EXPENSES INCURRED BY FTI**

19 FTI maintains records of all actual and necessary out-of-pocket expenses incurred
20 and typically charged in connection with rendering professional services to its clients in the
21 ordinary course of its business practice. As is typical of FTI's practice when representing
22 creditor committees, FTI has reduced to cost or not charged certain of these out-of-pocket
23 expenses to the estate in accordance with the UST Guidelines and the Court Guidelines and to
24 ensure the reasonableness of FTI's fee and expense request. A brief explanation of certain costs
25 incurred and charged to the estate is set forth below:

- 26
27 a) FTI does not charge its clients for photocopying done in-house; copying done by
28 third-party services is charged at cost;

- 1 b) FTI charges its clients for document retrieval services, computer research and other
2 specialized searches and services, such as messengers and library retrievals, at cost;
- 3 c) FTI charges its clients for mileage (\$0.36 per mile, if sought) and parking costs
4 incurred by its professionals in connection with services rendered, at cost;
- 5
- 6 d) FTI charges its clients for transportation and travel-related costs including out-
7 of-town meals, excluding lunches, incurred by its professionals when working
8 on specific client matters, at cost; and
- 9 e) FTI normally charges its clients for the cost of overtime and weekend meals
10 and transportation when pressing client matters require the professional to
11 work past normal office hours; however, in accordance with the UST
12 Guidelines and the Court Guidelines, no such charges are included in this
13 Seventh Interim Application.
- 14

15 V.

16 **COMPENSATION REQUESTED AND RELEVANT LEGAL STANDARD**

17 To grant a request for compensation pursuant to Bankruptcy Code section 330,
18 the Court must find that such request is reasonable. The reasonableness of a compensation
19 request is determined by the "lodestar" method. See In re Yermakov, 718 F.2d 1465, 1471 (9th
20 Cir. 1983). Under the lodestar approach, "reasonable" compensation is calculated by
21 multiplying the number of hours reasonably expended by the hourly rate of the professional. In
22 re Rheuban, 121 B.R. 368, 383 (Bankr. C.D. Cal. 1990). There is a strong presumption that the
23 lodestar product is reasonable under Bankruptcy Code section 330. See In re Drexel Burnham
24 Lambert Group, Inc., 133 B.R. 13, 22 (Bankr. S.D.N.Y. 1991).

25

26 The reasonableness of a professional's hourly rate is based on the cost for
27 comparable services charged in the area, in non-bankruptcy matters. See In re Yermakov, 718
28 F.2d at 1471. The reasonableness of the hours expended on a task is based on whether the

1 services provided were actual and necessary. See In re Nucorp Energy, Inc., 764 F.2d 655, 658
2 (9th Cir. 1985).

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

9
10 **VI.**

11 **CONCLUSION**

12 For the reasons set forth above and pursuant to Bankruptcy Code sections 330 and
13 331, Bankruptcy Rule 2016, the Court Guidelines, the UST Guidelines and the standards adopted
14 by courts in awarding accountants' and financial advisors' fees and costs, FTI submits that the
15 fees for services rendered and costs and expenses incurred on behalf of the Committee during the
16 Seventh Application Period in the total amount of \$744,797 are reasonable and should be
17 allowed on an interim basis and paid in full.

18
19 As previously mentioned, FTI purchased all outstanding receivables of the BRS
20 Practice, including receivables related to PwC's work as accountants and financial advisors to
21 the Official Committee of Unsecured Creditors in the Pacific Gas and Electric bankruptcy case.
22 No agreement or understanding of any kind or nature exists between FTI and any other person or
23 entity for the sharing, division, or payment of any portion of the compensation awarded for our
24 services rendered or expenses incurred in connection with the representation of the Committee in
25 the bankruptcy case.

26 **WHEREFORE** FTI respectfully requests that this Court enter an order:

- 27
28 1. Approving this Seventh Interim Application in its entirety;

1 2. Approving an interim award of compensation in the amount of \$727,043
2 for professional services rendered and reimbursement of costs and expenses incurred in the
3 amount of \$17,754, for a total amount of \$744,797.

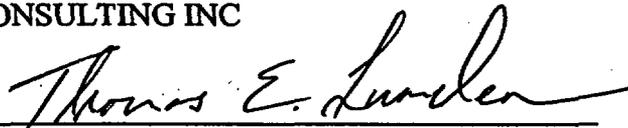
4 3. Authorizing and directing PG&E to immediately pay to FTI the allowed
5 amounts, less any such amounts already paid pursuant to the Order Establishing Interim Fee
6 Application and Expense Reimbursement Procedure; and

7
8 4. Granting such other and further relief as the Court deems just and proper.
9

10 DATED: September 12, 2003

Respectfully submitted.

FTI CONSULTING INC

11
12
13 By: 
14 Thomas E. Lumsden

15 Accountants and Financial Advisors to Official Committee
16 of Unsecured Creditors
17
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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 Seventh 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: 9-12-03


Thomas E. Lumsden

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1 compensation covering 1,610.3 hours of professional time devoted to advising the Committee in
2 PG&E's bankruptcy case, resulting in the accumulation of \$727,043 in fees for professional
3 services rendered and \$17,754 for expenses incurred, for a total amount of \$744,797.

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

7
8 6. FTI received no pre-petition retainer in connection with this bankruptcy
9 case.

10 7. FTI has submitted monthly fee notices in accordance with the interim fee
11 procedures that were established by the Court. FTI has received payments totaling \$426,428 in
12 connection with the Monthly Cover Sheet Applications covering the period April 1, 2003 to June
13 30, 2003, comprised of \$415,965 in fees and \$10,463 in expenses (\$202,023 in fees and \$7,312
14 in expenses related to the July 31, 2003 Cover Sheet Application have not yet been paid
15 amounting to a total of \$209,335.)

16
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 9. I am one of the designated professionals responsible for overseeing the
23 billing in this matter and for assuring compliance with the Guidelines of the Office of the United
24 States Trustee for the Northern District of California relating to billing (the "Guidelines").
25 Based upon my review of the Seventh Interim Application submitted by FTI for the Seventh
26 Application Period, I believe that the Seventh Interim Application complies with the Court
27 Guidelines and the UST Guidelines.
28

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 Seventh 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 Seventh Application Period.

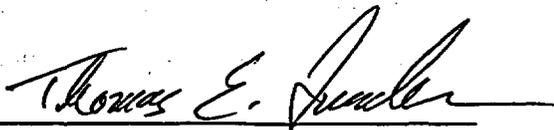
7
8 12. Attached hereto as Exhibit "3" are Expense Summary and Expense Detail
9 reports by individual and itemized total expenses for which reimbursement is sought.

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 Seventh 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 12th day of September, 2003 at San Francisco, California.

20
21 

22 Thomas E. Lumsden

1 Thomas E. Lumsden
FTI Consulting Inc.
2 353 Sacramento Street, 18th Floor
San Francisco, CA 94111
3 Telephone: (415) 283-4200
Facsimile: (415) 283-4266
4

5 Accountants and Financial Advisors for Official
Committee of Unsecured Creditors
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FILED

SEP 12 2003

UNITED STATES BANKRUPTCY COURT
SAN FRANCISCO, CA

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

13
14 In re

15 **PACIFIC GAS AND ELECTRIC**
16 **COMPANY, a California corporation,**

17 Debtor.
18
19
20

Case No. SF 01-30923 DM

Chapter 11

DECLARATION OF CLARA YANG
STRAND; IN SUPPORT OF THE SEVENTH
INTERIM APPLICATION OF FTI
CONSULTING INC. FOR ALLOWANCE
AND PAYMENT OF COMPENSATION
AND REIMBURSEMENT OF EXPENSES
(APRIL 1, 2003 THROUGH JULY 31, 2003)

Hearing:

Date: November 13, 2003

Time: 1:30 PM

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

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1 **DECLARATION OF CLARA YANG STRAND**

2 I, Clara Yang Strand, declare:

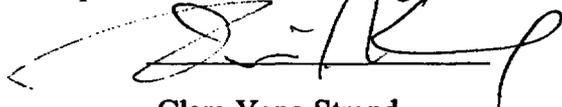
3 1. I am employed by Bank of America, N.A., one of the members of the Official Committee of
4 Unsecured Creditors ("Committee") in the Pacific Gas and Electric Company ("PG&E") chapter 11
5 bankruptcy case. I am one of the Co-Chairs of the Committee. Except as otherwise stated, I have
6 personal knowledge of the facts set forth below, and if called upon, I could and would testify
7 competently with regard thereto. I make this declaration in support of the Seventh Interim
8 Application of FTI Consulting Inc. ("FTI") for Allowance and Payment of Compensation and
9 Reimbursement of Expenses (April 1, 2003 Through July 31, 2003) (the "Application").

10
11 2. I have reviewed the Application and FTI's invoices for April 1, 2003 through July 31, 2003.

12
13 3. I believe that the fees and costs requested by FTI for the April 1, 2003 through July 31,
14 2003 period are appropriate and reasonable. Based on my experience with FTI in this case, their
15 work has been done in a professional and efficient manner and has added significant value to the
16 estate for the benefit of creditors. FTI has worked effectively with the Debtor in the review and
17 analysis of the Debtor's financial projections to support its Plan of Reorganization, including
18 analysis of filed claims against the Debtor, with the CPUC in the development of an alternative
19 plan structure, and with both parties in the development of a mutually agreeable Settlement
20 Agreement. Accordingly, I believe that FTI's request for fees and reimbursement of expenses
21 should be approved.

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

24 Executed this 11 day of September 2003 at Los Angeles, California.

25 
26 Clara Yang Strand