

Peter S. Muñoz (State Bar No. 66942)
Gregg M. Ficks (State Bar No. 148093)
CROSBY, HEAFEY, ROACH & MAY
Professional Corporation
Two Embarcadero Center
San Francisco, CA 94111

50-275/323

Mailing Address:

P.O. Box 7936
San Francisco, CA 94120-7936

Telephone: (415) 543-8700
Facsimile: (415) 391-8269

Attorneys for Nevada Irrigation District

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re

PACIFIC GAS & ELECTRIC
COMPANY, a California
corporation,

Debtor.

Federal I.D. No. 94-0742640

No. 01-30923 DM

Chapter 11

Date: May 25, 2001
Time: 1:30 p.m.
Place: 235 Pine St., 22nd Fl.,
San Francisco, CA 94111
Judge: Honorable Dennis Montali

**DECLARATION OF JAMES CHATIGNY IN SUPPORT OF NEVADA IRRIGATION
DISTRICT'S QUALIFIED OPPOSITION TO DEBTOR'S MOTION FOR ORDER
AUTHORIZING ASSUMPTION OF EXECUTORY HYDROELECTRIC POWER
PURCHASE CONTRACTS**

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9454429.2

1 I, James Chatigny, declare:

2
3 1. I am General Manager of Nevada Irrigation District ("NID"). I
4 make this Declaration in support of NID's Qualified Opposition to Debtor's Motion
5 for Order Authorizing Assumption of Executory Hydroelectric Power Purchase
6 Contracts. Unless otherwise stated, I have personal knowledge of the matters set
7 forth herein and if called as a witness would testify to them.

8
9 2. Based on my review of NID's business records kept in the
10 ordinary course of business, NID and Debtor executed the Yuba-Bear Project
11 Contract in 1963, and the Rollins Powerhouse Project Contract in 1978. There
12 contracts are collectively referred to herein as the "Contracts." Copies of the
13 Contracts are attached as Exhibits 3 and 7 to the Declaration of Randal S.
14 Livingston filed by Pacific Gas & Electric Company ("PG&E" or "Debtor").

15
16 3. Since Debtor filed this bankruptcy case on April 6, 2001 (and
17 for some time before), Debtor has not made any payments to NID under the
18 Contracts. Debtor owes the following amounts for Operating and Maintenance
19 expenses under the Contracts pursuant to Withdrawal Requests submitted by NID
20 to the Trustee under the Contracts:

21
22 a. YUBA-BEAR PROJECT

23
24

DATE	REQUEST NUMBER	AMOUNT
3/30/01	2021	\$46,531.58
3/30/01	2022	\$36,108.15
4/6/01	2023	\$16,866.10
4/16/01	2024	\$971.04

25
26
27
28

DATE	REQUEST NUMBER	AMOUNT
4/16/01	2025	\$35,494.82
4/23/01	2026	\$21,945.42
4/28/01	2029	\$20,172.84
5/11/01	2033	\$5,568.37
4/16/01	2024	\$200.00
4/23/01	2026	\$5,692.84
4/23/01	2027	\$54,840.00
4/23/01	2028	\$130,000.00
4/28/01	2029	\$16,970.29
4/30/01	2030	\$35,491.14
5/08/01	2031	\$1,050.61
5/08/01	2032	\$6,421.43
5/11/01	2034	<u>\$5,032.89</u>
TOTAL		<u>\$439,357.52</u>

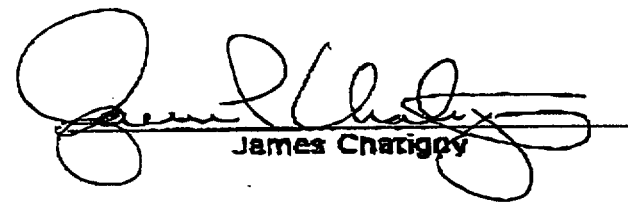
b. ROLLINS POWER PROJECT

DATE	REQUEST NUMBER	AMOUNT
3/30/01	1382R	\$1,316.95
3/30/01	1383R	\$2,067.81
4/6/01	1384R	\$251.01
4/16/01	1385R	\$2,319.01
4/23/01	1386R	\$646.89
4/28/01	1389R	\$646.89
4/23/01	1387R	\$3,000.00
4/23/01	1388R	\$6,000.00
4/28/01	1389R	\$1,176.15

4/30/01	1390R	\$2,084.21
5/8/01	1391R	\$274.54
TOTAL		<u>\$19,212.96</u>

4. In addition, Debtor owes semi-annual payments under Paragraph 9(a) of the Contracts. The semi-annual payments are used by NID to make the semi-annual payments owed under a number of long-term revenue bonds issued by NID. Debtor has asserted that it intends to pay only a *pro rata* portion of these payments based on the April 6, 2001 bankruptcy petition date in this case. Moreover, it has been the custom, practice, and agreement of the parties to the Contracts that Debtor make to these payments approximately thirty (30) days before their semi-annual due dates, and Debtor has failed to do so prior to the May 15, 2001 due date. If Debtor fails to make the semi-annual payment, NID will be in default under those bonds.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 11th of May, 2001, at GROSS VALLEY, California.


James Chatigny

CROSBY, HEAFY, ROACH & MAY
PROFESSIONAL CORPORATION

Peter S. Muñoz (State Bar No. 66942)
Gregg M. Ficks (State Bar No. 148093)
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Accompanying Documents:
1) Declaration of James Chatigny In
Support of Qualified Opposition
2) Proof of Service

NEVADA IRRIGATION DISTRICT'S QUALIFIED OPPOSITION TO DEBTOR'S
MOTION FOR ORDER AUTHORIZING ASSUMPTION OF EXECUTORY
HYDROELECTRIC POWER PURCHASE CONTRACTS

I INTRODUCTION

Nevada Irrigation District ("NID") hereby submits its Qualified Opposition ("Opposition") to the Motion For Order Authorizing Assumption of Executory Hydroelectric Power Purchase Contracts ("Motion to Assume") filed by Pacific Gas & Electric Company ("PG&E" or Debtor").

NID does not object in principle to the concept of the Motion to Assume. However, since NID is a public agency and since the risks to NID are potentially severe if Debtor should default in performance of its contractual obligations, NID seeks to insure that Debtor, as required by the provisions of 11 U.S.C. § 365: (i) will immediately cure all existing defaults under the Yuba-Bear Project Contract and the Rollins Powerhouse Project Contract ("Contracts"), which contracts Debtor seeks to assume; (ii) will be financially able to perform under the Contracts and can provide adequate assurance of its ability to perform under the Contracts; and (iii) will, in fact, perform all of the terms of the Contracts.

In addition, NID wants to insure that if Debtor is to assume the Contracts, that the assumption occurs as soon as possible to avoid an impending default on NID's bonds.

NID also requests clarification from Debtor as to which "ancillary agreements and amendments" it seeks to assume under the Motion.

II. SUMMARY OF FACTS

A. BACKGROUND

NID is a public water agency providing water resources to the public in Nevada County.

In 1963, NID and Debtor entered into the Yuba-Bear Contract. In 1978, NID and Debtor entered the Rollins Powerhouse Project Contract. [See Declaration of James Chatigny in Support of NID's Limited Opposition ("Chatigny

Decl.") at ¶2. See also Exhibits 3 and 7 to Declaration of Randall S. Livingston filed by Debtor in support of the Motion.]

The Contracts were part of a set of interrelated transactions whereby NID would be able to construct, maintain and operate facilities ("Facilities") to provide residents of Nevada County with energy and water. As an integral part of the transaction, NID issued public revenue bonds ("Bonds").

The Contracts imposed on NID the burden of financing, building, maintaining and operating the Facilities and all related licenses, permits and contracts (subject to certain limitations and conditions) and imposed on Debtor the obligation of paying fixed amounts which were calculated to allow NID to retire the Bonds and the obligation of paying all expenses of maintaining and operating the Facility and all related licenses, permits and contracts.

The Contracts provided in essence for two types of payments after the Facility had been completed. First under Section 9(a) of the Contracts, Debtor was to make semi-annual payments in specified amounts which were calculated to match the payments owed by NID under its Bonds (collectively the "9a Payments"). The 9a Payments were determined based upon the payments on the Bonds and the due dates were set to allow for payments on the Bonds. The 9a Payments were not calculated or tied in any way to the receipt of electrical power by Debtor from NID. Debtor was obligated to make the 9a Payments on the dates specified even if the Facility was not in operation and no electrical power were being generated. Generally, no discounts or pro-rations were permitted under the Contract except prior to full completion of the Facility. Prior to full completion of the Facility, the Contract provided for one method of calculating the amounts owed under the Contract; after full completion, the Contract provided another procedure for payment. The very first payment under Section 9a was pro-rated as specified. The pro-ration allowed for the change of payment procedures to that under Section 9a.

1 The second type of payments called for after completion of
2 construction was under Section 9(b) of the Contracts. Debtor was to pay all
3 expenses of maintaining and operating the Facility and all related licenses, permits
4 and contracts together with other related expenses (collectively the "9b
5 Payments"). The 9b Payments were to be provided monthly upon request of NID.
6 (Such requests are usually referred to as "Withdrawal Requests".)

7 The course of dealing between Debtor and NID developed that the NID
8 would submit payment requests under Section 9b periodically as incurred (i.e. more
9 frequently than monthly) and payment would be processed by Debtor as received.

10 In Debtor's Motion to Assume, Debtor explains to the Court that the
11 Contracts provide low cost energy to Debtor; the Motion to Assume even specifies
12 a per unit price. However nothing in the Contracts set any price. The Contracts
13 call for two fixed payments on specified dates and ongoing expense payments on a
14 going-forward basis. Debtor's calculations are presumably determined by
15 estimating the energy to be provided by the Facilities and computing a per unit
16 price based upon an estimate of the anticipated 9b Payments and the 9a Payments.

17 **B. DEFAULT**

18 Debtor is currently in default under the Contracts as follows.

19 First, Debtor has not made certain 9b Payments requested by NID both
20 before and after the date on which Debtor commenced this bankruptcy case
21 ("Petition Date"). NID is owed the sum of approximately \$439,357.52 (Yuba-Bear
22 Project) and \$19,212.96 (Rollins Power Project) in connection with such payments.
23 Chatigny Decl. at ¶ 3. Notwithstanding the defaults, NID has continued to perform
24 under the Contracts following the Petition Date.

25 Second, Debtor has advised NID that on May 15, 2001 it will not pay
26 the full amount of the 9a Payments which come due on May 15, 2001, (or earlier
27 based on the practices of the parties). Debtor has stated that it would be pro-rating
28 the payment amount based on the Petition Date. Such pro-ration was done

1 despite the fact that the payment was due in full on May 15 (or earlier), and was
2 not subject to pro-ration since no amounts were owed prior to the Petition Date.

3 **C. RISKS TO NID**

4 First, if the 9a Payments are not made on a timely basis (and one
5 payment is already due on May 15, 2001), NID would be in default on its Bonds.
6 NID's credit rating would be adversely affected and thereafter all revenue bonds or
7 other debt issued by NID would require that NID pay a higher interest rate. Such a
8 higher interest rate would be applicable to all future revenue bonds of such other
9 debt for the life of those bonds or other debt. The actual amounts which NID
10 would be required to pay is difficult to calculate or estimate at present; however, it
11 is obvious that the actual amount of additional interest would be quite large when
12 calculated over the life of all such bonds/debt. In the alternative, NID could
13 consider making all or a portion of the bond payments by liquidating other assets (if
14 it had sufficient assets). This alternative would similarly have an extremely adverse
15 impact on the NID's financial condition and a significant disruption in NID's cash
16 flow since NID's budget had not contemplated a bankruptcy of Debtor.

17 Second, if the 9b Payments are not made, the Facility would quickly
18 cease to operate since its operation and maintenance expenses would immediately
19 stop. NID would be left with a defunct operation. All public money spent to date
20 would have been in effect wasted in large part.

21 Debtor's Motion to Assume also implies that any negative impact on
22 NID would be minimal since it could look for any alternate buyer for its electric
23 power. While it is true that NID ultimately could find an alternate buyer, NID would
24 still suffer great harm in such a situation. There would be extensive startup
25 expenses (if the Facility were to shut down) in addition to the ordinary and
26 customary Operating Maintenance Expenses. All of these expenses NID would
27 have to pay with its own funds at a time when NID would be losing the revenues
28 which otherwise would have been paid by Debtor.

1 Therefore, NID would be paying (i) higher operating and maintenance
2 expenses and (ii) higher interest on its bonds, all at a time when it would have no
3 income from the Facility with which to pay such increased expenses and interest.

4 III QUALIFIED OPPOSITION

5 A. Debtor Should Specify in Greater Detail the Contracts To Be Assumed

6 The Motion to Assume states that Debtor is seeking to assume certain
7 specified agreements which are listed in the Motion to Assume; it also states that
8 Debtor will assume certain "ancillary agreements and amendments".

9 As mentioned above, the Contracts between Debtor and NID are part
10 of a number of contracts which are related to some extent more or less. Debtor
11 should be required to specify the "ancillary agreements and amendments" with
12 more particularity so that the parties to said contracts can determine whether there
13 are defaults under those contracts, and so the Court can require compliance
14 therewith.

15 B. The Court Should Grant Debtor's Motion Only If Debtor Cures All Defaults 16 Under The Contract

17 Bankruptcy Code Section 365 (11 U.S.C. § 365) permits Debtor to
18 assume the Contract only if it cures all defaults. 11 U.S.C. § 365(a) and (b)(1)(A)
19 and (B).¹ Debtor has the burden to prove its ability to satisfy these obligations.
20 See *Id.* See also *Superior Toy and Manuf. Co.*, 78 F. 3d 1169 (7th Cir. 1996).

21 ¹ These subsections provide:

22 (a) Except as provided in sections 765 and 766 of this title and in subsections (b), (c), and (d) of
23 this section, the trustee, subject to the court's approval, may assume or reject any executory
contract or unexpired lease of the debtor.

24 (b)(1) If there has been a default in an executory contract or unexpired lease of the debtor, the
25 trustee may not assume such contract or lease unless, at the time of the assumption of such
contract or lease, the trustee –

26 (A) cures; or provides adequate assurance that the trustee will promptly cure, such default;

27 (B) compensates, or provides adequate assurance that the trustee will promptly compensate, a
28 party other than the debtor to such contract or lease, for any actual pecuniary loss to such party
resulting from such default; 11 U.S.C. § 365(a) and (b)(1)(A) and (B).

1 Here, Debtor is in default under the Contract by failing to make any 9a
2 payments, and by not making any (or incomplete) 9b payments. Chatigny Decl. at
3 ¶¶ 3 and 4. Debtor does not recognize these specific defaults in its motion, but
4 instead refers almost exclusively to an "aggregate" monetary default of
5 "approximately \$1.62 million" under all of the hydroelectric power contracts that it
6 presently seeks to assume. Debtor's MPA at 10:27-28. Debtor then asserts,
7 without evidentiary support, that it has more than adequate cash reserves to cure
8 the arrears. *Id.* at 11:2. While this statement may be true, Debtor has not met its
9 evidentiary burden on this motion. NID seeks testimony or a verified statement
10 from an authorized agent of Debtor that Debtor: (1) has the ability to cure the
11 defaults described above; and (2) will, in fact, cure all such defaults immediately
12 upon, or promptly upon, entry of any order granting this motion. Debtor cannot
13 meet its burden on this Motion without this evidence, and has not provided it in Mr.
14 Livingston's Declaration. NID requests that the Court not grant Debtor's motion
15 until Debtor provides this evidence.

16 **C. The Court Should Only Grant Debtor's Motion If Debtor Provides Adequate**
17 **Assurance Of Future Performance Under The Contract**

18 Bankruptcy Code Section 365(b) (11 U.S.C. § 365(b)) also provides
19 that Debtor must provide adequate assurances of future performance under the
20 Contract in order to assume it. 11 U.S.C. § 365(a) and (b)(1)(C).² Debtor has the

21 ² These subsections provide:

22 (a) Except as provided in sections 765 and 766 of this title and in subsections (b), (c), and (d) of
23 this section, the trustee, subject to the court's approval, may assume or reject any executory
24 contract or unexpired lease of the debtor.

25 (b)(1) If there has been a default in the executory contract or unexpired lease of the debtor, the
26 trustee may not assume such contract or lease unless, at the time of assumption of such contract or
27 lease, the trustee –

(C) provides adequate assurance of future performance of such contract or lease.

28 11 U.S.C. § 365(a) and (b)(1)(C).

1. burden of providing adequate assurance of future performance under the Contract.
2. See *Id.* See also *Superior Toy, supra.*

3. Here, Debtor's motion again contains conclusory statements that it will
4. have available cash to make all future payments under the Contract, and that it
5. intends to make such payments. Debtor's MPA at 11:3-17. Again, while these
6. statements may be accurate, Mr. Livingston's Declaration does not establish these
7. necessary evidentiary facts, and says nothing about future performance of Debtor's
8. non-monetary obligations under the Contract. NID is entitled to this evidence.


9. Debtor's other proposed form of adequate assurance is also
10. unsupported. Debtor asserts that a "court-ordered liquidation of these contracts,"
11. or an independent sale of the subject hydroelectricity would yield sufficient cash to
12. cover NID's damages from breach. Any breach by Debtor, however, would result
13. in delayed payments to NID, which, in turn, would result in defaults by NID on its
14. bond obligations that could have a negative long-term impact on NID's bond rating
15. and ability to obtain financing. This delay undercuts any claim of adequate
16. assurance of future performance by Debtor as performance, in fact, would be
17. altered to the detriment of NID.

IV CONCLUSION

Based on the foregoing, NID requests that the Court condition any order approving Debtor's assumption of the Contract on Debtor specifying in greater detail the contracts to be assumed, curing all defaults under the Contract and establishing adequate assurances of future performance under the Contracts.

DATED: May 11, 2001.

CROSBY, HEAFEY, ROACH & MAY
Professional Corporation

By 
Peter S. Muñoz
Attorneys for
Nevada Irrigation District

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Gregg M. Ficks (State Bar No. 148093)
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Attorneys for Oroville-Wyandotte Irrigation District

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re

PACIFIC GAS & ELECTRIC
COMPANY, a California
corporation,

Debtor.

Federal I.D. No. 94-0742640

No. 01-30923 DM

Chapter 11

Date: May 25, 2001
Time: 1:30 p.m.
Place: 235 Pine St., 22nd Fl.,
San Francisco, CA 94111
Judge: Honorable Dennis Montali

**DECLARATION OF PATRICIA A. SANDS IN SUPPORT OF OROVILLE-
WYANDOTTE IRRIGATION DISTRICT'S QUALIFIED OPPOSITION TO DEBTOR'S
MOTION FOR ORDER AUTHORIZING ASSUMPTION OF EXECUTORY
HYDROELECTRIC POWER PURCHASE CONTRACTS**

1 I, Patricia A. Sands, declare:

2
3 1. I am Treasurer and Business Manager of Oroville-Wyandotte
4 Irrigation District ("OWID"). I make this Declaration in support of OWID's Qualified
5 Opposition to Debtor's Motion for Order Authorizing Assumption of Executory
6 Hydroelectric Power Purchase Contracts. Unless otherwise stated, I have personal
7 knowledge of the matters set forth herein and if called as a witness would testify to
8 them.

9
10 2. Based on my review of OWID's business records kept in the
11 ordinary course of business, OWID and Debtor executed the South Fork Project
12 Contract in 1960 and the Sly Creek Powerhouse Project Contract in 1981. These
13 contracts are collectively referred to herein as the "Contracts," copies of which is
14 attached as Exhibits 2 and 8 to the Declaration of Randal S. Livingston filed by
15 Pacific Gas & Electric Company ("PG&E" or "Debtor").

16
17 3. Since Debtor filed this bankruptcy case on April 6, 2001 (and
18 for some time before), Debtor has not made any payments under the Contracts.
19 Debtor owes the following amounts for Operating and Maintenance expenses under
20 the Contracts (i.e. "9b payments") pursuant to Withdrawal Requests submitted by
21 OWID to the Trustee under the Contracts:

22
23 a. South Fork Project Contract:

24

Date	Request Number	Amount
April 4, 2001 (Revised May 3, 2001)	1417	\$186,433.76
April 30, 2001 (Revised May 9, 2001)	1418	\$97,712.28
Total		\$284,146.04

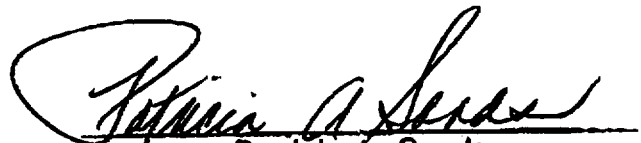
25
26
27
28

b. Sly Creek Project:

Date	Request Number	Amount
April 4, 2001	687-S	\$29,525.98

4. In addition, Debtor owes semi-annual payments under Paragraph 9(a) of the Contracts in the sum of \$1,564,000.00 (South Fork Project Contract) and approximately \$515,239.00 (Sly Creek Powerhouse Project Contract) as of July 1, 2001. The semi-annual payments are used by OWID to make the semi-annual payments owed under a number of long-term revenue bonds issued by OWID. If Debtor fails to make the semi-annual payment, OWID will be in default under those bonds.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 11 of May, 2001, at OROVILLE, California.


Patricia A. Sands

Peter S. Muñoz (State Bar No. 66942)
Gregg M. Ficks (State Bar No. 148093)
CROSBY, HEAFEY, ROACH & MAY
Professional Corporation
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- 1) Declaration of Patricia A. Sands In
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- 2) Proof of Service

**OROVILLE-WYANDOTTE IRRIGATION DISTRICT'S QUALIFIED OPPOSITION TO
DEBTOR'S MOTION FOR ORDER AUTHORIZING ASSUMPTION OF EXECUTORY
HYDROELECTRIC POWER PURCHASE CONTRACTS**

9454599.1

I. INTRODUCTION

Oroville-Wyandotte Irrigation District ("OWID") hereby submits its Qualified Opposition ("Opposition") to the Motion For Order Authorizing Assumption of Executory Hydroelectric Power Purchase Contracts ("Motion to Assume") filed by Pacific Gas & Electric Company ("PG&E" or Debtor").

OWID does not object in principle to the concept of the Motion to Assume. However, since OWID is a public agency and since the risks to OWID are potentially severe if Debtor should default in performance of its contractual obligations, OWID seeks to insure that Debtor, as required by the provisions of 11 U.S.C. § 365: (i) will immediately cure all existing defaults under the South Fork Project Contract and the Sly Creek Powerhouse Project Contract ("Contracts") which Contracts Debtor seeks to assume; (ii) will be financially able to perform under the Contracts and can provide adequate assurance of its ability to perform under the Contracts; and (iii) will, in fact, perform all of the terms of the Contracts.

In addition, OWID wants to insure that, if Debtor is to assume the Contracts, that the assumption occurs as soon as possible to avoid an impending default on OWID's bonds.

Finally, OWID also requests clarification from Debtor as to which "ancillary agreements and amendments" it seeks to assume under the Motion.

II. SUMMARY OF FACTS

A. BACKGROUND

OWID is a public water agency providing water resources to the public in the Oroville-Wyandotte area.

In 1960, OWID and Debtor entered into the South Fork Project Contract ("South Fork Contract"). In 1981 OWID and Debtor entered into the Sly Creek Powerhouse Contract ("Sly Creek Contract"). Declaration of Patricia A. Sands In Support of OWID's Limited Opposition ("Sands Decl.") at ¶ 2. See also

1 Exhibits 2 and 8 to Declaration of Randall S. Livingston filed by Debtor in support of
2 the Motion.]

3 The Contracts were part of a set of interrelated transactions whereby
4 OWID would be able to construct, maintain and operate facilities ("Facilities") to
5 provide residents in the Oroville-Wyandotte area with energy and water. As an
6 integral part of the transaction, OWID issued public revenue bonds ("Bonds").

7 The Contracts imposed on OWID the burden of financing, building,
8 maintaining and operating the Facilities and all related licenses, permits and
9 contracts (subject to certain limitations and conditions) and imposed on Debtor the
10 obligation of paying fixed amounts which were calculated to allow YCWA to retire
11 the Bonds and the obligation of paying all expenses of maintaining and operating
12 the Facility and all related licenses, permits and contracts.

13 The Contracts provided for several types of payments.

14 First, the Contract provided in essence for two types of payments
15 after the Facilities had been completed. First, under Section 9(a) of the Contract,
16 Debtor was to make semi-annual payments in specified amounts which were
17 calculated to match the payments owed by OWID under its Bonds (collectively the
18 "9a Payments"). The 9a Payments were determined based upon the payments on
19 the Bonds and the due dates were set to allow for payments on the Bonds. The 9a
20 Payments were not calculated or tied in any way to the receipt of electrical power
21 by Debtor from OWID. Debtor was obligated to make the 9a Payments on the
22 dates specified even if the Facility was not in operation and no electrical power
23 were being generated. Generally, no discounts or pro-rations were permitted under
24 the Contract except prior to full completion of the Facility. Prior to full completion
25 of the Facility, the Contract provided for one method of calculating the amounts
26 owed under the Contract; after full completion, the Contract provided another
27 procedure for payment. The very first payment under Section 9a was pro-rated as
28

1 specified. The pro-ratio allowed for the change of payment procedures to that
2 under Section 9a.

3 The second type of post-completion payments called for under the
4 Contracts was under Section 9(b) of the Contracts. Debtor was to pay all
5 expenses of maintaining and operating the Facilities and all related licenses, permits
6 and contracts together with other related expenses (collectively the "9b
7 Payments"). The 9b Payments were to be provided monthly upon request of
8 OWID. (Such requests are usually referred to as "Withdrawal Requests".)

9 The course of dealing between Debtor and OWID developed that the
10 OWID would submit payment requests under Section 9b periodically as incurred
11 (i.e. more frequently than monthly) and payment would be processed by Debtor as
12 received.

13 In Debtor's Motion to Assume, Debtor explains to the Court that the
14 Contracts provide low cost energy to Debtor; the Motion to Assume even specifies
15 a per unit price. However nothing in the Contracts sets any price. The Contracts
16 call for two fixed payments on specified dates and ongoing expense payments on a
17 going-forward basis. Debtor's calculations are presumably determined by
18 estimating the energy to be provided by the Facility and computing a per unit price
19 based upon an estimate of the anticipated 9b Payments and the 9a Payments.

20 In addition to the 9a Payments and the 9b Payments, after completion
21 of the Facility, Debtor was required under Section 10 of the South Fork Contract to
22 pay additional amounts based on the water usage at various power plants specified
23 under that Contract.

24 In addition to the 9a Payments and the 9b Payments, after completion
25 of the Facility, Debtor was required under Section 9(c) of the Sly Creek Contract to
26 pay additional amounts based upon the kilowatt hours used at rates specified under
27 that Contract ("9c Payments").
28

1 **B. DEFAULT**

2 Debtor is currently in default under the Contracts. First, Debtor has
3 not made certain 9b Payments requested by OWID both before and after the date
4 which Debtor commenced the Bankruptcy case herein ("Petition Date"). Therefore
5 OWID is owed the sum of approximately \$284,146.04 (South Fork Project) and
6 \$29,525.98 (Sly Creek Project) in connection with such payments. Sands Decl. at
7 ¶ 3. Notwithstanding the defaults, OWID has continued to perform under the
8 Contracts following the Petition Date.

9 **C. RISKS TO OWID**

10 Debtor's Motion to Assume glosses over the potential risks to OWID
11 which are potentially extremely severe.

12 First, if the 9a Payments are not made on a timely basis (and
13 payments are already due based upon the practices of the parties, see Sands Decl.
14 at paragraph 4), OWID would be in default on its Bonds. OWID's credit rating
15 would be adversely affected and thereafter all revenue bonds or other debt issued
16 by OWID would require that OWID pay a higher interest rate. Such a higher
17 interest rate would be applicable to all future revenue bonds or debt for the life of
18 those bonds or of such debt. The actual amounts that OWID would be required to
19 pay is difficult to calculate or estimate at present; however, it is obvious that the
20 actual amount of additional interest would be quite large when calculated over the
21 life of all such bonds/debt. In the alternative, OWID could consider making all or a
22 portion of the bond payments by liquidating other assets (if it had sufficient assets).
23 This alternative similarly would have an extremely adverse impact on the OWID's
24 financial condition and a significant disruption in OWID's cash flow since OWID's
25 budget had not contemplated a bankruptcy of Debtor.

26 Second, if the 9b Payments are not made, the Facility would quickly
27 cease to operate since its operation and maintenance expenses would immediately
28

1 stop. OWID would be left with a defunct operation. All public money spent to date
2 would have been in effect wasted in large part.

3 Debtor's Motion to Assume also implies that any negative impact on
4 OWID would be minimal since it could look for any alternate buyer for its electric
5 power. While it is true that OWID could ultimately find an alternate buyer, OWID
6 would still suffer great harm in such a situation. There would be extensive startup
7 expenses (if the Facilities were to shut down) in addition to the ordinary and
8 customary Operating Maintenance Expenses. All of these expenses OWID would
9 have to pay with its own funds at a time when OWID would be losing the revenues
10 which otherwise would have been paid by Debtor.

11 Therefore, OWID would be paying (i) higher operating and maintenance
12 expenses and (ii) higher interest on its bonds, all at a time when it would have no
13 income from the Facility with which to pay such increased expenses and interest.

14 III. QUALIFIED OPPOSITION

15 A. Debtor Should Specify in Greater Detail the Contracts To Be Assumed

16 The Motion to Assume states that Debtor is seeking to assume certain
17 specified agreements which are listed in the Motion to Assume; it also states that
18 Debtor will assume certain "ancillary agreements and amendments".

19 As mentioned above, the Contract between Debtor and OWID are part
20 of a number of contracts which are related to some extent more or less. Debtor
21 should be required to specify the "ancillary agreements and amendments" with
22 more particularity so that the parties to said contracts can determine whether there
23 are defaults under those contracts and require compliance therewith.

24 B. The Court Should Grant Debtor's Motion Only If Debtor Cures All Defaults 25 Under The Contracts

26 Bankruptcy Code Section 365 (11 U.S.C. § 365) permits Debtor to
27 assume the Contracts only if it cures all defaults. 11 U.S.C. § 365(a) and (b)(1)(A)
28

1 and (B).¹ Debtor has the burden to prove its ability to satisfy these obligations.
2 See *Id.* See also *Superior Toy and Manuf. Co.*, 78 F. 3d 1169, 1172 (7th Cir.
3 1996).

4 Here, Debtor is in default under the Contracts by failure to make 9b
5 Payments. Sands Decl. at ¶ 3. Debtor does not recognize these specific defaults
6 in its motion, but instead refers almost exclusively to an "aggregate" monetary
7 default of "approximately \$1.62 million" under all of the hydroelectric power
8 contracts that it presently seeks to assume. Debtor's MPA at 10:27-28. Debtor
9 then asserts, without evidentiary support, that it has more than adequate cash
10 reserves to cure the arrears. *Id.* at 11:2. While this statement may be true, Debtor
11 has not met its evidentiary burden on this motion. OWID seeks testimony or a
12 verified statement from an authorized agent of Debtor that Debtor: (1) has the
13 ability to cure the defaults described above; and (2) will, in fact, cure all such
14 defaults immediately upon, or promptly upon, entry of any order granting this
15 motion. Debtor cannot meet its burden on this Motion without this evidence, and
16 has not provided it in Mr. Livingston's Declaration. OWID requests that the Court
17 not grant Debtor's motion until Debtor provides this evidence.

18
19
20
21 ¹ These subsections provide:

22 (a) Except as provided in sections 765 and 766 of this title and in subsections (b), (c), and (d) of
23 this section, the trustee, subject to the court's approval, may assume or reject any executory
24 contract or unexpired lease of the debtor.

25 (b)(1) If there has been a default in an executory contract or unexpired lease of the debtor, the
26 trustee may not assume such contract or lease unless, at the time of the assumption of such
27 contract or lease, the trustee –

28 (A) cures, or provides adequate assurance that the trustee will promptly cure, such default;

(B) compensates, or provides adequate assurance that the trustee will promptly compensate, a
party other than the debtor to such contract or lease, for any actual pecuniary loss to such party
resulting from such default; 11 U.S.C. § 365(a) and (b)(1)(A) and (B).

C. The Court Should Only Grant Debtor's Motion If Debtor Provides Adequate Assurance Of Future Performance Under The Contracts

Bankruptcy Code Section 365(b) (11 U.S.C. § 365(b)) also provides that Debtor must provide adequate assurances of future performance under the Contracts in order to assume it. 11 U.S.C. § 365(a) and (b)(1)(C).² Debtor has the burden of providing adequate assurance of future performance under the Contracts. See *Id.* See also *Superior Toy, supra*.

Here, Debtor's motion again contains conclusory statements that it will have available cash to make all future payments under the Contracts, and that it intends to make such payments. Debtor's MPA at 11:3-17. Again, while these statements may be accurate, Mr. Livingston's Declaration does not establish these necessary evidentiary facts, and says nothing about future performance of Debtor's non-monetary obligations under the Contracts. OWID is entitled to this evidence.

Debtor's other proposed form of adequate assurance is also unsupported. Debtor asserts that a "court-ordered liquidation of these contracts," or an independent sale of the subject hydroelectricity would yield sufficient cash to cover OWID's damages from breach. Any breach by Debtor, however, would result in delayed payments to OWID, which, in turn, would result in defaults by OWID on its bond obligations that could have a negative long-term impact on OWID's bond rating and ability to obtain financing. This delay undercuts any claim of adequate

² These subsections provide:

(a) Except as provided in sections 765 and 766 of this title and in subsections (b), (c), and (d) of this section, the trustee, subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor.

(b)(1) If there has been a default in the executory contract or unexpired lease of the debtor, the trustee may not assume such contract or lease unless, at the time of assumption of such contract or lease, the trustee –

(C) provides adequate assurance of future performance of such contract or lease.

11 U.S.C. § 365(a) and (b)(1)(C).

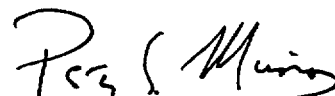
1 assurance of future performance by Debtor as performance, in fact, would be
2 altered to the detriment of OWID.

3 **IV. CONCLUSION**

4 Based on the foregoing, OWID requests that the Court condition any
5 order approving Debtor's assumption of the Contracts on Debtor specifying in
6 greater detail the contracts to be assumed, curing all defaults under the Contracts,
7 and establishing adequate assurances of future performance.

8
9 DATED: May 11, 2001.

10 CROSBY, HEAFEY, ROACH & MAY
11 Professional Corporation

12 By 
13 Peter S. Muñoz
14 Attorneys for
15 Oroville-Wyandotte Irrigation
16 District
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Peter S. Muñoz (State Bar No. 66942)
Gregg M. Ficks (State Bar No. 148093)
CROSBY, HEAFEY, ROACH & MAY
Professional Corporation
Two Embarcadero Center
San Francisco, CA 94111

Mailing Address:
P.O. Box 7936
San Francisco, CA 94120-7936

Telephone: (415) 543-8700
Facsimile: (415) 391-8269

Attorneys for Placer County Water Agency

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re

PACIFIC GAS & ELECTRIC
COMPANY, a California
corporation,

Debtor.

Federal I.D. No. 94-0742640

No. 01-30923 DM

Chapter 11

Date: May 25, 2001
Time: 1:30 p.m.
Place: 235 Pine St., 22nd Fl.,
San Francisco, CA 94111
Judge: Honorable Dennis Montali

Accompanying Documents:
1) Declaration of Patricia A. Anders In
Support of Qualified Opposition
2) Proof of Service

**PLACER COUNTY WATER AGENCY'S QUALIFIED OPPOSITION TO DEBTOR'S
MOTION FOR ORDER AUTHORIZING ASSUMPTION OF EXECUTORY
HYDROELECTRIC POWER PURCHASE CONTRACTS**

12251976.3

I. INTRODUCTION

Placer County Water Agency ("PCWA") hereby submits its Qualified Opposition ("Opposition") to the Motion For Order Authorizing Assumption of Executory Hydroelectric Power Purchase Contracts ("Motion to Assume") filed by Pacific Gas & Electric Company ("PG&E" or "Debtor").

PCWA does not object in principle to the concept of the Motion to Assume. However, since PCWA is a public agency and since the risks to PCWA are potentially severe if Debtor should default in performance of its contractual obligations, PCWA seeks to insure that Debtor, as required by the provisions of 11 U.S.C. 365: (i) will immediately cure all existing defaults under the Middle Fork Project Contract between Placer County Water Agency and Pacific Gas and Electric Company ("Contract") which Debtor seeks to assume; (ii) will be financially able to perform under the Contract and can provide adequate assurance of its ability to perform under the Contract; and (iii) will, in fact, perform all of the terms of the Contract.

In addition, PCWA wants to insure that if Debtor is to assume the Contract that the assumption occurs as soon as possible to avoid an impending default on PCWA's bonds.

Finally, PCWA also requests clarification from Debtor as to which "ancillary agreements and amendments" it seeks to assume under the Motion.

II. SUMMARY OF FACTS

A. BACKGROUND

PCWA is a public water agency providing water resources to the public in Placer County.

In 1963, PCWA and Debtor entered into the Contract. [See Declaration of Patricia A. Anders In Support of PCWA's Limited Opposition

1 ("Anders Decl.") at ¶ 2. See also Exhibit 4 to Declaration of Randall S. Livingston
2 filed by Debtor in support of the Motion.]

3 The Contract was part of a set of interrelated transactions whereby
4 PCWA would be able to construct, maintain and operate a facility ("Facility") to
5 provide residents of Placer County with energy and water. As an integral part of
6 the transaction, PCWA issued public revenue bonds ("Bonds").

7 The Contract imposed on PCWA the burden of financing, building,
8 maintaining and operating the Facility and all related licenses, permits and contracts
9 (subject to certain limitations and conditions) and imposed on Debtor the obligation
10 of paying fixed amounts which were calculated to allow YCWA to retire the Bonds
11 and the obligation of paying all expenses of maintaining and operating the Facility
12 and all related licenses, permits and contracts.

13 The Contract provided in essence for two types of payments after the
14 Facility had been completed. First under Section 9(a) of the Contract, Debtor was
15 to make semi-annual payments in specified amounts which were calculated to
16 match the payments owed by PCWA under its Bonds (collectively the "9a
17 Payments"). The 9a Payments were determined based upon the payments on the
18 Bonds and the due dates were set to allow for payments on the Bonds. The 9a
19 Payments were not calculated or tied in any way to the receipt of electrical power
20 by Debtor from PCWA. Debtor was obligated to make the 9a Payments on the
21 dates specified even if the Facility was not in operation and no electrical power
22 were being generated. Generally, no discounts or pro-rations were permitted
23 under the Contract except prior to full completion of the Facility. Prior to full
24 completion of the Facility, the Contract provided for one method of calculating the
25 amounts owed under the Contract; after full completion, the Contract provided
26 another procedure for payment. The very first payment under Section 9a was pro-
27 rated as specified. The pro-ration allowed for the change of payment procedures to
28 that under Section 9a.

1
2 The second type of payments called for after completion of
3 construction was under Section 9(b) of the Contract. Debtor was to pay all
4 expenses of maintaining and operating the Facility and all related licenses, permits
5 and contracts together with other related expenses (collectively the "9b
6 Payments"). The 9b Payments were to be provided monthly upon request of
7 PCWA. (Such requests are usually referred to as the "Withdrawal Requests.")

8 The course of dealing between Debtor and PCWA developed that the
9 PCWA would submit payment requests under Section 9b periodically as incurred
10 (i.e. more frequently than monthly) and payment would be processed by Debtor as
11 received.

12 In Debtor's Motion to Assume, Debtor explains to the Court that the
13 Contract provides low cost energy to Debtor; the Motion to Assume even specifies
14 a per unit price. However nothing in the Contract sets any price for energy (except
15 for the period prior to completion of the Facility). The Contract calls for two fixed
16 payments on specified dates and ongoing expense payments on a going-forward
17 basis. Debtor's calculations are presumably determined by estimating the energy to
18 be provided by the Facility and computing a per unit price based upon the known
19 9a Payments and an estimate of the anticipated 9b Payments.

20 **B. DEFAULT**

21 Debtor is currently in default under the Contracts as set forth below.

22 First, Debtor failed to make certain 9b Payments requested by PCWA
23 both before and after the date on which Debtor commenced the Bankruptcy case
24 herein ("Petition Date"). PCWA is owed approximately \$574,712.84 (pre- and
25 post-petition) in connection with such payments. Anders Decl. at ¶ 4.
26 Notwithstanding the defaults, PCWA has continued to perform under the Contract
27 following the Petition Date.
28

1 Second, Debtor has advised PCWA that on May 15, 2001 it will not
2 pay the full amount of the 9a Payment which comes due on May 15, 2001 but
3 instead will pay only \$1,186,458.33, rather than the entire amount of the 9a
4 Payment which is \$2,512,500. Apparently, Debtor has calculated this amount by
5 pro-rating the specified payment amount from the Petition Date. Such pro-ration
6 was done despite the fact that the payment is due in full on May 15 and is not
7 subject to pro-ration since no amount was owed prior to the Petition Date as
8 described above.

9 In addition to the defaults specified above, PCWA believes that Debtor
10 is not in compliance with the Contract in that in the past it has not provided
11 sufficient funds to maintain the Facility in an appropriate manner pursuant to the
12 Contract. However, PCWA acknowledges that Debtor may dispute the nature and
13 extent of expenses which PCWA believes is appropriate. The Contract provides
14 that if there should be a dispute between PCWA and Debtor under the Contract,
15 the dispute would be subject to arbitration. PCWA is willing to allow the
16 assumption of the Contract with the understanding that: (i) the dispute would be
17 arbitrated after the assumption and resolved in a reasonably prompt manner; and (ii)
18 any amount determined by arbitration to be owed by Debtor must thereafter be
19 promptly paid. PCWA does not take the position that this particular default must
20 be cured before assumption.

21 **C. RISKS TO PCWA**

22 Debtor's Motion to Assume glosses over the potential risks to PCWA
23 which are potentially extremely severe.

24 First, if the 9a Payments are not made on a timely basis (and one
25 payment is already due on May 15, 2001), PCWA would be in default on its Bonds.
26 PCWA's credit rating would be adversely affected and thereafter all revenue bonds
27 or other debt issued by PCWA would require that PCWA pay a higher interest rate.
28 Such a higher interest rate would be applicable to all future revenue bonds or other

1 debt for the life of those bonds or such debt. The actual amounts which PCWA
2 would be required to pay is difficult to calculate or estimate at present; however, it
3 is obvious that the actual amount of additional interest would be quite large when
4 calculated over the life of all such bonds/debt. PCWA does not have the alternative
5 of making the bond payments itself due to the size of such payments.

6 Second, if the 9b Payments are not made, the Facility would quickly
7 cease to operate since its operation and maintenance expenses would immediately
8 stop. PCWA would be left with a defunct operation. All public money spent to
9 date would have been in effect wasted in large part.

10 Debtor's Motion to Assume also implies that any negative impact on
11 PCWA would be minimal since it could look for any alternate buyer for its electric
12 power. While it is true that PCWA could ultimately find an alternate buyer, PCWA
13 would still suffer great harm in such a situation. There would be extensive startup
14 expenses (if the Facility were to shut down) in addition to the ordinary and
15 customary Operating Maintenance Expenses. All of these expenses PCWA would
16 have to pay with its own funds at a time when PCWA would be losing the revenues
17 which otherwise would have been paid by Debtor.

18 Therefore, PCWA would be paying (i) higher operating and
19 maintenance expenses and (ii) higher interest on its bonds, all at a time when it
20 would have no income from the Facility with which to pay such increased expenses
21 and interest.

22 III QUALIFIED OPPOSITION

23 A. Debtor Should Specify in Greater Detail the Contracts To Be Assumed

24 The Motion to Assume states that Debtor is seeking to assume certain
25 specified agreements which are listed in the Motion to Assume; it also states that
26 Debtor will assume certain "ancillary agreements and amendments".

27 As mentioned above, the Contract between Debtor and PCWA are part
28 of a number of contracts which are related to some extent more or less. Debtor

1 should be required to specify the "ancillary agreements and amendments" with
2 more particularity so that the parties to said contracts can determine whether there
3 are defaults under those contracts and require compliance therewith.

4 **B. The Court Should Grant Debtor's Motion Only If Debtor Cures All Defaults**
5 **Under The Contract**

6 Bankruptcy Code Section 365 (11 U.S.C. § 365) permits Debtor to
7 assume the Contract only if it cures all defaults. 11 U.S.C. § 365(a) and (b)(1)(A)
8 and (B).¹ Debtor has the burden to prove its ability to satisfy these obligations.
9 See *Id.* See also *Superior Toy and Manuf. Co.*, 78 F. 3d 1169, 1172 (7th Cir.
10 1996).

11 Here, Debtor is in default under the Contract by: (1) not making 9a
12 Payments; (2) not making 9b Payments; and (3) not providing sufficient funds to
13 maintain the facility. Anders Decl. at ¶¶ 4 and 5. Debtor does not recognize these
14 specific defaults in its motion, but instead refers almost exclusively to an
15 "aggregate" monetary default of "approximately \$1.62 million" under all of the
16 hydroelectric power contracts that it presently seeks to assume. Debtor's MPA at
17 10:27-28. Debtor then asserts, without evidentiary support, that it has more than
18 adequate cash reserves to cure the arrears. *Id.* at 11:2. While this statement may
19 be true, Debtor has not met its evidentiary burden on this motion. PCWA seeks

20 _____
21 ¹ These subsections provide:

22 (a) Except as provided in sections 765 and 766 of this title and in subsections (b), (c), and (d) of
23 this section, the trustee, subject to the court's approval, may assume or reject any executory
24 contract or unexpired lease of the debtor.

25 (b)(1) If there has been a default in an executory contract or unexpired lease of the debtor, the
26 trustee may not assume such contract or lease unless, at the time of the assumption of such
27 contract or lease, the trustee -

28 (A) cures, or provides adequate assurance that the trustee will promptly cure, such default;

(B) compensates, or provides adequate assurance that the trustee will promptly compensate, a
party other than the debtor to such contract or lease, for any actual pecuniary loss to such party
resulting from such default; 11 U.S.C. § 365(a) and (b)(1)(A) and (B).

1 testimony or a verified statement from an authorized agent of Debtor that Debtor:
2 (1) has the ability to cure the defaults described above; and (2) will, in fact, cure all
3 such defaults immediately upon, or promptly upon, entry of any order granting this
4 motion. Debtor cannot meet its burden on this Motion without this evidence, and
5 has not provided it in Mr. Livingston's Declaration. PCWA requests that the Court
6 not grant Debtor's motion until Debtor provides this evidence.

7 **C. The Court Should Only Grant Debtor's Motion If Debtor Provides Adequate**
8 **Assurance Of Future Performance Under The Contract**

9 Bankruptcy Code Section 365(b) (11 U.S.C. § 365(b)) also provides
10 that Debtor must provide adequate assurances of future performance under the
11 Contract in order to assume it. 11 U.S.C. § 365(a) and (b)(1)(C).² Debtor has the
12 burden of providing adequate assurance of future performance under the Contract.
13 See *Id.* See also *Superior Toy, supra.*

14 Here, Debtor's motion again contains conclusory statements that it will
15 have available cash to make all future payments under the Contract, and that it
16 intends to make such payments. Debtor's MPA at 11:3-17. Again, while these
17 statements may be accurate, Mr. Livingston's Declaration does not establish these
18 necessary evidentiary facts, and says nothing about future performance of Debtor's
19 non-monetary obligations under the Contract. PCWA is entitled to this evidence.
20

21 _____
22 ² These subsections provide:

23 (a) Except as provided in sections 765 and 766 of this title and in subsections (b), (c), and (d) of
24 this section, the trustee, subject to the court's approval, may assume or reject any executory
contract or unexpired lease of the debtor.

25 (b)(1) If there has been a default in the executory contract or unexpired lease of the debtor, the
26 trustee may not assume such contract or lease unless, at the time of assumption of such contract or
lease, the trustee -

27 (C) provides adequate assurance of future performance of such contract or lease.

28 11 U.S.C. § 365(a) and (b)(1)(C).

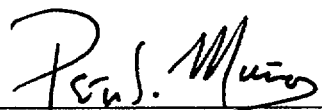
1 Debtor's other proposed form of adequate assurance is also
2 unsupported. Debtor asserts that a "court-ordered liquidation of these contracts,"
3 or an independent sale of the subject hydroelectricity would yield sufficient cash to
4 cover PCWA's damages from breach. Any breach by Debtor, however, would
5 result in delayed payments to PCWA, which, in turn, would result in defaults by
6 PCWA on its bond obligations that could have a negative long-term impact on
7 PCWA's bond rating and ability to obtain financing. This delay undercuts any claim
8 of adequate assurance of future performance by Debtor as performance, in fact,
9 would be altered to the detriment of PCWA.

10 IV CONCLUSION

11 Based on the foregoing, PCWA requests that the Court condition any
12 order approving Debtor's assumption of the Contract on Debtor specifying in
13 greater detail the contracts to be assumed, curing all defaults under the Contract
14 and establishing adequate assurances of future performance under the Contract.

15
16 DATED: May 11, 2001.

CROSBY, HEAFEY, ROACH & MAY
Professional Corporation

17
18
19 By 
20 Peter S. Muñoz
21 Attorneys for
22 Placer County Water Agency
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Peter S. Muñoz (State Bar No. 66942)
Gregg M. Ficks (State Bar No. 148093)
CROSBY, HEAFEY, ROACH & MAY
Professional Corporation
Two Embarcadero Center
San Francisco, CA 94111

Mailing Address:

P.O. Box 7936
San Francisco, CA 94120-7936

Telephone: (415) 543-8700
Facsimile: (415) 391-8269

Attorneys for Placer County Water Agency

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re

PACIFIC GAS & ELECTRIC
COMPANY, a California
corporation,

Debtor.

Federal I.D. No. 94-0742640

No. 01-30923 DM

Chapter 11

Date: May 25, 2001

Time: 1:30 p.m.

Place: 235 Pine St., 22nd Fl.,
San Francisco, CA 94111

Judge: Honorable Dennis Montali

**DECLARATION OF PATRICIA A. ANDERS IN SUPPORT OF PLACER COUNTY
WATER AGENCY'S QUALIFIED OPPOSITION TO DEBTOR'S MOTION FOR ORDER
AUTHORIZING ASSUMPTION OF EXECUTORY HYDROELECTRIC POWER
PURCHASE CONTRACTS**

1 I, Patricia A. Anders, declare:

2
3 1. I am Director of Financial Services of Placer County Water
4 Agency ("PCWA"). I make this Declaration in support of PCWA's Qualified
5 Opposition to Debtor's Motion for Order Authorizing Assumption of Executory
6 Hydroelectric Power Purchase Contracts. Unless otherwise stated, I have personal
7 knowledge of the matters set forth herein and if called as a witness I could and
8 would testify to them.
9

10 2. Based on my review of PCWA's business records kept in the
11 ordinary course of business, PCWA and Debtor executed the Middle Fork Project
12 Contract in 1963 (the "Contract") a copy of which is attached as Exhibit 4 to the
13 Declaration of Randal S. Livingston filed by Pacific Gas & Electric Company
14 ("PG&E" or "Debtor").
15

16 3. Under the Contract it is PCWA's practice to submit requests for
17 payment of operating and maintenance expenses under Section 9b of the Contract
18 more frequently than once a month. These requests are processed by PG&E and
19 paid in due course.
20

21 4. Since Debtor filed this bankruptcy case on April 6, 2001 (and
22 for some time before), Debtor has not made any payments under the Contract.
23 Debtor owes approximately \$574,712.84 (pre- and post-petition) for Operating and
24 Maintenance expenses, non-routine maintenance, and additions and betterments
25 under the Contract pursuant to Withdrawal Requests submitted by PCWA to the
26 Trustee under the Contract (i.e. "Paragraph 9b Payments").
27
28

1 5. In addition, Debtor owes semi-annual payments under Paragraph
2 9(a) of the Contract in the sum of \$2,512,500 as of May 15, 2001. Debtor has
3 asserted that it intends to pay only the sum of \$1,186,458.33 as a *pro rata* portion
4 of the semi-annual payment based on the April 6, 2001 bankruptcy petition date in
5 this case. Moreover, it has been the custom, practice, and agreement of the
6 parties to the Contract that Debtor make to these payments approximately thirty
7 (30) days before its semi-annual due date, and Debtor has failed to do so prior to
8 the May 15, 2001 due date. The semi-annual payments are used by PCWA to
9 make the semi-annual payments owed under a number of long-term revenue bonds
10 issued by PCWA. If Debtor fails to make the semi-annual payment, PCWA will be
11 in default under those bonds.

12
13 I declare under penalty of perjury under the laws of the United States
14 of America that the foregoing is true and correct. Executed this 11th of May,
15 2001, at Carlsbad, California.

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19 Patricia A. Anders
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1 Peter S. Muñoz (State Bar No. 66942)
2 Gregg M. Ficks (State Bar No. 148093)
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4 Professional Corporation
5 Two Embarcadero Center
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Mailing Address:

5 P.O. Box 7936
6 San Francisco, CA 94120-7936

7 Telephone: (415) 543-8700
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9 Attorneys for Yuba County Water Agency

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

14 In re

15 PACIFIC GAS & ELECTRIC
16 COMPANY, a California
17 corporation,

18 Debtor.

19 Federal I.D. No. 94-0742640

No. 01-30923 DM

Chapter 11

Date: May 25, 2001

Time: 1:30 p.m.

Place: 235 Pine St., 22nd Fl.,
San Francisco, CA 94111

Judge: Honorable Dennis Montali

Accompanying Documents:

- 1) Declaration of Curt Aikens In Support
of Qualified Opposition
2) Proof of Service

23 YUBA COUNTY WATER AGENCY'S QUALIFIED OPPOSITION TO DEBTOR'S
24 MOTION FOR ORDER AUTHORIZING ASSUMPTION OF EXECUTORY
25 HYDROELECTRIC POWER PURCHASE CONTRACTS

I INTRODUCTION

Yuba County Water Agency ("YCWA") hereby submits its Qualified Opposition ("Opposition") to the Motion For Order Authorizing Assumption of Executory Hydroelectric Power Purchase Contracts ("Motion to Assume") filed by Pacific Gas & Electric Company ("PG&E" or Debtor").

YCWA does not object in principle to the concept of the Motion to Assume. However, since YCWA is a public agency and since the risks to YCWA are potentially severe if Debtor should default in performance of its contractual obligations, YCWA seeks to insure that Debtor, as required by the provisions of 11 U.S.C. §365: (i) will immediately cure all existing defaults under the Yuba River Development Power Purchase Contract between Yuba County Water Agency and Pacific Gas and Electric Company ("Contract") which Debtor seeks to assume; (ii) will be financially able to perform under the Contract and can provide adequate assurance of its ability to perform under the Contract; and (iii) will, in fact, perform all of the terms of the Contract.

In addition, YCWA wants to insure that if Debtor is to assume the Contract, the assumption occurs as soon as possible to avoid an impending default on YCWA's bonds.

Finally, YCWA also requests clarification of which "ancillary agreements and amendments" Debtor seeks to assume under the Motion.

II. SUMMARY OF FACTS

A. BACKGROUND

YCWA is a public water agency providing water resources to the public in Yuba County.

In 1966, YCWA and Debtor entered into the Contract. [See Declaration of Curt Aikens In Support of YCWA's Limited Opposition ("Aikens

1 Decl.") at ¶ 2. See also Exhibit 6 to Declaration of Randall S. Livingston filed by
2 Debtor in support of the Motion.]

3 The Contract was part of a set of interrelated transactions whereby
4 YCWA would be able to construct, maintain and operate a facility ("Facility") to
5 provide residents of Yuba County with energy and water. As an integral part of the
6 transaction, YCWA issued public revenue bonds ("Bonds").

7 The Contract imposed on YCWA the burden of financing, building,
8 maintaining and operating the Facility and all related licenses, permits and contracts
9 (subject to certain limitations and conditions) and imposed on Debtor the obligation
10 of paying fixed amounts which were calculated to allow YCWA to retire the Bonds
11 and the obligation of paying all expenses of maintaining and operating the Facility
12 and all related licenses, permits and contracts.

13 The Contract provided in essence for two types of payments after the
14 Facility had been completed. First under Section 9(a) of the Contract, Debtor was
15 to make semi-annual payments in specified amounts which were calculated to
16 match the payments owed by YCWA under its Bonds (collectively the "9a
17 Payments"). The 9a Payments were determined based upon the payments on the
18 Bonds and the due dates were set to allow for payments on the Bonds. The 9a
19 Payments were not calculated or tied in any way to the receipt of electrical power
20 by Debtor from YCWA. Debtor was obligated to make the 9a Payments on the
21 dates specified even if the Facility was not in operation and no electrical power
22 were being generated. Generally, no discounts or pro-rations were permitted under
23 the Contract except prior to full completion of the Facility. Prior to full completion
24 of the Facility, the Contract provided for one method of calculating the amounts
25 owed under the Contract; after full completion, the Contract provided another
26 procedure for payment. The very first payment under Section 9a was pro-rated as
27 specified. The pro-ration allowed for the change of payment procedures to that
28 under Section 9a.

1 The second type of payments called for after completion of
2 construction was under Section 9(b) of the Contract. Debtor was to pay all
3 expenses of maintaining and operating the Facility and all related licenses, permits
4 and contracts together with other related expenses (collectively the "9b
5 Payments"). The 9b Payments were to be provided monthly upon request of
6 YCWA. (Such requests are usually referred to as "Withdrawal Requests".)

7 The course of dealing between Debtor and YCWA developed that the
8 YCWA would submit payment requests under Section 9b periodically as incurred
9 (i.e. more frequently than monthly) and payment would be processed by Debtor as
10 received.

11 In Debtor's Motion to Assume, Debtor explains to the Court that the
12 Contract provides low cost energy to Debtor; the Motion to Assume even specifies
13 a per unit price. However nothing in the Contract sets any price. The Contract
14 calls for two fixed payments on specified dates and ongoing expense payments on
15 a going-forward basis. Debtor's calculations are presumably determined by
16 estimating the energy to be provided by the Facility and computing a per unit price
17 based upon an estimate of the anticipated 9b Payments and the 9a Payments.

18 **B. DEFAULT**

19 Debtor is currently in default under the Contracts as Debtor has not
20 made certain 9b Payments requested by YCWA both before and after the date on
21 which Debtor commenced this Bankruptcy case ("Petition Date"). YCWA is owed
22 the sum of approximately \$325,606.77 in connection with such payments. Aikens
23 Decl. at ¶3. Notwithstanding the defaults, YCWA has continued to perform under
24 the Contract following the Petition Date.

25 In addition, Debtor owes YCWA \$860,000 in connection with the Lake
26 Francis Dam Facility, which was included in its 2000 and 32001 Budgets which
27 were approved by Debtor. This amount was not paid by Debtor in 2000; and prior
28

1 to the Petition Date, Debtor committed to making the payment. Debtor must again
2 commit to paying as part of any assumption of the Contracts.

3
4 **C. RISKS TO YCWA**

5 Debtor's Motion to Assume glosses over the potential risks to YCWA
6 which are potentially extremely severe.

7 First, if the 9a Payments are not made on a timely basis, YCWA would
8 be in default on its Bonds. YCWA's credit rating would be adversely affected and
9 thereafter all revenue bonds and other debt issued by YCWA would require that
10 YCWA pay a higher interest rate. Such a higher interest rate would be applicable to
11 all future revenue bonds and other debt for the life of those bonds or such debt.
12 The actual amounts which YCWA would be required to pay is difficult to calculate
13 or estimate at present; however, it is obvious that the actual amount of additional
14 interest would be quite large when calculated over the life of all such bonds/debt.
15 In the alternative, YCWA could consider making all or a portion of the bond
16 payments by liquidating other assets (if it had sufficient assets). This alternative
17 would similarly have an extremely adverse impact on the YCWA's financial
18 condition and a significant disruption in YCWA's cash flow since YCWA's budget
19 had not contemplated a bankruptcy of Debtor.

20 Second, if the 9b Payments are not made, the Facility would quickly
21 cease to operate since its operation and maintenance expenses would immediately
22 stop. YCWA would be left with a defunct operation. All public money spent to
23 date would have been in effect wasted in large part.

24 Debtor's Motion to Assume also implies that any negative impact on
25 YCWA would be minimal since it could look for any alternate buyer for its electric
26 power. While it is true that YCWA could ultimately find an alternate buyer, YCWA
27 would still suffer great harm in such a situation. There would be extensive startup
28 expenses (if the Facility were to shut down) in addition to the ordinary and

1. customary Operating Maintenance Expenses. All of these expenses YCWA would
2. have to pay with its own funds at a time when YCWA would be losing the
3. revenues which otherwise would have been paid by Debtor.

4. Therefore, YCWA would be paying (i) higher operating and
5. maintenance expenses and (ii) higher interest on its bonds, all at a time when it
6. would have no income from the Facility with which to pay such increased expenses
7. and interest.

8. In addition, YCWA has contracts with seven other water districts for
9. delivery of water, which contracts could be adversely affected if Debtor did not
10. make the required payments. Finally, YCWA has minimum instream flow
11. requirements set by Federal and State agencies, which could be jeopardized without
12. payments by Debtor. In addition any corresponding negative effect on water flow
13. could have incidental take of threatened species effect under the National Marine
14. Fishery Service

15. III QUALIFIED OPPOSITION

16. A. Debtor Should Specify in Greater Detail the Contracts To Be Assumed

17. The Motion to Assume states that Debtor is seeking to assume certain
18. specified agreements which are listed in the Motion to Assume; it also states that
19. Debtor will assume certain "ancillary agreements and amendments."

20. As mentioned above, the Contract between Debtor and YCWA are part
21. of a number of contracts which are related to some extent more or less. Debtor
22. should be required to specify the "ancillary agreements and amendments" with
23. more particularity so that the parties to said contracts can determine whether there
24. are defaults under those contracts and require compliance therewith.

25. B. The Court Should Grant Debtor's Motion Only If Debtor Cures All Defaults 26. Under The Contract

27. Bankruptcy Code Section 365 (11 U.S.C. § 365) permits Debtor to
28. assume the Contract only if it cures all defaults. 11 U.S.C. § 365(a) and (b)(1)(A)

1 and (B).¹ Debtor has the burden to prove its ability to satisfy these obligations.
2 See *Id.* See also *Superior Toy Manuf. Co.*, 78 F. 3d 1169, 1172 (7th Cir. 1996).

3 Here, Debtor is in default under the Contract by not making 9b
4 Payments of not less than \$325,606.77. Aikens Decl. at ¶ 3. Debtor also owes
5 YCWA \$860,000 in conjunction with the Lake Francis Dam project. Debtor does
6 not recognize these specific defaults in its motion, but instead refers almost
7 exclusively to an "aggregate" monetary default of "approximately \$1.62 million"
8 under all of the hydroelectric power contracts that it presently seeks to assume.
9 Debtor's MPA at 10:27-28. Debtor then asserts, without evidentiary support, that
10 it has more than adequate cash reserves to cure the arrears. *Id.* at 11:2. While
11 this statement may be true, Debtor has not met its evidentiary burden on this
12 motion. YCWA seeks testimony or a verified statement from an authorized agent
13 of Debtor that Debtor: (1) has the ability to cure the defaults described above; and
14 (2) will, in fact, cure all such defaults immediately upon, or promptly upon, entry of
15 any order granting this motion. Debtor cannot meet its burden on this Motion
16 without this evidence, and has not provided it in Mr. Livingston's Declaration.
17 YCWA requests that the Court not grant Debtor's motion until Debtor provides this
18 evidence.

19
20
21 ¹ These subsections provide:

22 (a) Except as provided in sections 765 and 766 of this title and in subsections (b), (c), and (d) of
23 this section, the trustee, subject to the court's approval, may assume or reject any executory
24 contract or unexpired lease of the debtor.

25 (b)(1) If there has been a default in an executory contract or unexpired lease of the debtor, the
26 trustee may not assume such contract or lease unless, at the time of the assumption of such
27 contract or lease, the trustee –

28 (A) cures, or provides adequate assurance that the trustee will promptly cure, such default;

(B) compensates, or provides adequate assurance that the trustee will promptly compensate, a
party other than the debtor to such contract or lease, for any actual pecuniary loss to such party
resulting from such default; 11 U.S.C. § 365(a) and (b)(1)(A) and (B).

C. The Court Should Only Grant Debtor's Motion If Debtor Provides Adequate Assurance Of Future Performance Under The Contract

Bankruptcy Code Section 365(b) (11 U.S.C. § 365(b)) also provides that Debtor must provide adequate assurances of future performance under the Contract in order to assume it. 11 U.S.C. § 365(a) and (b)(1)(C).² Debtor has the burden of providing adequate assurance of future performance under the Contract. See *Id.* See also *Superior Toy, supra*.

Here, Debtor's motion again contains conclusory statements that it will have available cash to make all future payments under the Contract, and that it intends to make such payments. Debtor's MPA at 11:3-17. Again, while these statements may be accurate, Mr. Livingston's Declaration does not establish these necessary evidentiary facts, and says nothing about future performance of Debtor's non-monetary obligations under the Contract. YCWA is entitled to this evidence.

Debtor's other proposed form of adequate assurance is also unsupported. Debtor asserts that a "court-ordered liquidation of these contracts," or an independent sale of the subject hydroelectricity would yield sufficient cash to cover YCWA's damages from breach. Any breach by Debtor, however, would result in delayed payments to YCWA, which, in turn, would result in defaults by YCWA on its bond obligations that could have a negative long-term impact on YCWA's bond rating and ability to obtain financing. This delay undercuts any claim

² These subsections provide:

(a) Except as provided in sections 765 and 766 of this title and in subsections (b), (c), and (d) of this section, the trustee, subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor.

(b)(1) If there has been a default in the executory contract or unexpired lease of the debtor, the trustee may not assume such contract or lease unless, at the time of assumption of such contract or lease, the trustee –

(C) provides adequate assurance of future performance of such contract or lease.

11 U.S.C. § 365(a) and (b)(1)(C).

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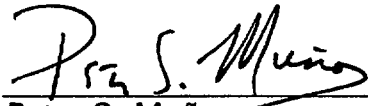
of adequate assurance of future performance by Debtor as performance, in fact,
would be altered to the detriment of YCWA.

IV CONCLUSION

Based on the foregoing, YCWA requests that the Court condition any
order approving Debtor's assumption of the Contract on Debtor specifying in
greater detail the contracts to be assumed, curing all defaults under the Contract
and establishing adequate assurances of future performance under the Contract.

DATED: May 11, 2001.

CROSBY, HEAFEY, ROACH & MAY
Professional Corporation

By 
Peter S. Muñoz
Attorneys for
Yuba County Water Agency

Peter S. Muñoz (State Bar No. 66942)
Gregg M. Ficks (State Bar No. 148093)
CROSBY, HEAFEY, ROACH & MAY
Professional Corporation
Two Embarcadero Center
San Francisco, CA 94111

Mailing Address:
P.O. Box 7936
San Francisco, CA 94120-7936

Telephone: (415) 543-8700
Facsimile: (415) 391-8269

Attorneys for Yuba County Water Agency

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re

PACIFIC GAS & ELECTRIC
COMPANY, a California
corporation,

Debtor.

Federal I.D. No. 94-0742640

No. 01-30923 DM

Chapter 11

Date: May 25, 2001
Time: 1:30 p.m.
Place: 235 Pine St., 22nd Fl.,
San Francisco, CA 94111
Judge: Honorable Dennis Montali

**DECLARATION OF CURT AIKENS IN SUPPORT OF YUBA COUNTY WATER
AGENCY'S QUALIFIED OPPOSITION TO DEBTOR'S MOTION FOR ORDER
AUTHORIZING ASSUMPTION OF EXECUTORY HYDROELECTRIC POWER
PURCHASE CONTRACTS**

1 I, Curt Aikens, declare:

2
3 1. I am General Manager of Yuba County Water Agency
4 ("YCWA"). I make this Declaration in support of YCWA's Qualified Opposition to
5 Debtor's Motion for Order Authorizing Assumption of Executory Hydroelectric
6 Power Purchase Contracts. Unless otherwise stated, I have personal knowledge of
7 the matters set forth herein and if called as a witness would testify to them.

8
9 2. Based on my review of YCWA's business records kept in the
10 ordinary course of business, YCWA and Debtor executed the Yuba River
11 Development Project Contract in 1966 (the "Contract") a copy of which is
12 attached as Exhibit 6 to the Declaration of Randal S Livingston filed by Pacific Gas
13 & Electric Company ("PG&E" or "Debtor").

14 3. Since Debtor filed this bankruptcy case on April 6, 2001 (and
15 for some time before), Debtor has not made any payments under the Contract.
16 Debtor owes the following amounts for Operating and Maintenance expenses under
17 the Contract pursuant to Withdrawal Requests submitted by YCWA to the Trustee
18 under the Contract (i.e., "Paragraph 9b Payments"):

DATE	REQUEST NUMBER	AMOUNT
March 27, 2001	1131	\$109,642.08
April 10, 2001	1132	\$120,067.16
April 24, 2001	1134-A	\$95,897.53
Total		<u>\$325,606.77</u>

23
24 4. Debtor has also failed to pay YCWA an agreed sum of
25 \$860,000 in connection with the Lake Francis Dam Facility which was included
26 in its 2000 and 2001 Budgets which were approved by Debtor. This sum
27
28

1 was to have been paid by Debtor in 2000 but was not. Prior to bankruptcy I spoke
2 with representatives of Debtor who agreed that this delinquent payment would be
3 made in 2001.
4

5 5. In addition, Debtor owes semi-annual project bond and interest
6 payments under Paragraph 9(a) of the Contract in the sum of \$3,850,000. The
7 Contract has a recited due date of July 15, 2001 for the next payment. It has been
8 the custom, practice, and agreement of the parties to the Contract, however, that
9 Debtor make this payment approximately forty-five (45) days before its semi-annual
10 due date.
11

12 I declare under penalty of perjury under the laws of the United States
13 of America that the foregoing is true and correct. Executed this 11 of May,
14 2001, at Sacramento, California.
15

16 
17 Curt Aikens
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Peter S. Muñoz (State Bar No. 66942)
Gregg M. Ficks (State Bar No. 148093)
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Professional Corporation
Two Embarcadero Center
San Francisco, CA 94111

Mailing Address:
P.O. Box 7936
San Francisco, CA 94120-7936

Telephone: (415) 543-8700
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Attorneys for Merced Irrigation District

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re

PACIFIC GAS & ELECTRIC
COMPANY, a California
corporation,

Debtor.

Federal I.D. No. 94-0742640

No. 01-30923 DM

Chapter 11

Date: May 25, 2001
Time: 1:30 p.m.
Place: 235 Pine St., 22nd Fl.,
San Francisco, CA 94111
Judge: Honorable Dennis Montali

Accompanying Documents:
1) Declaration of Ross Rogers In Support
of Qualified Opposition
2) Proof of Service

**MERCED IRRIGATION DISTRICT'S QUALIFIED OPPOSITION TO DEBTOR'S
MOTION FOR ORDER AUTHORIZING ASSUMPTION OF EXECUTORY
HYDROELECTRIC POWER PURCHASE CONTRACTS**

9454686.4

I INTRODUCTION

Merced Irrigation District ("MID") hereby submits its Qualified Opposition ("Opposition") to the Motion For Order Authorizing Assumption of Executory Hydroelectric Power Purchase Contracts ("Motion to Assume") filed by Pacific Gas & Electric Company ("PG&E" or Debtor").

MID does not object in principle to the concept of the Motion to Assume. However, since MID is a public agency and since the risks to MID are potentially severe if Debtor should default in performance of its contractual obligations, MID seeks to insure that Debtor, as required by the provisions of 11 U.S.C. §365: (i) will immediately cure all existing defaults under the Merced River Development Project Contract ("Contract") which Debtor seeks to assume; (ii) will be financially able to perform under the Contract and can provide adequate assurance of its ability to perform under the Contract; and (iii) will, in fact, perform all of the terms of the Contract.

In addition, MID wants to insure that if Debtor is to assume the Contract that the assumption occurs as soon as possible to avoid a potential default on MID's bonds.

Finally, MID also requests clarification from Debtor as to which "ancillary agreements and amendments" it seeks to assume under the Motion.

II. SUMMARY OF FACTS

A. BACKGROUND

MID is a public water agency providing, among other things, retail electric services and water resources to the public in Merced County.

In 1969, MID and Debtor entered into the Contract. [See Declaration of Ross Rogers In Support of MID's Limited Opposition ("Rogers Decl.") at ¶ 2. See also Exhibit 5 to Declaration of Randall S. Livingston filed by Debtor in support of the Motion.]

1 The Contract was part of a set of interrelated transactions whereby
2 MID would be able to construct, maintain and operate a facility ("Facility") to
3 provide residents of Merced County with energy and water. As an integral part of
4 the transaction, MID issued public revenue bonds ("Bonds").

5 The Contract imposed on MID the burden of financing, building,
6 maintaining and operating the Facility and all related licenses, permits and contracts
7 (subject to certain limitations and conditions) and imposed on Debtor the obligation
8 of paying fixed amounts which were calculated to allow MID to retire the Bonds
9 and the obligation of paying all expenses of maintaining and operating the Facility
10 and all related licenses, permits and contracts.

11 The Contract provided in essence for two types of payments after the
12 Facility had been completed. First, under Section 9(a) of the Contract, Debtor was
13 to make semi-annual payments in specified amounts which were calculated to
14 match the payments owed by MID under its Bonds (collectively the "9a
15 Payments"). The 9a Payments were determined based upon the payments on the
16 Bonds and the due dates were set to allow for payments on the Bonds. The 9a
17 Payments were not calculated or tied in any way to the receipt of electrical power
18 by Debtor from MID. Debtor was obligated to make the 9a Payments on the dates
19 specified even if the Facility was not in operation and no electrical power were
20 being generated. Generally, no discounts or pro-rations were permitted under the
21 Contract except prior to full completion of the Facility. Prior to full completion of
22 the Facility, the Contract provided for one method of calculating the amounts owed
23 under the Contract; after full completion, the Contract provided another procedure
24 for payment. The very first payment under Section 9a was pro-rated as specified.
25 The pro-ration allowed for the change of payment procedures to that under Section
26 9a.

27 The second type of payments called for after completion of
28 construction was under Section 9(b) of the Contract. Debtor was to pay all

1 expenses of maintaining and operating the Facility and all related licenses, permits
2 and contracts together with other related expenses (collectively the "9b
3 Payments"). The 9b Payments were to be provided monthly upon request of MID.
4 (Such requests are usually referred to as "Withdrawal Requests".)

5 The course of dealing between Debtor and MID developed that the
6 MID would submit payment requests under Section 9b periodically as incurred (i.e.
7 more frequently than monthly) and payment would be processed by Debtor as
8 received.

9 In Debtor's Motion to Assume, Debtor explains to the Court that the
10 Contract provides low cost energy to Debtor; the Motion to Assume even specifies
11 a per unit price. However nothing in the Contract sets any price. The Contract
12 calls for two fixed payments on specified dates and ongoing expense payments on
13 a going-forward basis. Debtor's calculations are presumably determined by
14 estimating the energy to be provided by the Facility and computing a per unit price
15 based upon an estimate of the anticipated 9b Payments and the 9a Payments.

16 **B. DEFAULT**

17 Debtor is currently in default under the Contract as follows.

18 First, Debtor has not made certain 9b Payments requested by MID
19 both before and after the date on which Debtor commenced this Bankruptcy case
20 ("Petition Date"). MID is owed the sum of approximately \$716,800.71 in
21 connection with such payments. Rogers Decl. at ¶ 3. Notwithstanding the
22 defaults, MID has continued to perform under the Contract following the Petition
23 Date.

24 Second, Debtor has advised MID that it will not pay the full amount of
25 the July 1, 2001 9a Payment, which under the practice of the parties would be
26 paid in full on May 15, 2001, but instead will pay only a pro-rated amount of
27 \$384,861.11. Debtor has calculated this pro-rated amount based on the Petition
28

1 Date. Such pro-ration was done despite the fact that the payment was not subject
2 to pro-ration since no amount was owed prior to the Petition Date.

3 **C. RISKS TO MID**

4 Debtor's Motion to Assume glosses over the potential risks to MID
5 which are potentially extremely severe.

6 First, if the 9a Payments are not made on a timely basis (and one
7 payment is already due on May 15, 2001 under the practice of the parties), MID
8 would be in default on its Bonds. MID's credit rating would be adversely affected
9 and thereafter all revenue bonds and other debt issued by MID would require that
10 MID pay a higher interest rate. Such a higher interest rate would be applicable to
11 all future revenue bonds for the life of those bonds or such debt. The actual
12 amounts which MID would be required to pay is difficult to calculate or estimate at
13 present; however, it is obvious that the actual amount of additional interest would
14 be quite large when calculated over the life of all such bonds/debt. In the
15 alternative, MID could consider making all or a portion of the bond payments by
16 liquidating other assets (if it had sufficient assets). This alternative would similarly
17 have an extremely adverse impact on the MID's financial condition and a significant
18 disruption in MID's cash flow since MID's budget had not contemplated a
19 bankruptcy of Debtor.

20 Second, if the 9b Payments are not made, the Facility would quickly
21 cease to operate since its operation and maintenance expenses would immediately
22 stop. MID would be left with a defunct operation. All public money spent to date
23 would have been in effect wasted in large part.

24 Debtor's Motion to Assume also implies that any negative impact on
25 MID would be minimal since it could look for any alternate buyer for its electric
26 power. While it is true that MID could ultimately find an alternate buyer, MID
27 would still suffer great harm in such a situation. There would be extensive startup
28 expenses (if the Facility were to shut down) in addition to the ordinary and

1 customary Operating Maintenance Expenses. All of these expenses MID would
2 have to pay with its own funds at a time when MID would be losing the revenues
3 which otherwise would have been paid by Debtor.

4 Therefore, MID would be paying (i) higher operating and maintenance
5 expenses and (ii) higher interest on its bonds, all at a time when it would have no
6 income from the Facility with which to pay such increased expenses and interest.

7 III QUALIFIED OPPOSITION

8 A. Debtor Should Specify in Greater Detail the Contracts To Be Assumed

9 The Motion to Assume states that Debtor is seeking to assume certain
10 specified agreements which are listed in the Motion to Assume; it also states that
11 Debtor will assume certain "ancillary agreements and amendments."

12 As mentioned above, the Contract between Debtor and MID are part of
13 a number of contracts which are related to some extent more or less. Debtor
14 should be required to specify the "ancillary agreements and amendments" with
15 more particularity so that the parties to said contracts can determine whether there
16 are defaults under those contracts and require compliance therewith.

17 B. The Court Should Grant Debtor's Motion Only If Debtor Cures All Defaults 18 Under The Contract

19 Bankruptcy Code Section 365 (11 U.S.C. § 365) permits Debtor to
20 assume the Contract only if it cures all defaults. 11 U.S.C. § 365(a) and (b)(1)(A)
21 and (B).¹ Debtor has the burden to prove its ability to satisfy these obligations.

22 ¹ These subsections provide:

23 (a) Except as provided in sections 765 and 766 of this title and in subsections (b), (c), and (d) of
24 this section, the trustee, subject to the court's approval, may assume or reject any executory
contract or unexpired lease of the debtor.

25 (b)(1) If there has been a default in an executory contract or unexpired lease of the debtor, the
26 trustee may not assume such contract or lease unless, at the time of the assumption of such
contract or lease, the trustee -

27 (A) cures, or provides adequate assurance that the trustee will promptly cure, such default;

28 (B) compensates, or provides adequate assurance that the trustee will promptly compensate, a

1 See *Id.* See also *Superior Toy and Manuf. Co.*, 78 F. 3d 1169, 1172 (7th Cir.
2 1996).

3 Here, Debtor is in default under the Contract by not making 9b
4 Payments in the sum of \$716,800.71 and indicating it will not make a complete 9a
5 Payment. Rogers Decl. at ¶¶ 3 and 4. Debtor does not recognize these specific
6 defaults in its motion, but instead refers almost exclusively to an "aggregate"
7 monetary default of "approximately \$1.62 million" under all of the hydroelectric
8 power contracts that it presently seeks to assume. Debtor's MPA at 10:27-28.
9 Debtor then asserts, without evidentiary support, that it has more than adequate
10 cash reserves to cure the arrears. *Id.* at 11:2. While this statement may be true,
11 Debtor has not met its evidentiary burden on this motion. MID seeks testimony or
12 a verified statement from an authorized agent of Debtor that Debtor: (1) has the
13 ability to cure the defaults described above; and (2) will, in fact, cure all such
14 defaults immediately upon, or promptly upon, entry of any order granting this
15 motion. Debtor cannot meet its burden on this Motion without this evidence, and
16 has not provided it in Mr. Livingston's Declaration. MID requests that the Court not
17 grant Debtor's motion until Debtor provides this evidence.

18 **C. The Court Should Only Grant Debtor's Motion If Debtor Provides Adequate**
19 **Assurance Of Future Performance Under The Contract**

20 Bankruptcy Code Section 365(b) (11 U.S.C. § 365(b)) also provides
21 that Debtor must provide adequate assurances of future performance under the
22 Contract in order to assume it. 11 U.S.C. § 365(a) and (b)(1)(C).² Debtor has the

23 party other than the debtor to such contract or lease, for any actual pecuniary loss to such party
24 resulting from such default; 11 U.S.C. § 365(a) and (b)(1)(A) and (B).

25 ² These subsections provide:

26 (a) Except as provided in sections 765 and 766 of this title and in subsections (b), (c), and (d) of
27 this section, the trustee, subject to the court's approval, may assume or reject any executory
28 contract or unexpired lease of the debtor.

(b)(1) If there has been a default in the executory contract or unexpired lease of the debtor, the
trustee may not assume such contract or lease unless, at the time of assumption of such contract or

1 burden of providing adequate assurance of future performance under the Contract.
2 See *Id.* See also *Superior Toy, supra.*

3 Here, Debtor's motion again contains conclusory statements that it will
4 have available cash to make all future payments under the Contract, and that it
5 intends to make such payments. Debtor's MPA at 11:3-17. Again, while these
6 statements may be accurate, Mr. Livingston's Declaration does not establish these
7 necessary evidentiary facts, and says nothing about future performance of Debtor's
8 non-monetary obligations under the Contract. MID is entitled to this evidence.

9 Debtor's other proposed form of adequate assurance is also
10 unsupported. Debtor asserts that a "court-ordered liquidation of these contracts,"
11 or an independent sale of the subject hydroelectricity would yield sufficient cash to
12 cover MID's damages from breach. Any breach by Debtor, however, would result
13 in delayed payments to MID, which, in turn, would result in defaults by MID on its
14 bond obligations that could have a negative long-term impact on MID's bond rating
15 and ability to obtain financing. This delay undercuts any claim of adequate
16 assurance of future performance by Debtor as performance, in fact, would be
17 altered to the detriment of MID.

18 IV CONCLUSION

19 Based on the foregoing, MID requests that the Court condition any
20 order approving Debtor's assumption of the Contract on Debtor specifying in
21 greater detail the contracts to be assumed, curing all defaults under the Contract,
22 and establishing adequate assurances of future performance under the Contract.
23
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25

26 lease, the trustee -

27 (C) provides adequate assurance of future performance of such contract or lease.

28 11 U.S.C. § 365(a) and (b)(1)(C).

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DATED: May 11, 2001.

CROSBY, HEAFEY, ROACH & MAY
Professional Corporation

By Peter S. Muñoz
Peter S. Muñoz
Attorneys for
Merced Irrigation District

Peter S. Muñoz (State Bar No. 66942)
Gregg M. Ficks (State Bar No. 148093)
CROSBY, HEAFEY, ROACH & MAY
Professional Corporation
Two Embarcadero Center
San Francisco, CA 94111

Mailing Address:
P.O. Box 7936
San Francisco, CA 94120-7936

Telephone: (415) 543-8700
Facsimile: (415) 391-8269

Attorneys for Merced Irrigation District

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re

PACIFIC GAS & ELECTRIC
COMPANY, a California
corporation,

Debtor.

Federal I.D. No. 94-0742640

No. 01-30923 DM

Chapter 11

Date: May 25, 2001
Time: 1:30 p.m.
Place: 235 Pine St., 22nd Fl.,
San Francisco, CA 94111
Judge: Honorable Dennis Montali

**DECLARATION OF ROSS ROGERS IN SUPPORT OF MERCED IRRIGATION
DISTRICT'S QUALIFIED OPPOSITION TO DEBTOR'S MOTION FOR ORDER
AUTHORIZING ASSUMPTION OF EXECUTORY HYDROELECTRIC POWER
PURCHASE CONTRACTS**

1 I, Ross Rogers, declare:

2
3 1. I am General Manager of Merced Irrigation District ("MID"). I
4 make this Declaration in support of MID's Qualified Opposition to Debtor's Motion
5 for Order Authorizing Assumption of Executory Hydroelectric Power Purchase
6 Contracts. Unless otherwise stated, I have personal knowledge of the matters set
7 forth herein and if called as a witness would testify to them.

8
9 2. Based on my review of MID's business records kept in the
10 ordinary course of business, MID and Debtor executed the Merced River
11 Development Project Contract in 1964 (the "Contract"), a copy of which is
12 attached as Exhibit 5 to the Declaration of Randal S. Livingston filed by Pacific Gas
13 & Electric Company ("PG&E" or "Debtor").

14
15 3. Since Debtor filed this bankruptcy case on April 6, 2001 (and
16 for some time before), Debtor has not made any payments under the Contract.
17 Debtor owes the following amounts for Operating and Maintenance expenses under
18 the Contract pursuant to Withdrawal Requests submitted by MID to the Trustee
19 under the Contract:

20

DATE	REQUEST NUMBER	AMOUNT
March 28, 2001	678	\$340,354.00
March 28, 2001	679	\$91,176.36
April 25, 2001	680	\$185,270.35
April 25, 2001	681	\$100,000.00 (Advance Withdrawal Request)
TOTAL		\$716,800.71

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1 4. In addition, Debtor owes a semi-annual payments under
2 Paragraph 9(a) of the Contract in the sum of \$813,716.00 as of the recited date of
3 July 1, 2001. The semi-annual payments are used by MID to make the semi-annual
4 payments owed under a number of long-term revenue bonds issued by PCWA.
5 Debtor has asserted that it intends to pay only a *pro rata* portion of this payments
6 based on the April 6, 2001 bankruptcy petition date in this case in the sum of
7 \$384,861.11. It has been the custom, practice, and agreement of the parties to
8 the Contract that Debtor make to these payments approximately forty-five (45)
9 days before its semi-annual due date, and Debtor has indicated it will not make the
10 full payment within that time. If Debtor fails to make the semi-annual payment,
11 MID will be in default under those bonds.

12
13 I declare under penalty of perjury under the laws of the United States
14 of America that the foregoing is true and correct. Executed this 11th of May,
15 2001, at State line, California.

16
17
18 
19 Ross Rogers

Peter S. Muñoz (State Bar No. 66942)
Gregg M. Ficks (State Bar No. 148093)
CROSBY, HEAFEY, ROACH & MAY
Professional Corporation
Two Embarcadero Center
San Francisco, CA 94111

Mailing Address:
P.O. Box 7936
San Francisco, CA 94120-7936

Telephone: (415) 543-8700
Facsimile: (415) 391-8269

Attorneys for Oakdale and
South San Joaquin Irrigation Districts

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re

PACIFIC GAS & ELECTRIC
COMPANY, a California
corporation,

Debtor.

Federal I.D. No. 94-0742640

No. 01-30923 DM

Chapter 11

Date: May 25, 2001
Time: 1:30 p.m.
Place: 235 Pine St., 22nd Fl.,
San Francisco, CA 94111
Judge: Honorable Dennis Montali

**OAKDALE AND SOUTH SAN JOAQUIN IRRIGATION DISTRICTS' QUALIFIED
OPPOSITION TO DEBTOR'S MOTION FOR ORDER AUTHORIZING ASSUMPTION
OF EXECUTORY HYDROELECTRIC POWER PURCHASE CONTRACTS**

I INTRODUCTION

Oakdale and South San Joaquin Irrigation Districts (collectively "Oakdale") hereby submits its Qualified Opposition ("Opposition") to the Motion For Order Authorizing Assumption of Executory Hydroelectric Power Purchase Contracts ("Motion to Assume") filed by Pacific Gas & Electric Company ("PG&E" or Debtor).

Oakdale does not object in principle to the concept of the Motion to Assume. However, since Oakdale is a public agency and since the risks to Oakdale are potentially severe if Debtor should default in performance of its contractual obligations, Oakdale seeks to insure that Debtor, as required by the provisions of 11 U.S.C. 365: (i) will immediately cure all existing defaults under the Tri-Dam Project Contract ("Contract") which Debtor seeks to assume; (ii) will be financially able to perform under the Contract and can provide adequate assurance of its ability to perform under the Contract; and (iii) will, in fact, perform all of the terms of the Contract.

In addition, Oakdale wants to insure that if Debtor is to assume the Contract that the assumption occurs as soon as possible to avoid an impending default on Oakdale's bonds.

Finally, Oakdale also requests clarification from Debtor as to which "ancillary agreements and amendments" it seeks to assume under the Motion.

II. SUMMARY OF FACTS

A. BACKGROUND

Oakdale is a public water agency providing water resources to the public in the Oakdale and South San Joaquin areas.

In 1952, Oakdale and Debtor entered into the Contract. [See Exhibit 1 to Declaration of Randall S. Livingston filed by Debtor in support of the Motion.]

1 The Contract was part of a set of interrelated transactions whereby
2 Oakdale would be able to construct, maintain and operate a facility ("Facility") to
3 provide residents of Oakdale and South San Joaquin areas with energy and water.
4 As an integral part of the transaction, Oakdale issued public revenue to bonds
5 ("Bonds").

6 The Contract imposed on Oakdale the burden of financing, building,
7 maintaining and operating the Facility and all related licenses, permits and contracts
8 (subject to certain limitations and conditions) and imposed on Debtor the obligation
9 of paying fixed amounts which were calculated to allow Oakdale to retire the Bonds
10 and the obligation of paying all expenses of maintaining and operating the Facility
11 and all related licenses, permits and contracts.

12 The Contract provided in essence for two types of payments after the
13 Facility had been completed. First under Section 12 of the Contract, Debtor was to
14 make semi-annual payments in specified amounts which were calculated to match
15 the payments owed by Oakdale under its Bonds (collectively the "Section 12
16 Payments"). Second, under Section 13 of the Contract, Debtor was to pay a set
17 amount subject to escalation according to an inflation index; this amount was to
18 pay for the expenses of maintaining and operating the Facility together with other
19 related expenses (collectively the "Section 13 Payments").

20 In addition it should be noted that the Section 12 Payments were
21 determined based upon the payments on the Bonds and the due dates were set to
22 allow for payments on the Bonds. The Section 12 Payments were not calculated or
23 tied in any way to the receipt of electrical power by Debtor from Oakdale. Debtor
24 was obligated to make the Section 12 Payments on the dates specified even if the
25 Facility was not in operation and no electrical power was being generated. Pro-
26 rations were allowed under the Contract only for the first payments made when
27 construction of the Facility had been completed. Prior to the full completion date,
28 Debtor under Sections 9, 10 and 11 was to make certain other payments to

1 Oakdale. The pro-ration allowed for the change of payment procedures from that
2 under Sections 9, 10 and 11 to that under Sections 12 and 13.

3 In Debtor's Motion to Assume, Debtor explains to the Court that the
4 Contract provides low cost energy to Debtor; the Motion to Assume even specifies
5 a per unit price. However nothing in the Contract sets any price. The Contract
6 calls for the Section 12 and the Section 13 payments following completion of the
7 Facility. Debtor's calculations are presumably determined by estimating the energy
8 to be provided by the Facility and computing a per unit price based upon an
9 estimate of the anticipated Section 12 Payments and the Section 13 Payments.

10 **B. RISKS TO Oakdale**

11 Debtor's Motion to Assume glosses over the potential risks to Oakdale
12 which are potentially severe. If the Contract payments are not made on a timely
13 basis, Oakdale would be required to use other budgeted funds to operate the
14 Facility or to allow the operation to cease, in which case Oakdale would be left
15 with a defunct operation.

16 Debtor's Motion to Assume also implies that any negative impact on
17 Oakdale would be minimal since it could look for any alternate buyer for its electric
18 power. While it is true that Oakdale could ultimately find an alternate buyer,
19 Oakdale would still suffer harm in such a situation. There would be extensive
20 startup expenses (if the Facility were to shut down) in addition to the ordinary and
21 customary operating maintenance expenses. All of these expenses Oakdale would
22 have to pay with its own funds at a time when Oakdale would be losing the
23 revenues which otherwise would have been paid by Debtor.

24 **III QUALIFIED OPPOSITION**

25 **A. Debtor Should Specify in Greater Detail the Contracts To Be Assumed**

26 The Motion to Assume states that Debtor is seeking to assume certain
27 specified agreements which are listed in the Motion to Assume; it also states that
28 Debtor will assume certain "ancillary agreements and amendments".

1 As mentioned above, the Contract between Debtor and Oakdale are
2 part of a number of contracts which are related to some extent more or less.
3 Debtor should be required to specify the "ancillary agreements and amendments"
4 with more particularity so that the parties to said contracts can determine whether
5 there are defaults under those contracts and require compliance therewith.

6 **B. The Court Should Grant Debtor's Motion Only If Debtor Cures All Defaults**
7 **Under The Contract**

8 Bankruptcy Code Section 365 (11 U.S.C. § 365) permits Debtor to
9 assume the Contract only if it cures all defaults. 11 U.S.C. § 365(a) and (b)(1)(A)
10 and (B).¹ Debtor has the burden to prove its ability to satisfy these obligations.
11 See *Id.* See also *Superior Toy and Manuf. Co.*, 78 F. 3d 1169, 1172 (7th Cir.
12 1996).

13 Debtor does not recognize any specific defaults in its motion, but
14 instead refers almost exclusively to an "aggregate" monetary default of
15 "approximately \$1.62 million" under all of the hydroelectric power contracts that it
16 presently seeks to assume. Debtor's MPA at 10:27-28. Debtor then asserts,
17 without evidentiary support, that it has more than adequate cash reserves to cure
18 the arrears. *Id.* at 11:2. While this statement may be true, Debtor has not met its
19 evidentiary burden on this motion. Oakdale seeks testimony or a verified statement

20 _____
21 ¹ These subsections provide:

22 (a) Except as provided in sections 765 and 766 of this title and in subsections (b), (c), and (d) of
23 this section, the trustee, subject to the court's approval, may assume or reject any executory
contract or unexpired lease of the debtor.

24 (b)(1) If there has been a default in an executory contract or unexpired lease of the debtor, the
25 trustee may not assume such contract or lease unless, at the time of the assumption of such
contract or lease, the trustee -

26 (A) cures, or provides adequate assurance that the trustee will promptly cure, such default;

27 (B) compensates, or provides adequate assurance that the trustee will promptly compensate, a
28 party other than the debtor to such contract or lease, for any actual pecuniary loss to such party
resulting from such default; 11 U.S.C. § 365(a) and (b)(1)(A) and (B).

1 from an authorized agent of Debtor that Debtor: (1) has the ability to cure any
2 defaults; and (2) will, in fact, cure all such defaults immediately upon, or promptly
3 upon, entry of any order granting this motion. Debtor cannot meet its burden on
4 this Motion without this evidence, and has not provided it in Mr. Livingston's
5 Declaration. Oakdale requests that the Court not grant Debtor's motion until
6 Debtor provides this evidence.

7 **C. The Court Should Only Grant Debtor's Motion If Debtor Provides Adequate**
8 **Assurance Of Future Performance Under The Contract**

9 Bankruptcy Code Section 365(b) (11 U.S.C. § 365(b)) also provides
10 that Debtor must provide adequate assurances of future performance under the
11 Contract in order to assume it. 11 U.S.C. § 365(a) and (b)(1)(C).² Debtor has the
12 burden of providing adequate assurance of future performance under the Contract.
13 See *Id.* See also *Superior Toy, supra.*

14 Here, Debtor's motion again contains conclusory statements that it will
15 have available cash to make all future payments under the Contract, and that it
16 intends to make such payments. Debtor's MPA at 11:3-17. Again, while these
17 statements may be accurate, Mr. Livingston's Declaration does not establish these
18 necessary evidentiary facts, and says nothing about future performance of Debtor's
19 non-monetary obligations under the Contract. Oakdale is entitled to this evidence.

20
21 _____
22 ² These subsections provide:

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24 this section, the trustee, subject to the court's approval, may assume or reject any executory
contract or unexpired lease of the debtor.

25 (b)(1) If there has been a default in the executory contract or unexpired lease of the debtor, the
26 trustee may not assume such contract or lease unless, at the time of assumption of such contract or
lease, the trustee –

27 (C) provides adequate assurance of future performance of such contract or lease.

28 11 U.S.C. § 365(a) and (b)(1)(C).

1 Debtor's other proposed form of adequate assurance is also
2 unsupported. Debtor asserts that a "court-ordered liquidation of these contracts,"
3 or an independent sale of the subject hydroelectricity would yield sufficient cash to
4 cover Oakdale's damages from breach. Any breach by Debtor, however, would
5 result in delayed payments to Oakdale, which, in turn, would result in defaults by
6 Oakdale on its bond obligations that could have a negative long-term impact on
7 Oakdale's bond rating and ability to obtain financing. This delay undercuts any
8 claim of adequate assurance of future performance by Debtor as performance, in
9 fact, would be altered to the detriment of Oakdale.


10 IV CONCLUSION

11 Based on the foregoing, Oakdale requests that the Court condition any
12 order approving Debtor's assumption of the Contract on Debtor specifying in
13 greater detail the contracts to be assumed, curing all defaults under the Contract
14 and establishing adequate assurances of future performance.

15
16 DATED: May 11, 2001.

17 CROSBY, HEAFEY, ROACH & MAY
18 Professional Corporation

19
20 By



21 Peter S. Muñoz
22 Attorneys for
23 Oakdale and South San Joaquin
24 Irrigation Districts
25
26
27
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Peter S. Muñoz (State Bar No. 66942)
Gregg M. Ficks (State Bar No. 148093)
CROSBY, HEAFEY, ROACH & MAY
Professional Corporation
Two Embarcadero Center
San Francisco, CA 94111

Mailing Address:
P.O. Box 7936
San Francisco, CA 94120-7936

Telephone: (415) 543-8700
Facsimile: (415) 391-8269

Attorneys for Oakdale and
South San Joaquin Irrigation Districts, et al.

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re

PACIFIC GAS & ELECTRIC
COMPANY, a California
corporation,

Debtor.

Federal I.D. No. 94-0742640

No. 01-30923 DM

Chapter 11

Date: May 25, 2001
Time: 1:30 p.m.
Place: 235 Pine St., 22nd Fl.,
San Francisco, CA 94111
Judge: Honorable Dennis Montali

PROOF OF SERVICE

I am a resident of the State of California, over the age of eighteen years, and not a party to the within action. I am employed in the office of a member of the bar of this court at whose direction the service was made. My business address is CROSBY, HEAFEY, ROACH & MAY Professional Corporation, Two Embarcadero Center, Suite 2000, San Francisco, CA 94111. On May 11, 2001, I caused to be served the following document(s) by the method indicated below:

OROVILLE-WYANDOTTE IRRIGATION DISTRICT'S
QUALIFIED OPPOSITION TO DEBTOR'S MOTION FOR
ORDER AUTHORIZING ASSUMPTION OF EXECUTORY
HYDROELECTRIC POWER PURCHASE CONTRACTS;

DECLARATION OF PATRICIA A. SANDS IN SUPPORT OF
OROVILLE-WYANDOTTE IRRIGATION DISTRICT'S
QUALIFIED OPPOSITION TO DEBTOR'S MOTION FOR
ORDER AUTHORIZING ASSUMPTION OF EXECUTORY
HYDROELECTRIC POWER PURCHASE CONTRACTS;

YUBA COUNTY WATER AGENCY'S QUALIFIED
OPPOSITION TO DEBTOR'S MOTION FOR ORDER
AUTHORIZING ASSUMPTION OF EXECUTORY
HYDROELECTRIC POWER PURCHASE CONTRACTS;

DECLARATION OF CURT AIKINS IN SUPPORT OF YUBA
COUNTY WATER AGENCY'S QUALIFIED OPPOSITION TO
DEBTOR'S MOTION FOR ORDER AUTHORIZING
ASSUMPTION OF EXECUTORY HYDROELECTRIC POWER
PURCHASE CONTRACTS;

NEVADA IRRIGATION DISTRICT'S QUALIFIED
OPPOSITION TO DEBTOR'S MOTION FOR ORDER
AUTHORIZING ASSUMPTION OF EXECUTORY
HYDROELECTRIC POWER PURCHASE CONTRACTS;

DECLARATION OF JAMES CHATIGNY IN SUPPORT OF
NEVADA IRRIGATION DISTRICT'S QUALIFIED
OPPOSITION TO DEBTOR'S MOTION FOR ORDER
AUTHORIZING ASSUMPTION OF EXECUTORY
HYDROELECTRIC POWER PURCHASE CONTRACTS;

MERCED IRRIGATION DISTRICT'S QUALIFIED OPPOSITION TO
DEBTOR'S MOTION FOR ORDER AUTHORIZING ASSUMPTION OF
EXECUTORY HYDROELECTRIC POWER PURCHASE CONTRACTS;

DECLARATION OF ROSS ROGERS IN SUPPORT OF MERCED
IRRIGATION DISTRICT'S QUALIFIED OPPOSITION TO DEBTOR'S
MOTION FOR ORDER AUTHORIZING ASSUMPTION OF EXECUTORY
HYDROELECTRIC POWER PURCHASE CONTRACTS;

OAKDALE AND SOUTH SAN JOAQUIN IRRIGATION DISTRICTS'
QUALIFIED OPPOSITION TO DEBTOR'S MOTION FOR ORDER
AUTHORIZING ASSUMPTION OF EXECUTORY HYDROELECTRIC
POWER PURCHASE CONTRACTS;

12252049.1

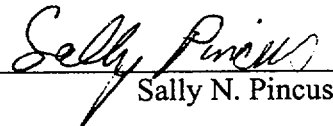
PLACER COUNTY WATER AGENCY'S QUALIFIED OPPOSITION TO
DEBTOR'S MOTION FOR ORDER AUTHORIZING ASSUMPTION OF
EXECUTORY HYDROELECTRIC POWER PURCHASE CONTRACTS;

DECLARATION OF PATRICIA A. ANDERS IN SUPPORT OF PLACER
COUNTY WATER AGENCY'S QUALIFIED OPPOSITION TO DEBTOR'S
MOTION FOR ORDER AUTHORIZING ASSUMPTION OF EXECUTORY
HYDROELECTRIC POWER PURCHASE CONTRACTS;

- ☐ by transmitting via facsimile on this date from fax number (415) 391-8269 the document(s) listed above to the fax number(s) set forth below. The transmission was completed before 5:00 p.m. and was reported complete and without error. The transmission report, which is attached to this proof of service, was properly issued by the transmitting fax machine. Service by fax was made by agreement of the parties, confirmed in writing.
- ☒ by placing the document(s) listed above in a sealed envelope with postage thereon fully prepaid, in the United States mail at San Francisco, California addressed as set forth below. I am readily familiar with the firm's practice of collection and processing of correspondence for mailing. Under that practice, it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if the postal cancellation date or postage meter date is more than one day after the date of deposit for mailing in this Declaration.
- ☐ by placing the document(s) listed above in a sealed envelope(s) and by causing personal delivery of the envelope(s) to the person(s) at the address(es) set forth below. A signed proof of service by the process server or delivery service will be filed shortly.
- ☐ by personally delivering the document(s) listed above to the person(s) at the address(es) set forth below.
- ☐ by placing the document(s) listed above in a sealed envelope(s) and consigning it to an express mail service for guaranteed delivery on the next business day following the date of consignment to the address(es) set forth below. A copy of the consignment slip is attached to this proof of service.

SEE ATTACHED SERVICE LIST

I declare under penalty of perjury under the laws of the United States that the above is true and correct. Executed on May 11, 2001, at San Francisco, California.


Sally N. Pincus

SPECIAL NOTICE LIST

As of May 11, 2001

Debtor:

PACIFIC GAS & ELECTRIC CO.
P.O. Box 7442
San Francisco, CA 94120

Attorneys for Debtor:

James L. Lopes
Howard, Rice, Nemerovski, Canday, et
al.
3 Embarcadero Center, 7th Floor
San Francisco, CA 94111-4065

Special Counsel for Debtor:

Martin S. Schenker
Law Offices of Cooley Godward
1 Maritime Plaza, 20th Floor
San Francisco, CA 94111

U.S. Trustee:

Stephen L. Johnson
Office of the U.S. Trustee
250 Montgomery Street #1000
San Francisco, CA 94104

Adam A. Lewis
Morrison & Foerster
425 Market Street, 33rd Floor
San Francisco, California 94105
[Counsel for El Paso]

Adam A. Lewis
Morrison & Foerster
425 Market Street, 33rd Floor
San Francisco, California 94105
[Counsel for Idaho Power]

Adrienne Vadell Sturges
Sodexo Marriott Services, Inc.
9801 Washingtonian Boulevard, 12th
Floor
Gaithersburg, MD 20878

Alan Z. Yudowsky
Anne E. Wells
Stroock & Stroock & Lavan LLP
2029 Century Park East, Suite 1800
Los Angeles, California 90067
[Counsel for Sempra Energy Trading
Corp]

Alex Makler
Calpine Corporation
6700 Koll Center Parkway, Suite 200
Pleasanton, California 94566

Arlen Orchard
Sacramento Municipal Utility District
6201 S. Street, Mail Stop B408
Sacramento, California 95817

Aron Mark Oliner
Buchalter, Nemer, Fields & Younger, A
Professional Corporation
333 Market Street, 29th Floor
San Francisco, California 94105
[Counsel for MBIA Insurance
Corporation]

B.C. Barmann, Sr.
County Counsel
Attn: Jerri S. Bradley, Deputy
1115 Truxtun Avenue, Fourth Floor
Bakersfield, California 93301
[Counsel for Phil Franey, Treasurer/Tax
Collector for Kern County]

Bank of America National Trust and
Savings Association
Attn: Peggie Sanders
1850 Gateway Boulevard
Concord, CA 94520

Bank of America National Trust and
Savings Association
CA5-705-12-10
Attn: Adeline Tourunian
555 California Street, 12th Floor
San Francisco, CA 94104

Bank of America
Attn: Clara Strand
555 South Flower Street
Mail Code CA9-706-11-21
Los Angeles, CA 90071

Bank of America, Admin. Agent
Attn: Katherine Kemerait
Bank of America
555 California Street, 12th Floor
San Francisco, CA 94104-1502

Bank of America, N.A.
Admin. Agent
Kathrine Kemerait
555 California Street, 12th Floor
San Francisco, CA 94104-1502

Bank One
Corporate Trust Administration
Attn: Janice Ott Rotunno
Mail Code IL1-0126
1 Bank One Plaza
Chicago, IL 60670-0126

Bank One, NA
Attn: Robert G. Bussa, Jane Bek
Energy & Utilities
Mail Code IL 1-0363
Bank One Plaza
Chicago, IL 60670

Bankers Trust Co. of California, NA
Structured Finance Group
Attn: Peter Becker
4 Albany St., 10th Floor
New York, NY 10006

Bankers Trust Co.
Trustee Corp. Trust
Safet Kalabovic
4 Albany Street, 4th Floor
New York, NY 10006

Bankers Trust Company
Corporate Trust Services
Attn: Safet Kalabovic
4 Albany Street, 4th Floor
New York, NY 10006

Banque Nationale de Paris
San Francisco Branch
Attn: Debra Wright
180 Montgomery St., 4th Floor
San Francisco, CA 94104

Ben Whitwell
Whitwell & Emhoff LLP
202 N. Canon Drive
Beverly Hills, California 90210
[Attorney for California Power
Exchange]

Bennett G. Young
LeBoeuf, Lamb, Greene & MacRae, LLP
One Embarcadero Center, Suite 400
San Francisco, California 94111
[Counsel for Enron North America Corp
and Enron Canada Corp.]

Beth Smayda, Director
MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

BMO Nesbitt Burns
Attn: John Harche
700 Louisiana, Suite 4400
Houston, TX 77002

BNY Western Trust Company
Attn: Rose Ruelos, Corp. Trust
Administration
550 Kearny St., Suite 600
San Francisco, CA 94108-2527

BNY Western Trust Company
Attn: Rose Ruelos, Corp. Trust
Administration
550 Kearny St., Suite 600
San Francisco, CA 94108-2527

BP Energy Co
Attn: Louis Anderson
501 Westlake Park Blvd
Houston, TX 77079

BP Energy Company
501 Westlake Park Boulevard
Houston, Texas 77079
Attn: Ken McClanahan

Brian L. Holman
White & Case LLP
633 West Fifth Street, 19th Floor
Los Angeles, California 90071
[Counsel for Mirant Corporation]

Bruce Bennett, Esq.
Bennett J. Murphy, Esq.
Hennigan Bennett & Dorman
601 South Figueroa St., Suite 3300
Los Angeles, CA 90017
[Counsel for Sempra and Southern
California Gas Company]

Bryan Krakauer, Esq.
Sidley & Austin
One First National Plaza
Chicago, IL 60603
(Attorney for Bank of America, Admin.
Agent)

Bryant Danner
Southern California Edison
2244 Walnut Grove Ave.
Rosemead, CA 91770

California Farm Bureau Federation
2300 River Plaza Drive
Sacramento, California 95833

California Independent System Op.
Margaret A. Rostker
P.O. Box 639014
Folsom, CA 95630-9017

California Independent System Operator
Attn: Margaret A. Rostker
151 Blue Ravine Rd.
Folsom, CA 95630

California Power Exchange
Attn: Don Deach
100 S. Fremont Ave., Bldg. A9
Alhambra, CA 91803-4737

California Power Exchange
Attn: Lynn Miller
2000 S. Los Robles Avenue
Suite 400
Pasadena, CA 91101-2482

California Power Exchange
Lynn Miller
100 S. Fremont Avenue, Bldg A9
Alhambra, CA 91803-4737

California Public Utilities Commission
Alan Kornberg, Esq.
Paul, Weiss, Rifkind, Wharton &
Garrison
1285 Avenue of the Americas
New York, NY 10019-6064
(Attorney for California Public Utilities
Commission)

California Public Utilities Commission
Attn: General Counsel
505 Van Ness Avenue
San Francisco, CA 94102

California State Board of Equalization
PO Box 942879
Sacramento, CA 94279-8063

Calpine Gilroy Cogeneration LP
Robert Brown
6700 Koll Center Pky #200
San Jose, CA 94566

Calpine Greenleaf Inc.
465 California St. #600
San Francisco, CA 94104

Calpine King City Cogen LLC
Robert Brown
6700 Kill Center Pky #200
San Jose, CA 94568

Calpine Pittsburg Power Plant
Zahir Ahmadi
50 W. San Fernando St.
San Jose, CA 95113

Carl A. Eklund
LeBoeuf, Lamb, Greene & MacRae, LLP
125 West 55th Street
New York, NY 10019
[Counsel for Enron North America Corp
and Enron Canada Corp.]

Chaim J. Fortgang, Esq.
Richard G. Mason, Esq.
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
[Counsel for Unofficial Committee of
Pacific Gas & Electric Company First
Mortgage Bondholders]

Chevron U.S.A. Production Co.
P.O. Box 840659
Dallas, TX 75284-0659

Christine C. Yokan
General Electric Capital Business Asset
Funding Corp.
10900 N.E. 4th Street, Suite 500
Bellevue, Washington 98004

Christopher Beard
Beard & Beard
306 N. Market Street
Frederick, MD 21701

Coast Energy Canada Inc.
444-7th Avenue S.W., Suite 700
Calgary, Alberta
Canada T2P 0X8
Attn: Caroline Pitre

Coast Energy Group, A Division of
Cornerstone Propane, L.P.
1600 Highway 6, Suite 400
Sugarland, TX 77478
Attn: Ruben Alonso

Cook Inlet Energy Supply
10100 Santa Monica Blvd., 25th Floor
Los Angeles, CA 90067
Attn: Hans O. Saeby

Craig H. Millet
Gibson Dunn & Crutcher LLP
Jamboree Center
4 Park Plaza, Suite 1400
Irvine, California 92614
[Counsel for Tucson Electric Power
Company]

Crocket Cogen
A California Limited Partnership
Keith Richards
135 S. LaSalle Street, #1960
Chicago, IL 60603

David A. Burns
Baker Botts LLP
One Shell Plaza
910 Louisiana
Houston, TX 77002
[Counsel for Reliant Energy, Inc.]

David A. Gill
Richard K. Diamond
Danning, Gill, Diamond & Kollitz LLP
2029 Century Park East, Third Floor
Los Angeles, California 90067
[Counsel for Interested Party,
Department of Water and Power]

David J. Hankey
Gohn, Hankey & Stichel LLP
Suite 1520, The Fidelity Building
210 North Charles Street
Baltimore, Maryland 21201
[Counsel for Corestaff Services
(California), Inc.]

David L. Ronn
Mayer, Brown & Platt
700 Louisiana, Suite 3600
Houston, Texas 77002
[Counsel for Cook Inlet Energy Supply]

David Neale
Levene, Neale, Bender, Rankin & Brill
LLP
1801 Avenue of the Stars, Suite 1120
Los Angeles, California 90067
[Counsel for California Independent
System Operator, Inc.]

David Neale
Levene, Neale, Bender, Rankin Brill
LLP
1801 Avenue of the Stars, Suite 1120
Los Angeles, California 90067
[Attorney for California Independent
System Operator]

David T. Biderman
Perkins Coie LLP
1620 26th Street, Sixth Floor
Santa Monica, CA 90404-4013
[Counsel for Bank of Montreal]

Department of Justice
U.S. Attorney's Office
450 Golden Gate Avenue
Box 36055
San Francisco, CA 94102

Deutsche Bank AG
New York Branch
Attn: E.S. Medla
31 West 52nd Street
New York, NY 10019

Deutsche Bank AG
New York Branch
Attn: John Quinn
31 West 52nd Street
New York, NY 10019

DK Acquisition Partners, L.P.
c/o M.H. Davidson & Co.
885 Third Avenue, Suite 3300
New York, NY 10022
Attn: Tony Yoseloff

Don Gaffney
Snell & Wilmer LLP
One Arizona Center
400 East Van Buren
Phoenix, AZ 85004
[Counsel for Arizona Public Service Co.]

Duane H. Nelsen
GWF Power Systems Company, Inc.
4300 Railroad Ave.
Pittsburgh, CA 94565-6006

Dulcie D. Brand
Ricky L. Shackelford
James L. Poth
Jones Day Reavis & Pogue
555 West Fifth Street, Suite 4600
Los Angeles, California 90013
[Counsel for Williams Energy Services
and Williams Energy Marketing]

Dynergy Canada Marketing & Trade
350 – 7th Avenue S.W.
Calgary, Alberta
Canada, T2P 3N9
Attn: Steve Barron

Dynergy Marketing & Trade
1100 Louisiana Street, Suite 5800
Houston, Texas 77002
Attn: Steve Barron

Edwin Berlin
Richard Wyron
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W.
Washington, DC 20007
[Counsel for California Independent
System Operator, Inc.]

El Paso Merchant Energy Gas LP
Darrel Rogers
2500 City West Blvd., Suite 1400
Houston, TX 77042

El Paso Merchant Energy, L.P.
1010 Travis Street
Houston, Texas 77002
Attn: John Harrison

Elaine M. Seid
McPharlin, Sprinkles & Thomas LLP
10 Almaden Boulevard, Suite 1460
San Jose, California 95113
[Counsel for City of Santa Clara]

Enron Canada Corporation
3500 Canterra Tower
400 3rd Ave. S.W.
Calgary, AB T2P 4H2
Canada

Evan C. Hollander
White & Case LLP
1155 Avenue of the Americas
New York, NY 10036

Evan Hollander
White & Case
1155 Avenue of the Americas
New York, NY 10036
[Counsel for BNY]

Evelyn H. Biery
Corestaff Services (California), Inc.
Fulbright & Jaworski LLP
1301 McKinney, Suite 5100
Houston, Texas 77010
[Counsel for Corestaff Services
(California), Inc.]

Fernando De Leon
Attorney at Law
California Energy Commission
1516 9th Street, MS-14
Sacramento, California 95814

Franchise Tax Board
PO Box 942857
Sacramento, CA 94257-2021

G. Larry Engel
Roberto J. Kampfner
Brobeck, Phleger & Harrison LLP
One Market
Spear Street Tower
San Francisco, California 94105
[Counsel for City of Palo Alto and its
municipality utility]

Gary P. Blitz
Piper Marbury Rudnick & Wolfe LLP
1200 19th Street, N.W.
Washington, D.C. 20036
[Counsel for Certain Underwriters at
Lloyd's and Interested Insurance
Companies]

Geysers Power Company LLC
Joe McClendon
6700 Koll Center Pky #200
Pleasanton, CA 94566

Glenn M. Reisman
Two Corporate Drive
P.O. Box 861
Shelton, CT 06484
[Counsel for GE Power Systems and GE
Supply Divisions]

Gordon P. Erspamer
Morrison & Foerster LLP
101 Ygnacio Valley Road, Suite 450
P.O. Box 8130
Walnut Creek, California 94595
[Counsel for AES New Energy, Inc.]

Grant Kolling
City of Palo Alto
P.O. Box 10250
Palo Alto, California 94303
Gregory W. Jones
El Paso Merchant Energy
1001 Louisiana, Suite 2754B
Houston, Texas 77002

GWF Power Systems LP
4300 Railroad Ave.
Pittsburg, CA 94565

Harold L. Kaplan
Jeffrey M. Schwartz
Mark F. Hebbeln
Gardner, Carton & Douglas
321 North Clark Street, 34th Floor
Chicago, IL 60610
[Counsel for Indenture Trustee for 7.90%
Deferrable Interest Subordinated
Debendures Series A]

Heather Brown
Williams Energy Marketing and Trading
Co.
One Williams Center, Suite 4100
Tulsa, OK 74172

Heinz Binder
Robert G. Harris
Binder & Malter
2775 Park Avenue
Santa Clara, California 95050
[Counsel for Corestaff Services
(California), Inc.]

Howard J. Weg
Peitzman, Glassman & Weg
1900 Avenue of the Stars, Suite 650
Los Angeles, California 90067
[Counsel for Powerex Corp.]

Hydee R. Feldstein,
Katherine A. Traxler, Kelly Aran
Paul, Hastings, Janofsky & Walker LLP
555 South Flower Street, 23rd Floor
Los Angeles, California 90071
[Counsel for Constellation Power
Source, Inc.]

ICC Energy Corporation
302 N. Market Street, Suite 500
Dallas, TX 75202-1846
Attn: Karl Butler

Internal Revenue Service
Fresno, CA 93888

Internal Revenue Service
Spec Proc / Bankruptcy
1301 Clay Street, Suite 1400
Oakland, CA 94612

J. Christopher Kennedy
Irell & Manella LLP
1800 Avenue of the Stars, 9th Floor
Los Angeles, California 90067
[Counsel for party in interest]

J. Christopher Kohn
Tracy J. Whitaker, Brendan Collins
Civil Division
Department of Justice
P.O. Box 875
Ben Franklin Station
Washington, D.C. 20044
[Counsel for United States of America]

J. Christopher Kohn
Tracy J. Whitaker
Brendan Collins
Department of Justice
1100 L Street, N.W. Room 10004
Washington, D.C. 20005
[Counsel for United States of America]

J. Matthew Derstein
Roshka Heyman & DeWulf PLC
Two Arizona Center
400 North 5th Street, Suite 1000
Phoenix, AZ 85004
[Counsel for Tucson Electric Power
Company]

James E. Till, Esq.
Perkins Coie LLP
1211 SW Fifth Ave., Suite 1500
Portland, OR 97204
[Counsel for Bank of Montreal]

James R. Thompson
Idaho Power Company
1221 W. Idaho Street
Boise, Idaho 83702

Jeffrey M. Wilson
Saybrook Capital LLC
303 Twin Dolphin Drive, Suite 600
Redwood City, California 94065
[Proposed Investment Banker to
Committee]

Jeffry A. Davis
Gray Cary Ware & Freidenrich LLP
401 B Street, Suite 1700
San Diego, California 92101
[Counsel for International Brotherhood
of Electrical Workers, Local 47 and
Local 1245]

JoAnn P. Russell
Duke Energy Trading and Marketing
LLC
10777 Westheimer, Suite 650
Houston, TX 77042

John F. Shellabarger
Carriage Homes, Inc.
Law Offices of John F. Shellabarger
928 Garden Street, Suite 3
Santa Barbara, California 93101
[Counsel for Carriage Homes, Inc.]

John G. Klaugberg
LeBoeuf, Lamb, Greene & MacRae, LLP
125 West 55th Street
New York, NY 10019
[Counsel for Enron North America Corp
and Enron Canada Corp.]

John P. Dillman
Linerbarger Heard Goggan Blair
Graham Pena & Sampson, LLP
P.O. Box 3064
Houston, TX 77253

John P. Melko
Wendy K. Laubach
Verner, Liipfert, Bernhard, McPherson
and Hand
1111 Bagby, Suite 4700
Houston, TX 77002
[Counsel for Sacramento Municipal
Utility District]

John T. Hansen
Deborah H. Beck
Nossaman, Guthner, Knox & Elliott
50 California Street, 34th Floor
San Francisco, California 94111
[Counsel for Committee of PG&E
Retirees and Survivors]

Jonathan Rosenthal
Jon P. Schotz
Jonathan Y. Thomas
Saybrook Capital LLC
401 Wilshire Boulevard, Suite 850
Santa Monica, California 90401
[Proposed Investment Banker to
Committee]

Joseph A. Eisenberg, Esq.
Jeffer, Mangels, Butler & Marmaro
2121 Avenue of the Stars, 10th Fl.
Los Angeles, CA 90067
(Attorney for California Power
Exchange)

Joseph A. Eisenberg, P.C.
Victoria S. Kaufman
Jeffer, Mangels, Butler & Marmaro LLP
2121 Avenue of the Stars, Tenth Floor
Los Angeles, CA 90067
[Counsel for California Power Exchange
Corp.]

KBC Bank
Attn: Daniel To
515 So. Figueroa St., Suite 1920
Los Angeles, CA 90071

Kenneth N. Russak
Pillsbury Winthrop LLP
725 South Figueroa Street, Suite 2800
Los Angeles, California 90017
[Counsel for Dynergy Power Marketing,
Inc.; El Segundo Power LLC; Long
Beach Generation LLC; Cabrillo Power I
LLC; Cabrillo Power II, LLC; Dynergy
Marketing & Trade LLC; West Coast
LLC]

Kevin K. Haah
Ervin, Cohen & Jessup LLP
9401 Wishire Boulevard, 9th Floor
Beverly Hills, California 90212
[Counsel for Ronald A. Katz Technology
Licensing L.P.]

Kimberly S. Winick
Mayer, Brown & Platt
350 South Grand Avenue, 25th Floor
Los Angeles, California 90071
[Counsel for Aera Energy LLC]

Kjehl T. Johansen
Legal Division
Office of City Attorney
Department of Water and Power
P.o. Box 51111, Suite 340
Los Angeles, California 90051

Larren M. Nashelsky
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104
[Counsel for El Paso Merchant Energy
L.P.]

Lillian G. Stenfeldt
Fred Hjelmset
Gray Cary Ware & Freidenrich LLP
1755 Embarcadero
Palo Alto, California 94303
[Counsel for International Brotherhood
of Electrical Workers, Local 47 and
Local 1245]

Louis Renne
City Attorney
City and County of San Francisco,
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Louise H. Renne, City Attorney
L. Joanne Sakai, Theresa Mueller
Cameron Baker
City Hall, Room 234
One Dr. Carlton B. Goodlett Place
San Francisco, California 94102
[Counsel for the City and County of San
Francisco]

M. Freddie Reiss
PricewaterhouseCoopers LLP
400 South Hope Street
Los Angeles, California 90071
[Proposed Financial Advisor to
Committee]

M.O. Sigal Jr
Simpson Thatcher & Bartlett
425 Lexington Avenue
New York, NY 10017
[Counsel for Duke Energy Trading and
Marketing]

Marc S. Cohen
Jeffrey A. Krieger
Greenberg Glusker Fields Claman
Machtinger & Kinsella
1900 Avenue of the Stars, Suite 2100
Los Angeles, California 90067
[Counsel for Official Committee of
Participants' Creditors Claims]

Mark C. Ellenberg
Cadwalader, Wickersham & Taft
1201 F Street N.W., Suite 1100
Washington, D.C. 20004
[Counsel for MBIA]

Mark Finnemore
Internal Revenue Service
Small Business/Self-Employed Division
Counsel
160 Spear Street, 9th Floor
San Francisco, California 94105
[Counsel for the United States of
America]

Marc Hirschfield
Benjamin Hoch
Dewey Ballantine LLP
1301 Avenue of the Americas
New York, New York 10019-6092

Mark P. Weitzel
Paul C. Lacourciere
Thelen, Reid & Priest LLP
101 Second Street, Suite 1800
San Francisco, California 94105
[Counsel for Burney Forest Products]

Martha E. Romero
Law Offices of Martha E. Romero
7743 South Painter Avenue, Suite A
Whittier, California 90602
[Counsel for Secured Creditors Various
California Counties in California]

Martin L. Fineman
David Wright Tremaine LLP
One Embarcadero Center, Suite 600
San Francisco, California 94111
[Counsel for Wheelabrator Shasta
Energy Co.]

MBIA Insurance Corporation
Attn: IPM-PCF
113 King Street
Armonk, NY 10504

Mellon Bank, N.A.
Attn: L. Scott Sommers
400 So. Hope Street, 5th Floor
Los Angeles, CA 90071-2806

Merle C. Meyers
Katherine D. Ray
Goldberg, Stinnett, Meyers & Davis
44 Montgomery Street, Suite 2900
San Francisco, California 94104
[Counsel for Modesto Irrigation District]

Merrill Lynch
Attn: Ahi Aharon
World Financial Ctr., North Tower
250 Vesey Street, 10th Floor
New York, NY 10281-1310

Michael A. Rosenthal
Keith D. Ross
Gibson Dunn & Crutcher LLP
2100 McKinney Avenue, Suite 1100
Dallas, TX 75201
[Counsel for NRG Energy, Inc.]

Michael E. Ross
AES New Energy, Inc.
350 South Grand Avenue, Suite 2950
Los Angeles, California 90017

Michael F. O'Friel
Wheelabrator Technologies, Inc.
4 Liberty Lane West
Hampton, NH 03842

Michael Friedman
Richard Spears Kibbe & Orbe
One Chase Manhattan Plaza
New York, NY 10005
[Counsel for DK Acquisition Partners]

Michael Hamilton
PricewaterhouseCoopers LLP
1301 Avenue of the Americas
New York, NY 10019
[Proposed Financial Advisor to
Committee]

Michael L. Tuchin
David M. Stern
Klee, Tuchin, Bogdanoff & Stern LLP
1880 Century Park East, Suite 200
Los Angeles, California 90067
[Counsel for Caithness Energy, LLC and
FPL Energy Inc.]

Michael Morris
Hennigan, Bennet & Dorman
601 South Figueroa Street, Suite 3300
Los Angeles, California 90017
[Counsel for Southern California Gas
Company]

Mike R. Jaske
California Energy Commission
1516 Ninth Street, MS-22
Sacramento, California 95814

Mitchell I. Sonkin
Cadwalader, Wickersham & Taft
100 Maiden Lane
New York, NY 10038
[Counsel for MBIA]

Morgan Guaranty Trust Company of
New York
Attn: Carl J. Mehldau
60 Wall Street
New York, NY 10260

Mr. David Boergers, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E., Room 1-A
Washington, DC 20246

Nanette D. Sanders
Sarah E. Petty
Snell & Wilmer LLP
1920 Main Street, Suite 1200
Irvine, California 92614
[Counsel for Arizona Public Service Co.]

Office of the U.S. Trustee
Attn: Stephen Johnson
250 Montgomery Street, Suite 1000
San Francisco, CA 94104-3401

Pancanadian Energy Services Inc.
1200 Smith Street, Suite 900
Houston, TX 77002
Attn: Brian Redd

Patricia S. Mar
Morrison & Foerster LLP
425 Market Street, 33rd Floor
San Francisco, CA 94105-2482
E-mail: pmar@mofo.com
[Counsel for AES New Energy, Inc.]

Patricia S. Mar, Esq.
Morrison & Foerster LLP
425 Market Street, 33rd Floor
San Francisco, CA 94105-2482
[Counsel for Avista Energy, Inc. and
GWF Power Systems Company, Inc.]

Peter J. Benvenuti
Heller Ehrman White & McAuliffe LLP
333 Bush Street
San Francisco, California 94104

Philip Warden
Pillsbury, Winthrop LLP
50 Fremont Street
San Francisco, California 94105
[Counsel for Southern California Gas
Company]

Phillip S. Warden
Pillsbury Winthrop LLP
50 Fremont Street
San Francisco, California 94105
[Counsel for Dynergy Power Marketing,
Inc.; El Segundo Power LLC; Long
Beach Generation LLC; Cabrillo Power I
LLC; Cabrillo Power II, LLC; Dynergy
Marketing & Trade LLC; West Coast
LLC]

Pillsbury Winthrop LLP
725 S. Figueroa Street, Suite 2800
Los Angeles, CA 90017-5406
Attn: Kenneth N. Russak, Esq.
[Counsel to Parties in Interest: Dynergy
Power Marketing, Inc., El Segundo
Power LLC, Long Beach Generation
LLC, Cabrillo Power I LLC, Cabrillo
Power II, LLC, Dynergy Marketing &
Trade LLC and West Coast Power, LLC]

R. Dale Ginter
Downey, Brand, Seymour & Rohwer
LLP
555 Capitol Mall, 10th Floor
Sacramento, California 95814
[Counsel for Merced Irrigation District,
Occidental of Elk Hills, Diamond
Walnut Growers, and Hertz Corporation]

Rabobank International
Attn: Gladys Montes
Four Embarcadero Center
Suite 3200
San Francisco, CA 94111

Rabobank Nederland
New York Branch
Attn: International Trade Services
245 Park Avenue
New York, NY 10167-0062

Randy E. Michelson
McCutchen, Doyle, Brown & Enersen,
LLP
Three Embarcadero Center
San Francisco, California 94111
[Counsel for Reliant Energy, Inc.]

Region IV
U.S. Nuclear Regulatory Commission
Ellis W. Mershoff
Regional Administrator
611 Ryan Plaza Drive, suite 400
Arlington, TX 76011-8064

Richard A. Lapping
Louis J. Cisz, III
Thelen Reid & Priest LLP
101 Second Street, Suite 1800
San Francisco, CA 94105-3601
[Counsel for Creditor, Calpine
Corporation and its Affiliated Entities]

Richard Blackstone Webber II
Richard Blackstone Webber II, P.A.
2507 Edgewater Drive
2507 Edgewater Drive
Orlando, FL 32804
[Counsel for Blue Cross and Blue Shield
of Florida, Inc.]

Richard C. Josephson
Stoel Rives LLP
900 SW Fifth Avenue, Suite 2600
Portland, OR 97204
[Counsel for PacifiCorp and Crockett
Cogen.]

Richard Hopp
14416 Victory Boulevard, Suite 108
Van Nuys, California 91401
[Richard Hopp in Propria Persona]

Richard Purcell
Conectiv
252 Chapman Road
Christiana Building
Newark, Delaware 19714

Richard Stevens
Avista Corp.
P.O. Box 3727
Spokane, WA 99220

Richard W. Esterkin
Morgan, Lewis & Bockius LLP
300 South Grand Avenue
Los Angeles, California 90071
[Counsel for Fuji Bank, Limited]

Richard Wyron
Swidler Berlin Shereff Friedman LLP
3000 K Street, NW, Suite 300.
Washington, DC 20007
[Attorney for California Independent
System Operator]

Robert A. Greenfield, Esq.
Stutman, Treister & Glatt
3699 Wilshire Blvd., #900
Los Angeles, CA 90010-2766

Robert Darby
Corestaff Services (California), Inc.
Fulbright & Jaworski LLP
865 South Figueroa, 29th Floor
Los Angeles, California 90017
[Counsel for Corestaff Services
(California), Inc.]

Robert E. Izmirian
Aaron M. Oliner
Buchalter, Nemer, Fields & Younger
333 Market Street
San Francisco, California 94105
[Counsel for MBIA]

Robert Jay Moore
Paul S. Aronzon
Milbank, Tweed, Hadley & McCloy LLP
601 South Figueroa Street
Los Angeles, California 90017
[Counsel for Official Committee of
Unsecured Creditors]

Robert Jay Moore
Paul S. Aronzon
Milbank, Tweed, Hadley & McCloy LLP
601 South Figueroa Street
Los Angeles, California 90017
[Counsel for Official Committee of
Unsecured Creditors]

Robert M. Blum
Thelen Reid & Priest LLP
101 Second Street, Suite 1800
San Francisco, California 94105
[Counsel for Davey Tree Surgery
Company]

Robert S. Mueller
United States Attorney
Jocelyn Burton
Assistant United States Attorney
Douglas K. Chang
450 Golden Gate Avenue, 10th Floor
San Francisco, California 94102
[Counsel for United States of America]

Robert S. Mueller, III
United States Attorney
Jay R. Weill
Assistant United States Attorney
Thomas MacKinson
160 Spear Street, Ninth Floor
San Francisco, California 94105
[Counsel for the United States of
America]

Roi Chandy
Teachers Insurance and Annuity Assoc.
of America
730 Third Avenue
New York, NY 10017

Roland Pfeifer
Office of the City Attorney
1500 Warburton Avenue
Santa Clara, California 95050

Rosanne Thomas Matzat
Hahn & Hessen LLP
350 Fifth Avenue, Suite 3700
New York, NY 10118
[Counsel for Metropolitan Life Insurance
Co.]

Scott O. Smith
Buchalter, Nemer, Fields & Younger
601 South Figueroa Street, Suite 2400
Los Angeles, California 90017
[Counsel for Quanta Services, Inc.]

Secretary of Treasury
15th & Pennsylvania Avenue
Washington, D.C. 20549

Securities Exchange Commission
Attn: Sandra W. Lavigna
5670 Wilshire Blvd., 11th Fl.
Los Angeles, CA 90036

Sempra Energy Trading Corp.
Tony Ferrajina
58 Commerce Drive
Stamford, CT 06902

Seth A. Ribner
Simpson Thatcher & Bartlett
10 Universal City Plaza, Suite 1850
Universal City, California 91608
[Counsel for Duke Energy Trading and
Marketing]

Sharyn B. Zuch
Wiggin & Dana
One CityPlace, 34th Floor
185 Asylum Street
Hartford, CT 06103
[Counsel for American Payment
Systems]

Sierra Pacific Industries
File #51950
San Francisco, California 94160

Southern California Gas Company
555 W. Fifth St.,
GT24E1
Los Angeles, CA 90013-1000
Attn: Jim Nakata

State of California EDD
PO Box 826880
Sacramento, CA 94280

State of California
Dept. of Water Resources
c/o Chief – Energy Division
Attn: Dan Herdocia
1416 9th Street, Room 1640
Sacramento, CA 95814

State of California
Office of the Attorney General
455 Golden Gate Avenue
Suite 11000
San Francisco, CA 94102-3664

State of California
Office of the Attorney General
PO Box 94255
Sacramento, CA 94244-2550

Stephanie Nolan Deviney
Brown & Connery LLP
360 Haddon Avenue
P.O. Box 539
Westmont, NJ 08108
[Counsel for SAP America, Inc.]

Steve G. F. Polard
Perkins Coie LLP
1620-26th Street, Sixth Floor
Santa Monica, California 90404
[Counsel for Creditor Puget Sound
Energy, Inc.]

Steve J. Reisman
Curtis, Mallet-Prevost, Colt & Mosle
LLP
101 Park Avenue
New York, NY 10178

Steven H. Felderstein, Esq.
Felderstein, Willoughby & Pascuzzi
400 Capital Mall, Suite 1450
Sacramento, CA 95814-4434
(Attorney for State of California)

Texaco Canada Petroleum Inc.
2035 400 3rd Avenue, S.W.
Calgary, Alberta
Canada T2P 4H2
Attn: Bill Collier

Texaco Natural Gas Inc.
1111 Bagby Street
Houston, Texas 77002
Attn: Bill Collier

The Bank of New York
Attn: Michael Pitflick, Corp. Trust
Administration
101 Barclay Street – 21W
New York, NY 10286

The Bank of New York
Michael Pitflick, Corporate Trust Ad
101 Barclay Street-21W
New York, NY 10286

The Fuji Bank, Limited
Attn: Jonathan Bigelow
333 So. Hope Street, 39th Floor
Los Angeles, CA 90071

The Sumitomo Bank Ltd.
Attn: Al Galluzzo
777 S. Figueroa St., Suite 2600
Los Angeles, CA 90017-3138

The Toronto Dominion Bank
Attn: F.B. Hawley
909 Fannin, Suite 1700
Houston, TX 77010

Thomas B. Walper, Esq.
Munger, Tolles & Olson LLP
355 South Grand Ave., Suite 3500
Los Angeles, CA 90071-1560
[Counsel for Southern California Edison]

Thomas C. Walsh
BTM Capital Corporation
125 Summer Street
Boston, MA 02110

Thomas E. Lumsden
PricewaterhouseCoopers LLP
199 Fremont Street
San Francisco, California 94105
[Proposed Financial Advisor to
Committee]

Thomas MacKinson
Internal Revenue Service
Small Business/Self-Employed Division
1301 Clay Street, Room 1400-S
Oakland, California 94105
[Counsel for the United States of
America]

Timothy F. Hodgdon
Teachers Insurance and Annuity Assoc.
of America
730 Third Avenue
New York, NY 10017

TJ Vigliotta
Lazard Frères & Co. LLC
30 Rockefeller Plaza, 60th Floor
New York, NY 10020

TXU Energy Trading Canada Limited
1717 Main Street
Dallas, Texas 75201
Attn: Jeff Shorter

TXU Energy Trading Company
1717 Main Street
Dallas, Texas 75201
Attn: Jim Macredie

U.S. Bank
Corporate Trust Services
Attn: LaDonna Morrison
180 East Fifth St., 3rd Floor
St. Paul, MN 55170

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, DC 20555-0001

U.S. Trust Company, National
Association
One Embarcadero Center, Suite 2050
San Francisco, CA 94111-3709
Attn: Josephine Libunao

Union Bank of Switzerland
New York Branch
Attn: Paul Morrison
299 Park Avenue
New York, NY 10171

US Bank, Corporate Trust Services
Ladonna Morrison
P.O. Box 64111
St. Paul, MN 55164-0111

Victoria Lang
AT&T Corp.
795 Folsom Street, 2nd Floor
San Francisco, California 94107
[Counsel for AT&T Corp]

Wheelabrator Shasta Energy Co. Inc.
20811 Industry Rd.
Anderson, CA 96007

White & Case, LLP
Attn: Neil Millard
633 West Fifth St., Suite 1900
Los Angeles, CA 90071-2007
(Attorney for BNY Western Trust
Company)

White & Case, LLP
Attn: Neil Millard/C. Randolph
Fishburn
633 West Fifth St., Suite 1900
Los Angeles, CA 90071-2007
(Attorney for Bank of New York)

William Bates III
McCutchen, Doyle, Brown & Enersen,
LLP
3150 Porter Drive
Palo Alto, California 94304
[Counsel for Reliant Energy, Inc.]

William H. Kiekhofer III
Yale K. Kim
Steven E. Rich
Kelley Drye & Warren LLP
777 South Figueroa Street, Suite 2700
Los Angeles, CA 90017
[Counsel for BP Energy Company, BP
AMOCO]

William J. Flynn
Neyhart, Anderson, Freitas, Flynn &
Grosboll
600 Harrison Street, Suite 535
San Francisco, California 94107
[Counsel for IBEW Local #1245]

William M. Rossi-Hawkins
Phillips, Lytle, Hitchcock, Blaine &
Huber
437 Madison Avenue, 34th Floor
New York, NY 10022
[Counsel for HSBC Bank USA]

William P. Weintraub
Pachulski Stang Ziehl Young & Jones
Three Embarcadero Center, Suite 1020
San Francisco, California 94111
[Counsel for PG&E Corp.]

Williams Energy Marketing & Trading
Co.
One Williams Center, 19th Floor
Department 558
P.O. Box 2848
Tulsa, Oklahoma 74172
Attn: Kelly Knowlton

Williams Energy Marketing & Trading
Co. (Canada)
One Williams Center, 19th Floor
Department 558
P.O. Box 2848
Tulsa, Oklahoma 74101
Attn: Kelly Knowlton

Zack Starbird
Mirant Corporation
1155 Perimeter Center West
Atlanta, GA 30338

Thomas C. Walsh
BTM Capital Corporation
125 Summer Street
Boston, MA 02110

Daren R. Brinkman
Brinkman & Associates
800 Wilshire Boulevard, Suite 950
Los Angeles, California 90017
[Counsel for TransAlta Energy]

Steven M. Abramowitz
Vinson & Elkins LLP
666 Fifth Avenue, 26th Floor
New York, NY 10103
[Counsel for TransAlta Energy]

Sertling Koch
TransAlta Energy Marketing (U.S.) Inc.
Box 1900 Station "M"
110-12th Avenue, SW
Calgary, Alberta T2P 2MI

Jennifer A. Merlo
Bradley E. Pearce
Moore & Van Allen, PLLC
Bank of America Corporation Center
100 North Tryon Street, Floor 47
Charlotte, North Carolina 28202

Aaron M. Oliner
Buchalter, Nemer, Fields & Younger
333 Market Street
San Francisco, California 94105
[Counsel for CSAA]

Wendy L. Hagenau
Powell, Goldstein, Frazer & Murphy
16th Floor
191 Peachtree Street, N.E.
Atlanta, GA 30303
[Counsel for Intecom Inc.]

George O'Brien
Vice President and Treasurer
Intecom, Inc.
5057 Keller Springs Road
Addison, Texas 75001

Julia Hill, County Counsel
County of Santa Cruz
Office of the Treasurer – Tax Collector
701 Ocean Street, Room 505
Santa Cruz, California 95060
[Counsel for County of Santa Cruz]

Douglas P. Bartner
Andrew Tenzer
Shearman & Sterling
599 Lexington Avenue
New York, NY 10022
[Counsel for Citibank, N.A.]

Amy Hallman Rice
Dorsey & Whitney LLP
Pillsbury Center South
220 South Sixth Street
Minneapolis, Minnesota 5540-1498
[Counsel for U.S. Bank Trust National
Association]

Carla Batchler
Trust Department
Bank of Cherry Creek
3033 East 1st Avenue
Denver, Colorado 80206

Chritine C. Yokan
General Electric Capital Business Asset
Funding Corporation
10900 N.E. 4th Street, Suite 500
Bellevue, Washington 98004

Richard Purcell
CONECTIV
252 Chapman Road
Newark, Delaware 19702

Neil J. Rubenstein
Holly R. Shilliday
Arter & Hadden LLP
Two Embarcadero Center, 5th Floor
San Francisco, California 94111
[Counsel for Association of Bay Area
Governments and ALCAN Alum. Corp.]

Marc Barreca
John R. Knall, Jr.
Preston Gates & Ellis LLP
701 Fifth Avenue, Suite 5000
Seattle, WA 98104
[Counsel for PPL Montana, LLC]

Janine D. Bloch
Preston Gates & Ellis LLP
One Maritime Plaza, Suite 2400
San Francisco, California 94111
[Counsel for PPL Montana, LLC]

Lawrence M. Jacobson
Baker and Jacobson
11377 West Olympic Boulevard, Suite
500
Los Angeles, California 90064
[Counsel for Tishman Construction
Corp. of California]

Samuel Jackson, City Attorney
Office of the City Attorney, City of
Sacramento
Robert D. Tokunaga, Deputy City
Attorney
980 Ninth Street, Tenth Floor
Sacramento, California 95814
[Counsel for City of Sacramento]

Robert D. Albergotti
Stacey Jernigan
Scott W. Everett
Haynes and Boone LLP
901 Main Street, Suite 3100
Dallas, Texas 75202

Paul M. Bartkiewicz
Joshua M. Horowitz
Bartkiewicz, Kronick & Shanahan
1011 Twenty Second Street
Sacramento, California 95816
[Counsel for Browns Valley Irrigation
District and Yolo County Flood Control
and Water Conservation District]
Martin G. Bunin
Craig E. Freeman
Thelen, Reid & Priest LLP
40 W. 57th Street, 26th Floor
New York, NY 10019
[Counsel for Calpine Corporation]

Juan C. Basombrio
Kent J. Schmidt
Dorsey & Whitney LLP
650 Town Center Drive, Suite 1850
Costa Mesa, California 92626
[Counsel for US Bank Trust National
Association]

Estela O. Pino
Cynthia E. Chisum
Pino & Associates
1260 Fulton Avenue
Sacramento, California 95825
[Counsel for Elliot Jones, Jr.]

Dale W. Mahon
9951 Grant Line Road
Elk Grove, California 95624
[Counsel for Mutual Hydro]

Martin A. Martino
Castle Companies
12885 Alcosta Boulevard, Suite A
San Ramon, California 94583

Peter J. Gurfein
Jeffrey C. Krause
Gregory K. Jones
Akin, Gump, Strauss, Hauer & Feld
2029 Century Park East, Suite 2600
Los Angeles, California 90067

Michael B. Lubic
McCutchen Doyle Brown & Enersen
LLP
355 South Grand Avenue, Suite 4400
Los Angeles, California 90071
[Counsel for Reliant Energy, Inc.]

Ellen K. Wolf
Michael S. Abrams
Gilchrist & Rutter
Wilshire Palisades Building
1299 Ocean Avenue, Suite 900
Santa Monica, California 90401
[Counsel for IBM Corporation]

Stanley E. Pond
Winchell & Pond
1700 South El Camino Real, Suite 506
San Mateo, California 94402
[Counsel for General Capital
Corporation]

Cahal B. Carmody
Bank of Montreal
4400 Nations Bank Building
700 Louisiana Street
Houston, TX 77002

Lynne Richardson
Air Products and Chemicals Inc.
Business Services A6328
7201 Hamilton Boulevard
Allentown, PA 18195

Karen Keating Jahr, County Counsel
Michael A. Ralston, Assistant County
Counsel
1815 Yuba Street, Suite 3
Redding, California 96001

Lori J. Scott
Shasta County Treasurer – Tax Collector
P.O. Box 991830
Redding, California 96099

Bill Wong
AMROC Investments, LLC
535 Madison Avenue, 15th Floor
New York, NY 10022

Stephen Shane Stark, County Counsel
Enrique R. Sanchez, Sr.
County of Santa Barbara
105 E. Anapamu Street, Suite 201
Santa Barbara, California 93101
[Counsel for Santa Barbara County and
Santa Barbara County Treasurer – Tax
Collector]

Nancy Newman
Steinhart & Falconer LLP
333 Market Street, 32nd Floor
San Francisco, California 94105
[Counsel for Regency Centers, L.P.]

James S. Monroe
Lillick & Charles LLP
Two Embarcadero Center, Suite 2700
San Francisco, California 94111
[Counsel for SPL WorkdGroup, Inc.]

Daniel M. Pelliccioni
Julia W. Brand
Katten Muchin Zavis
1999 Avenue of the Stars, Suite 1400
Los Angeles, California 90067
[Proposed Counsel for Official
Committee of Unsecured Creditors]

John Robert Weiss
Katten Muchin Zavis
525 West Monroe Street, Suite 1600
Chicago, IL 60661
[Proposed Counsel for Official
Committee of Unsecured Creditors]

Marimargaret Webdell
Sacramento County Department of
Finance
700 H Street, Room 1710
Sacramento, California 95814
[Creditor County of Sacramento]

M. David Minnick
Pillsbury Winthrop LLP
50 Fremont Street
San Francisco, California 94105
[Counsel for ThermoEcotek
Corporation]

Arnold Wallenstein
ThermoEcotek Corporation
245 Winter Street, Suite 300
Waltham, MA 02154

Martin Marz
BP Amoco
P.O. Box 3092
Houston, Texas 77079

Peter S. Clark II
Derek J. Baker
Reed Smith, LLP
2500 Liberty Place
1650 Market Street
Philadelphia, PA 19103-7301

Kelly Greene McConnell
Givens Pursley LLP
277 North 6th Street, Suite 200
Boise, ID 83702
[Counsel for Windpower Partners, 1987,
1988, Altamond Winds, Inc. Windworks,
Inc.]

Rock S. Koebbe
5356 North Cattail Way
Boise, ID 83703

Mary B. Holland
Financial Consultant
Salomon Smith Barney
1111 Superior Ave. Suite 1800
Cleveland, Ohio 44114-2507
[Trustee for the account of St.
Edward's High School]

Roger L. Efremsky
Austin P. Nagel
Law Offices of Efremsky & Nagel
5776 Stoneridge Mall Road, Suite 360
Pleasanton, California 94588
[Counsel for Toyota Motor Credit Corp.]

Neil W. Rust
White & Case LLP
633 West Fifth Street, Suite 1900
Los Angeles, California 90071
[Counsel for Deutch Bank AG, New
York Branch]

Daniel P. Ginsberg
Howard S. Beltzer
White & Case LLP
1155 Avenue of the Americas
New York, NY 10036
[Counsel for Deutch Bank AG, New
York Branch]

Mark Gorton
Mary E. Olden
Todd M. Bailey
McDonough, Holland & Allen
555 Capitol Mall, Ninth Floor
Sacramento, California 95814
[Counsel for Northern California Power
Agency]

Stan T. Yamamoto
Eileen M. Teichert
City of Riverside
City Attorney's Office
City Hall, 3900 Main Street
Riverside, California 92522
[Counsel for City of Riverside]

Howard Susman
Duckor Spralding & Metzger
401 West A Street, Suite 2400
San Diego, California 92101
[Counsel for Altamont – Midway, Ltd.]

John Chu
Corporate Counsel Law Group LLP
417 Montgomery Street, 10th Floor
San Francisco, California 94104
[Counsel for Bay Area Rapid Transit
District]

Peter R. Boutin
Keesal, Young & Logan
Four Embarcadero Center, Suite 1500
San Francisco, California 94111
[Counsel for Texaco Natural Gas, Inc,
Texaco Canada Pet., Texaco Exploration
& Prod., Texaco Midway-Sunset Cogen.,
Texaco Yoakum Energy Co., Texaco
San Ardo Energy, Texaco Coal. Energy
Co.]

Ralph B. Levy
James A. Pardo, Jr.
Brian C. Walsh
Jeffrey E. Bjork
King & Spalding
191 Peachtree Street
Atlanta, GA 30303
[Counsel for Texaco Natural Gas, Inc,
Texaco Canada Pet., Texaco Exploration
& Prod., Texaco Midway-Sunset Cogen.,
Texaco Yoakum Energy Co., Texaco
San Ardo Energy, Texaco Coal. Energy
Co.]

Tony O. Hemming
Texaco Legal Department
1111 Bagby Street
Houston, TX 77002

Mairi V. Luce
Duane Morris & Heckscher LLP
4200 One Liberty Place
Philadelphia PA 19103
[Counsel for Santa Clara Valley Water
District]

Paul J. Pantano, Jr.
McDermott, Will & Emery
600 13th Street, N.W.
Washington, D.C. 20005
[Counsel for Morgan Stanley Capital
Group Inc.]

Thomas M. Berliner
Duane Morris & Heckscher LLP
100 Spear Street, Suite 1500
San Francisco, California 94105
[Counsel for Santa Clara Valley Water
District]

Madison S. Spach, Jr.
Spach & Associates, P.C.
4675 MacArthur Court, Suite 550
Newport Beach, California 92660
[Counsel for William Lyon Homes, Inc.]

Michael Rochman
School Project for Utility Rate Reduction
1430 Willow Pass Road, Suite 240
Concord, California 94520

Sheryl Gussett
Reliant Energy, Inc.
1111 Louisiana, 43rd Floor
Houston, TX 77002
[Counsel for Reliant Energy, Inc.]

David Gould
McDermott, Will & Emery
2049 Century Park East, 34th Floor
Los Angeles, California 90067
[Counsel for Morgan Stanley Capital
Group Inc.]