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Electric Company**

**Gregory M. Rueger**  
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November 30, 2001

PG&E Letter DCL-01-119

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

Docket No. 50-275, OL-DPR-80  
Docket No. 50-323, OL-DPR-82  
Diablo Canyon Power Plant, Units 1 and 2  
Application for License Transfers and Conforming Administrative License  
Amendments

Dear Commissioners and Staff:

Pursuant to Section 184 of the Atomic Energy Act and 10 CFR 50.80, Pacific Gas and Electric Company (PG&E) herein requests Nuclear Regulatory Commission (NRC) consent to the transfer of the NRC operating licenses for the Diablo Canyon Power Plant, Units 1 and 2 (DCPP). PG&E is requesting these transfers in connection with a comprehensive Plan of Reorganization (Plan) for PG&E filed under Chapter 11 of the United States Bankruptcy Code.

On April 6, 2001, PG&E filed a Chapter 11 petition for relief. PG&E's goal was to halt the deterioration of its financial position, restore the company to financial health, and continue supplying electricity and gas in the normal course of business. On September 20, 2001, PG&E filed with the Bankruptcy Court the comprehensive Plan and Disclosure Statement. Under the Plan, operating authority for DCPP will be transferred to a new generating company named Electric Generation LLC (Gen) and ownership of the two-unit generating asset will be assigned to a wholly-owned subsidiary of Gen named Diablo Canyon LLC (Nuclear).

PG&E also requests, pursuant to 10 CFR 50.90, conforming amendments to the two facility operating licenses. Gen would become the licensee authorized to possess, use, and operate the units and Nuclear would be licensed only to possess (own) the plant. The enclosed application includes mark-ups of the facility operating licenses to reflect the conforming license amendments associated with the proposed transfers.

As discussed in this application, the Plan involves a complete restructuring of PG&E's businesses and operations. Through the proposed restructuring, PG&E anticipates that value realized will provide necessary cash and increased debt capacity to enable it to repay creditors, restructure existing debt, and emerge from the Chapter 11 bankruptcy case. PG&E anticipates that the restructuring will create new businesses, including Gen, that will be financially sound going forward.

1/7  
6 Copies  
forwarded  
to PM: G. Shukla

AFB



Pursuant to the Plan, PG&E will disaggregate and restructure its current businesses and divide its operations and assets among four separate operating companies. PG&E will contribute certain assets to each of the entities. The majority of the assets and liabilities associated with the current electric transmission business of PG&E will be contributed to ETrans LLC (ETrans); the majority of PG&E's gas transmission assets and liabilities will be contributed to GTrans LLC (GTrans); and the majority of the assets and liabilities associated with the current generation business of PG&E, including DCP, will be contributed to Gen or its subsidiaries. In addition, PG&E has created a separate corporation called Newco Energy Corporation (Newco) to hold the membership interests of each of ETrans, GTrans and Gen. PG&E is the sole shareholder of Newco. After the assets and liabilities are transferred to the newly-formed entities, PG&E will declare and pay a dividend of the outstanding common stock of Newco to PG&E Corporation (PG&E's parent corporation), and each of ETrans, GTrans and Gen will thereafter be an indirect wholly-owned subsidiary of PG&E Corporation, which will change its name.

PG&E has also created subsidiaries of Gen to hold specific assets and project-specific liabilities. For example, Nuclear is a subsidiary of Gen created to hold the ownership interest in DCP. In addition to DCP, PG&E will transfer to Nuclear the beneficial interest in the Nuclear Decommissioning Trust associated with DCP. Gen will lease DCP from Nuclear and operate DCP.

While certain other assets will be sold and some assets not needed in the utility businesses may be transferred to one or more special purpose entities, the remaining assets will be retained by PG&E. PG&E, as a reorganized company, will continue to conduct local electric and gas distribution operations and associated customer services. Upon consummation of the disaggregation of PG&E's businesses as described above, PG&E Corporation will declare a dividend and distribute the common stock of PG&E to its public shareholders, separating PG&E from PG&E Corporation.<sup>1</sup>

In connection with the proposed restructuring and the transfer of the DCP assets, no physical changes will be made to DCP and there will be no significant changes to management of the nuclear station (including to the key management employees currently responsible for operation of DCP). The existing onsite nuclear organizations at DCP will be transferred to Gen and the current nuclear personnel will become employees of Gen and continue to operate the plant. Operation will continue to be in accordance with the terms and conditions of the present licenses and in accordance with the present licensing bases.

<sup>1</sup>

Reorganized PG&E will retain ownership of and responsibility for the shutdown Humboldt Bay Power Plant, Unit 3. By separate application, PG&E is seeking NRC approval, if necessary, of an indirect transfer of the NRC license for Humboldt Bay Power Plant, Unit 3.



Additional information pertaining to the proposed license transfers and administrative license amendments is included in the enclosed application and supporting attachments. This information demonstrates that: (1) the reorganization and license transfers will not adversely impact the operation of DCPD or adversely impact the managerial or technical qualifications of the licensed operator; (2) the licensees will be financially qualified to own, operate, and maintain the units; (3) the provisions of the Plan related to transfer of the beneficial interest in the Nuclear Decommissioning Trust assure that there will be no adverse impact on the existing assurance of adequate decommissioning funding for DCPD; and (4) the license transfers will not result in foreign ownership, control, or domination over the licensee.

Additionally, under the proposed license amendments, provisions are made for continuing the existing antitrust operating license conditions such that no further antitrust review is required in connection with the proposed license transfers.

With regard to the conforming amendments to the licenses, these changes fall within the NRC's generic finding of no significant hazards considerations under 10 CFR 2.1315(a). Information supporting categorical exclusion from environmental review under 10 CFR 51.22 is also provided.

PG&E is notifying the State of California of the request for conforming license amendments by transmitting a copy of this letter and application to the designated state officials.

As explained in the attached application, pursuant to the Bankruptcy Code, the Plan must be approved by the Bankruptcy Court. A number of filings, approvals, or rulings are also required or desirable at the Federal Energy Regulatory Commission, the Securities and Exchange Commission, and the Internal Revenue Service. PG&E will make the necessary filings and expects to obtain all the necessary approvals or rulings in order to effectuate the Plan by the end of 2002.

Accordingly, PG&E requests NRC consent to the license transfers and approval of the conforming administrative license amendments as promptly as possible, but no later than July 31, 2002. Such NRC consent should be immediately effective upon issuance and, consistent with NRC practice, should authorize the transfers occurring at any time through twelve months following the date of approval or such later date as may be permitted by the NRC. This schedule will allow sufficient time for other approvals needed prior to closing on the reorganization, for arrangement of financing and completion of administrative actions necessary to complete the transactions, and for contingencies. PG&E will keep the NRC informed if there are any significant changes in the status of the other required approvals or other developments that have an impact on the schedule.



This application includes Enclosure 8 that contains confidential commercial or financial information. PG&E requests that the information be withheld from public disclosure pursuant to 10 CFR 9.17(a)(4) and 10 CFR 2.790. The proprietary nature of this enclosure is described in the attached Affidavit. A non-proprietary version of Enclosure 8, suitable for public disclosure, is also provided with this application.

If you have any questions about this matter, please contact Terry Grebel at (805) 595-6382. Service upon the applicant of comments, hearing requests, intervention petitions, or other pleadings should be made to the undersigned, and to Richard F. Locke, Esq., Pacific Gas and Electric Company, 77 Beale Street, B30A, San Francisco, California 94105, and to David A. Repka, Esq., Winston & Strawn, 1400 L Street, N.W., Washington, DC 20005. Additional service should be made to Earle O'Donnell, Esq., Dewey Ballantine LLP, 1775 Pennsylvania Avenue, N.W., Washington, DC 20006.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gregory M. Rueger', written over the printed name.

Gregory M. Rueger  
Senior Vice President -  
Generation and Chief Nuclear Officer

cc: Edgar Bailey, DHS (w/o enclosures)  
Ellis W. Merschhoff (w/proprietary enclosures)  
David L. Proulx (w/proprietary enclosures)  
Girija S. Shukla (w/proprietary enclosures)  
Diablo Distribution (w/o enclosures)

Enclosures

# **NRC LICENSE TRANSFER APPLICATION**

November 30, 2001

Submitted by

**Pacific Gas and Electric Company**

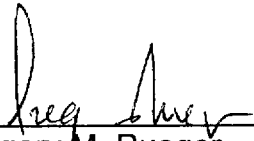
**Diablo Canyon Power Plant, Units 1 and 2  
Facility Operating License Nos. DPR-80 and DPR-82  
NRC Docket Nos. 50-275, 50-323**

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of PACIFIC GAS AND ELECTRIC COMPANY	)	Docket No. 50-275
	)	Facility Operating License
	)	No. DPR-80
Diablo Canyon Power Plant	)	Docket No. 50-323
Units 1 and 2	)	Facility Operating License
	)	No. DPR-82

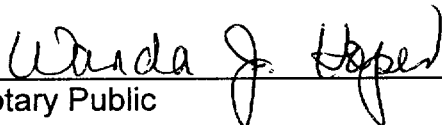
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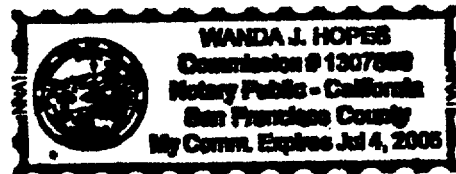
I, Gregory M. Rueger, first being duly sworn, depose and say: that I am Senior Vice President - Generation and Chief Nuclear Officer of Pacific Gas and Electric Company, the licensee herein; that I have full power and authority to sign and file this Application with the Nuclear Regulatory Commission on behalf of said company; that I am familiar with the contents thereof; and that the facts stated therein are true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Gregory M. Rueger  
Senior Vice President -  
Generation and Chief Nuclear Officer

Subscribed and sworn to before me, this 2<sup>nd</sup> day of November, 2001.

State of California  
County of San Francisco

  
\_\_\_\_\_  
Notary Public



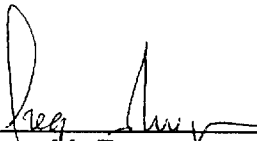
**AFFIDAVIT OF GREGORY M. RUEGER**

I, Gregory M. Rueger, am Senior Vice President Generation and Chief Nuclear Officer of Pacific Gas and Electric Company (PG&E), and do hereby affirm and state:

1. I am authorized to execute this affidavit on behalf of PG&E and PG&E's sole common shareholder, PG&E Corporation.
2. PG&E is providing information in support of its Application for License Transfers and Conforming Administrative License Amendments (NRC Facility Operating License Nos. DPR-80 and DPR-82) (Diablo Canyon Power Plant, Units 1 and 2). The information specifically being provided in Enclosure 8 includes financial projections related to the plan of reorganization for PG&E as filed with the United States Bankruptcy Court and related to the continued operation of Diablo Canyon Units 1 and 2. While some of the information in Enclosure 8 has been publicly disclosed in the bankruptcy proceeding, Enclosure 8 includes other proprietary commercial and financial information not previously disclosed that should be held in confidence by the NRC pursuant to the policy reflected in 10 CFR 2.790(a)(4) and 9.17(a)(4), because:
  - i. This information is and has been held in confidence by PG&E and its affiliated companies.
  - ii. This information is of a type that is held in confidence by PG&E and its affiliates, and there is a rational basis for doing so because the information contains sensitive financial information concerning assets, projected revenues and operating expenses.
  - iii. This information is being transmitted to the NRC in confidence.
  - iv. Other than the information included in the bankruptcy filing, this information is not available in public sources and could not be gathered readily from other publicly available information.
  - v. Public disclosure of this information would create substantial harm to the competitive position of PG&E and its successors by disclosing internal financial projections.

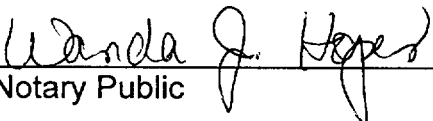
**AFFIDAVIT OF GREGORY M. RUEGER (Continued)**

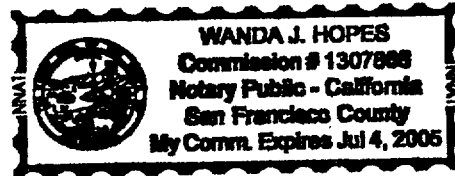
3. Accordingly, PG&E requests, on behalf of itself, PG&E Corporation, Electric Generation LLC, and Diablo Canyon LLC, that the designated information be withheld from public disclosure pursuant to the policy reflected in 10 CFR 2.790(a)(4) and 9.17(a)(4).

  
\_\_\_\_\_  
Gregory M. Rueger  
Senior Vice President –  
Generation and Chief Nuclear Officer

Subscribed and sworn to before me, this 2<sup>nd</sup> day of November, 2001.

State of California  
County of San Francisco

  
\_\_\_\_\_  
Notary Public





**APPLICATION FOR CONSENT TO LICENSE TRANSFERS AND  
CONFORMING LICENSE AMENDMENTS  
FOR DIABLO CANYON POWER PLANT, UNITS 1 AND 2**

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**Application for Consent to License Transfers and  
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**LIST OF ENCLOSURES**

- Enclosure 1:*** Plan of Reorganization and Disclosure Statement
- Enclosure 2:*** Proposed Corporate Structure of PG&E Corporation and Principal Subsidiaries
- Enclosure 3:*** Form of Diablo Canyon Facility Lease By and Between Diablo Canyon LLC, as Lessor, and Electric Generation LLC, as Lessee
- Enclosure 4:*** Marked-up Pages of Operating License for Proposed Conforming Changes Related to DCP Unit 1
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- Enclosure 6:*** No Significant Hazards Considerations Determination
- Enclosure 7:*** Form of Bilateral Power Sales Agreement By and Between Electric Generation LLC and Reorganized PG&E
- Enclosure 8:*** Financial Qualifications Information: Financial Statement and Related Information
- Enclosure 9:*** Decommissioning Funding Assurance: Calculation Demonstrating Adequacy of "Prepayment Amount"

**Application For Consent To License Transfers And Conforming License  
Amendments For Diablo Canyon Power Plant, Units 1 And 2**

**I. Introduction/Overview**

Pacific Gas and Electric Company (PG&E) submits the following information and requests, pursuant to 10 CFR 50.80, Nuclear Regulatory Commission (NRC) consent to the transfer of the operating licenses for the Diablo Canyon Power Plant, Units 1 and 2 (DCPP). This request is being made in support of a comprehensive reorganization and restructuring of the businesses and operations of PG&E, including its nuclear and non-nuclear generation, transmission, and electricity distribution businesses, as is described further below.

On April 6, 2001, PG&E filed a petition for relief under Chapter 11 of the United States Bankruptcy Code. PG&E's goal was to halt the deterioration of its financial position, restore the company to financial health, and continue supplying electricity and gas in the normal course of business. On September 20, 2001, PG&E and its parent corporation, PG&E Corporation, filed with the Bankruptcy Court a comprehensive Plan of Reorganization (Plan) for PG&E and a Disclosure Statement. Under the Plan, operating authority for DCPP will be transferred to a new limited liability company named Electric Generation LLC (Gen) and ownership of the two-unit generating asset will be assigned to a wholly-owned subsidiary of Gen named Diablo Canyon LLC (Nuclear).

This transfer request specifically relates to the transfer of the authorities to "possess, use, and operate" the facilities under the following Facility Operating Licenses:

- Diablo Canyon Unit 1      DPR- 80
- Diablo Canyon Unit 2      DPR- 82

A copy of the Plan and Disclosure Statement filed with the Bankruptcy Court is provided as Enclosure 1.<sup>2</sup> The proposed reorganization as it relates to PG&E and DCPP is summarized and illustrated in Enclosure 2.

In essence, under the Plan, the current businesses of PG&E will be disaggregated and restructured. PG&E will divide its operations and the assets of its business lines among four separate operating companies. The majority of the assets and liabilities associated with the current electric transmission business of PG&E will be contributed to ETrans LLC (ETrans); the majority of

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<sup>2</sup> The Plan will likely be amended from time to time in ways that are not material to this application to the NRC and PG&E expects to file an amended Plan and Disclosure Statement with the Bankruptcy Court in the future.

PG&E's gas transmission assets and liabilities will be contributed to GTrans LLC (GTrans); and the majority of the assets and liabilities associated with the current generation business, including DCP, will be contributed to Gen or its subsidiaries. In addition, PG&E has created a separate corporation called Newco Energy Corporation (Newco) to hold the membership interests of each of ETrans, GTrans and Gen. PG&E is the sole shareholder of Newco. After the assets are transferred to the newly-formed entities, PG&E will declare and pay a dividend of the outstanding common stock of Newco to PG&E Corporation, and each of ETrans, GTrans and Gen will thereafter be an indirect wholly-owned subsidiary of PG&E Corporation. PG&E Corporation will also change its name.

PG&E, as a reorganized company, will retain most of the remaining assets and liabilities, and will continue to conduct local electric and gas distribution operations and associated customer services. (PG&E will also retain ownership of and responsibility for the shutdown Humboldt Bay Power Plant, Unit 3.) Upon consummation of the disaggregation of PG&E's businesses, PG&E Corporation will declare a dividend and distribute the common stock of PG&E to its public shareholders, separating PG&E from PG&E Corporation.

PG&E has also created subsidiaries of Gen to hold specific assets and project-specific liabilities related to Gen's line of business. Nuclear is a subsidiary of Gen created to hold the ownership in DCP. Gen will also have multiple subsidiaries formed to hold its hydroelectric assets.

Because Nuclear will hold the ownership interest in DCP, Nuclear will need to become a licensed owner. Nuclear will lease DCP to Gen under lease terms that assign to Gen the entitlement to the output and capacity of DCP and that make Gen responsible for all costs of plant operation. A copy of the form of the facility lease for DCP between Nuclear and Gen is provided as Enclosure 3.

Gen will operate DCP and will accordingly need to become the operating licensee. Gen will operate the units under the same terms and conditions included in the present licenses. No physical changes will be made to the plant as a result of the license transfers, and there will be no significant changes in the day-to-day management of, and operating procedures for, the plant.

The present onsite nuclear organizations at DCP will not change following the transfer to Gen. The onsite nuclear employees of PG&E will become employees of Gen and will continue to operate the units. Offsite corporate resources will continue to be provided, either as a result of transfers to Gen or by service agreements. The technical qualifications of Gen will be equivalent to those of PG&E presently, and specific personnel qualification requirements established in plant Technical Specifications, plant procedures, and applicable industry standards will continue to be met.

As discussed further below, the licensees will be viable businesses and have the financial qualifications to own and operate DCP. Gen will operate as an

electricity generation company, with diversified generation assets. Substantially all of Gen's output will be sold to the reorganized PG&E pursuant to a bilateral contract described below. Gen's financial projections provided in accordance with NRC regulations demonstrate that Gen will, in the aggregate, fully recover its costs by the sale of electricity generated by its generation capacity and its power purchase agreements.

As also discussed further below, decommissioning funding assurance for DCPD will be preserved. The beneficial interest in the Nuclear Decommissioning Trust associated with DCPD will be transferred to Nuclear. Although Nuclear will not be a rate-regulated electric utility, PG&E anticipates that the net cash value (after tax) of the interest transferred will meet the NRC decommissioning funding requirements established by 10 CFR 50.75(c).

Because the proposed restructuring and license transfers affect the named licensees under the NRC operating licenses, PG&E also requests, in accordance with 10 CFR 50.90, NRC approval of certain administrative amendments to conform the operating licenses. Mark-ups showing the proposed changes are provided in Enclosures 4 and 5. In the license markups, with respect to ongoing operational matters Gen succeeds and replaces PG&E as the operator of DCPD. Nuclear is identified and authorized as the facility owner. References to PG&E as the initial licensed operator are retained for certain historical license conditions. And, with respect to the existing antitrust license conditions, Gen, ETrans, and PG&E are reflected as the responsible licensees, in effect jointly and severally obligated to meet those conditions. ETrans and PG&E will be licensees solely for purposes of the antitrust conditions.<sup>3</sup>

In Enclosure 6, PG&E is providing an evaluation confirming the NRC's generic determination in 10 CFR 2.1315(a) that the proposed conforming license changes involve no significant hazards considerations.

Administrative changes to documents other than the plant operating licenses and Technical Specifications may be necessary upon completing the transfers to reflect Gen as the new operator and Nuclear as the owner. Any changes to documents such as the Updated Final Safety Analysis Report, the Physical Security Plan, the Quality Assurance Manual, and the Emergency Plan will be made in a timely fashion after the transfers during routine updates and as required by regulations such as 10 CFR 50.71(e) and 50.54. Changes to other documents such as procedures and drawings will be made, where necessary, in accordance with routine or periodic internal update processes as applicable to those documents.

<sup>3</sup>

With the exception of Diablo Canyon LLC (Nuclear), which will be the licensed owner of DCPD, the names of Gen, ETrans, and the other newly-created entities may be changed prior to implementation of the Plan. Prior to issuance of the conforming license amendments, PG&E will provide the NRC with the final names of the entities that will be licensees.

**II. Statement of Purpose of the Transfers and the Nature of the Transaction Making the Transfers Desirable**

As stated above, PG&E is requesting the proposed license transfers as part of a reorganization of PG&E's businesses and operations in support of the reorganization plan filed with the United States Bankruptcy Court. Through the proposed restructuring, PG&E anticipates that the value realized will provide necessary cash and increased debt capacity to enable it to repay all valid creditor claims in full, restructure existing debt, and emerge from the Chapter 11 bankruptcy case. PG&E anticipates that the restructuring will create new businesses, including Gen and Nuclear, that will be financially sound going forward.

After the transfer Gen will operate, maintain, and manage DCPD in accordance with the operating licenses and NRC requirements, and with the same regard for public and personnel safety exemplified to date by PG&E. The license transfers will not affect ongoing operational enhancements and improvement initiatives. Key managers now responsible for the safe operation of DCPD will remain responsible for its operation after the reorganization.

**III. General Corporate Information Regarding Gen and Nuclear**

The information required to be included in an application for the transfer of a license pursuant to 10 CFR 50.80 is set forth below. This information demonstrates that the requested transfers are consistent with the Atomic Energy Act and applicable NRC regulations.

**A. Name and Address<sup>4</sup>**

The licensed operator and the licensed owner of DCPD will be, respectively:

- Electric Generation LLC  
77 Beale Street  
32nd Floor  
San Francisco, California 94105

<sup>4</sup>

In addition to Gen and Nuclear, as discussed below in Section III.G and as shown in the license mark-ups in Enclosures 4 and 5, ETrans will become a licensee, as a successor to PG&E with respect to the transmission system, and reorganized PG&E, which will be the distribution entity, will remain a licensee — each for the limited purpose of retaining responsibility for the existing antitrust license conditions. Presently, the addresses of these entities are: Pacific Gas and Electric Company, 77 Beale Street, P.O. Box 770000, San Francisco, California 94177; and ETrans LLC, 77 Beale Street, 32nd Floor, San Francisco, California 94105.



- Diablo Canyon LLC  
77 Beale Street  
32nd Floor  
San Francisco, California 94105

***B. Description of Business***

Gen is a California limited liability company wholly-owned by Newco. PG&E is the sole shareholder of Newco. However, as part of implementation of the Plan, PG&E will declare and pay a dividend of the outstanding common stock of Newco to PG&E Corporation, and Gen will thereafter be an indirect wholly-owned subsidiary of PG&E Corporation, which will be renamed.

Gen will operate as a separate electricity generation company. PG&E's conventional hydroelectric generations facilities, the Helms Pumped Storage Facility, Irrigation District contracts, and DCPD all will be transferred to Gen or subsidiaries of Gen. Upon implementation of the Plan, Gen, as distinct from PG&E, will have responsibility for, and control over, operation of DCPD, including the presently proposed DCPD Independent Spent Fuel Storage Installation (ISFSI).

Nuclear is a California limited liability company and a wholly-owned subsidiary of Gen. Nuclear's business will be to own the DCPD assets and to lease these assets to Gen. PG&E's beneficial interest in the Nuclear Decommissioning Trust associated with DCPD will also be transferred to Nuclear, as described herein.

***C. Organization and Management***

***1. Electric Generation LLC***

The business of Gen will be conducted under the direction of a two person board of control (a limited liability company's equivalent to a corporation's board of directors). The members of the board of control, and their addresses, are as follows:

- Peter A. Darbee  
PG&E Corporation  
One Market Street  
San Francisco, California 94105
- Bruce R. Worthington  
PG&E Corporation  
One Market Street  
San Francisco, California 94105

The identity of any additional members of the board of control will be provided when available, and it is expected that all members will be citizens of the United States.

The principal officers of Gen, and their addresses, are as follows:

- Bruce R. Worthington  
President and Treasurer  
G&E Corporation  
One Market Street  
San Francisco, California 94105
- Gregory M. Rueger  
Chief Nuclear Officer  
Pacific Gas & Electric Company  
77 Beale Street  
San Francisco, California 94120
- Linda Y.H. Cheng  
Corporate Secretary  
PG&E Corporation  
One Market Street  
San Francisco, California 94105

The identity of any additional officers will be provided when available, and it is expected that all officers will be citizens of the United States.<sup>5</sup>

**2. Diablo Canyon LLC**

Nuclear will not have a board of control. The business of Nuclear will be conducted under the direction of its sole member, Gen.

Presently there are no officers of Nuclear and none are currently contemplated. The identity of any officers will be provided if appointed, and it is expected that any officers would be citizens of the United States.

**D. No Foreign Ownership or Control**

Neither Gen, Nuclear, nor Newco Energy Corporation, as indirect wholly-owned subsidiaries of re-named PG&E Corporation, will be owned, controlled, or dominated by foreign interests. As discussed above, all of the principal directors and officers of Gen and Nuclear are expected to be

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<sup>5</sup> The members of the board of directors or board of control, as appropriate, and the officers, of Newco Energy Corporation and ETrans presently are the same as for Gen, except that Mr. Rueger is an officer of Gen only.

citizens of the United States. PG&E Corporation is incorporated under the laws of the State of California. The shares of PG&E Corporation are publicly and widely held and are traded on the New York Stock Exchange.

ETrans and PG&E will be licensees only with respect to antitrust conditions. They will not own or control DCPD in any way that would implicate foreign ownership restrictions.

**E. Technical Qualifications**

As discussed above, Gen will lease DCPD from Nuclear and operate DCPD on its own behalf. Under the lease, Gen will have all the necessary authority and responsibility for operation of the units and for maintaining public health and safety and regulatory compliance.

The technical qualifications of Gen to carry out its operational responsibilities under the DCPD operating licenses will be equivalent to the present technical qualifications of PG&E. The management team from PG&E's present nuclear organization, from the Senior Vice President-Generation and Chief Nuclear Officer position down, will be transferred to Gen. These individuals have substantial nuclear experience and a proven record in nuclear plant operations. They will continue to meet the applicable industry qualifications standards.

The management and technical support functions will continue to conform to the pertinent provisions in the plant Technical Specifications and the DCPD Updated Final Safety Analysis Report. Concurrent with the license transfers, the current on-site organizations at DCPD will be transferred intact to Gen. The existing structure is shown in the DCPD Updated Final Safety Analysis Report, Figures 13.1-1 and 13.1-2 (Revision 14, November 2001), and will be unchanged. The existing organizational structure provides for clear lines of authority and responsibility for management of the plants.

In addition, it is expected that substantially all PG&E nuclear personnel in the existing DCPD nuclear organizations will become employees of Gen and will continue to be assigned to DCPD. These employees will take direction through the Gen management chain of command and their responsibilities will continue to be clear and unambiguous. The qualifications of the nuclear personnel generally will not change as a result of the restructuring and license transfers. The personnel qualification requirements presently defined in the respective plant Technical Specifications and DCPD Updated Final Safety Analysis Report will not be changed and will continue to be met.

Other corporate service or support functions (e.g., information technology, human resources, certain technical support functions) presently provided from PG&E's off-site corporate offices in San Francisco will be

reorganized, but will continue to be provided. It is expected that some of these functions will be transferred to Gen; others may be provided by service agreements with affiliates. The structure and mechanism for providing these support functions is currently under evaluation.

PG&E will also transfer to Gen or Nuclear all of the assets necessary for the operation of DCP. Among these assets are an extensive list of documents, including books, operating records, manuals, blue-prints, specifications, engineering design plans, procedures, etc. These documents include the official copies of records which the NRC requires a licensee to maintain. The vast majority of these documents are located at DCP; however, to the extent that other such documents are maintained at offices located elsewhere, custody and control of these documents will be assured as part of the transfer.

Further, as necessary, contracts with the Nuclear Steam Supply System supplier and other major vendors will be transferred to Gen or appropriate other contracts will be obtained in a timely manner. Other contracts and contractor relationships relating to the units will be transferred to Gen as appropriate.

In total, the technical qualifications of the Gen management, site, and support organizations will be equivalent to those of the existing PG&E nuclear organization. Sufficient qualified technical resources will be provided to support safe operation and maintenance of the units, and the plants will continue to be operated in accordance with the licenses, NRC requirements, licensing bases, and other NRC commitments.

## **F. Financial Qualifications**

### **1. Operating Costs**

Gen and Nuclear will have the financial qualifications to be the NRC licensees for DCP. Neither licensee will be a regulated "electric utility" as defined by the NRC, selling to traditional retail ratepayers with cost-of-service rates, but their ability to cover DCP operating, maintenance, fuel and other expenses will be established.

First, Nuclear, as the asset owner, will lease DCP to Gen under a lease agreement that will require Gen to cover all the operating and capital costs of DCP.

Second, Gen will operate as an electricity generation company that controls substantial generation assets, including DCP and hydroelectric generating stations. Pursuant to the Plan, Gen and the reorganized PG&E will enter into a long-term bilateral power sales agreement whereby Gen's output and the power produced

under its power purchase agreements will be sold at wholesale to reorganized PG&E. Pursuant to the bilateral contract, these sales will be in accordance with a rate approved by the Federal Energy Regulatory Commission (FERC) as just and reasonable. A copy of a form of the bilateral power sales agreement between Gen and reorganized PG&E is provided as Enclosure 7.<sup>6</sup>

Under the bilateral contract, reorganized PG&E will be entitled to purchase substantially all of the output of Gen's facilities and Gen's power purchase agreements, but electricity from DCPD and certain hydroelectric facilities will be purchased on a must-take basis. As currently contemplated, the contract will have a term of 12 years.

Under the NRC's regulations, 10 CFR 50.33(f)(2), a non-electric utility applicant for an operating license (or a transferee) must demonstrate that it has reasonable assurance of obtaining the funds necessary to cover the plant's estimated operating costs by submitting "estimates for total annual operating costs for each of the first five years of operation of the facility" as well as the "source(s) of funds to cover these costs." This showing is also referenced in the NRC's Standard Review Plan (SRP) on financial qualifications.<sup>7</sup>

Following the proposed restructuring and license transfers, the financing and financial reporting relevant to the generation businesses will occur at the Gen level of the organization. Gen will be a financially robust entity due to its diversified generation portfolio and the power sales contract with PG&E. The projected revenues from sales of electricity and capacity, the capitalization, and the extent and diversity of Gen's assets together provide the assurance that Gen will meet its financial obligations under the lease with Nuclear.

Enclosure 8 provides financial qualifications information at the Gen level. In accordance with 10 CFR 50.33(f)(2) and the SRP, Enclosure 8 includes a Projected Income Statement for Gen for the first five years of operation following the license transfer.<sup>8</sup> The

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<sup>6</sup> The form of the bilateral contract provided in Enclosure 7 is subject to FERC approval and is subject to change before it is executed.

<sup>7</sup> NUREG-1577, Rev. 1, "Standard Review Plan on Power Reactor License Financial Qualifications and Decommissioning Funding Assurance" (March 1999).

<sup>8</sup> The financial information in Enclosure 8 represents an update of the financial information originally included in the September filing with the Bankruptcy Court in the Plan and Disclosure Statement. The information in the Plan and Disclosure Statement will be amended.

Projected Income Statement shows Gen's total annual operating costs. The source of funds to cover these costs will be operating revenues. The Projected Income Statement shows that the anticipated revenues from the sales of capacity and energy by Gen provide reasonable assurance of adequate funds to meet Gen's ongoing operating expenses. Enclosure 8 also includes certain key assumptions utilized in the Projected Income Statement, including the contract price for power under the bilateral power sales agreement and the assumed capacity factor for DCPD.

Gen's projected assets and revenue streams will also be more than sufficient to cover operating and maintenance costs that might be associated with a six-month shutdown of one of the DCPD units. Enclosure 8 includes a Projected Opening Balance Sheet demonstrating that Gen will have total assets exceeding \$2.5 billion. The total estimated operating costs attributable to DCPD are also shown in Enclosure 8. These costs include plant operations and maintenance costs, non-fuel capital additions, and nuclear fuel. The fixed operating costs of the units in the case of an extended shutdown would exclude the fuel costs, the non-fuel capital additions, as well as certain operation and maintenance costs. The projected assets of Gen, along with its substantial projected non-nuclear generation revenues, will provide reasonable assurance of Gen's financial capability to fund an extended shutdown.

Accordingly, Gen will fully meet or exceed the financial qualifications requirements of 10 CFR 50.33(f) and the guidelines of the SRP.

## **2. Decommissioning Funding Assurance**

Decommissioning funding assurance for DCPD is presently provided by an external Nuclear Decommissioning Trust as authorized by 10 CFR 50.75(e)(1)(ii). In accordance with 10 CFR 50.75(f)(1), PG&E reported on the status of this fund on March 30, 2001.<sup>9</sup>

As discussed above, PG&E will transfer to Nuclear the beneficial interest in the Nuclear Decommissioning Trust associated with DCPD. The funds associated with the beneficial interest will be segregated from the licensees' assets and outside its administrative control. The trustee will continue to manage investment of the funds in accordance with a master trust

<sup>9</sup>

PG&E Letter DCL-01-026, HBL-01-005, from L.F. Womack, "Decommissioning Funding Reports for Diablo Canyon Power Plant Units 1 and 2 and Humboldt Bay Power Plant Unit 3" (March 30, 2001).

agreement and applicable NRC requirements and license conditions. The funds will be used only in a manner consistent with the terms of the trust agreements.

Presently, as it pertains to DCP, the Nuclear Decommissioning Trust includes a California Public Utilities Commission (CPUC) jurisdictional qualified trust and a Federal Energy Regulatory Commission (FERC) jurisdictional qualified trust. The liquidation value of the DCP component of the CPUC and FERC trusts, as of September 30, 2001, was approximately \$473.5 million for Unit 1 and \$627.5 million for Unit 2 (approximately \$1.101 billion combined). The transfer to Nuclear of PG&E's beneficial interest in the Trust associated with DCP is subject to the approval of Bankruptcy Court as part of confirmation of the Plan. The transfer of the beneficial interest is also subject to the approval of the FERC and, accordingly, PG&E will seek in its application for approvals associated with the transaction under Section 203 of the Federal Power Act the FERC's consent to the transfer of the Trust.<sup>10</sup>

PG&E also expects to seek a private letter ruling from the Internal Revenue Service (IRS) to assure that the beneficial interest in the qualified decommissioning funds can be transferred to Nuclear on a tax-free basis.

Enclosure 9 demonstrates the sufficiency of the current level of decommissioning funding for each of the two DCP units. Enclosure 9 shows that, assuming the present value of the DCP funds, plus credit for a contribution to the funds in 2002 as already approved through the CPUC ratemaking process, and no further contributions, the decommissioning trusts are adequately funded to meet the NRC-mandated decommissioning obligations. With credit for a 0.84 percent annual real rate of return through the present terms of the licenses, which is an assumed rate of return significantly less than the 2.0 percent allowed by NRC regulations, the value of the prepaid fund will provide the level of funding assurance required by 10 CFR 50.75(c), NRC Regulatory Guide 1.159, and NUREG-1307, Rev. 8.

<sup>10</sup>

The CPUC jurisdictional qualified trust and the FERC jurisdictional qualified trust also include money associated with the Humboldt Bay Power Plant, Unit 3. PG&E also maintains a CPUC jurisdictional non-qualified trust for the Humboldt Bay Power Plant, Unit 3. PG&E will retain its beneficial interests in the trusts for the purpose of decommissioning the Humboldt Bay Power Plant, Unit 3. All of the funds in the trusts associated with the Humboldt Bay Power Plant, Unit 3 will be segregated from the DCP components as part of the reorganization and separation process.

For NRC decommissioning purposes, the minimum amount as of December 31, 2001, that would need to be transferred, as a condition of the NRC license transfer, in order to meet NRC requirements, would be approximately \$347.9 million for Unit 1 and \$487.7 million for Unit 2. These amounts would satisfy NRC requirements for financial assurance for decommissioning in the form of prepayment in accordance with 10 CFR 50.75(e)(1)(i).<sup>11</sup> Additional amounts, beyond the NRC minimum and up to the total amount in the Nuclear Decommissioning Trust associated with DCPD at the time of the transfer, will be included in the beneficial interest transferred to Nuclear if and to the extent such transfer is approved by FERC and the Bankruptcy Court, as required.

### 3. **Nuclear Insurance**

Gen will, upon transfer of the assets and assumption of the licenses, assume the responsibility for providing the financial protection as required by 10 CFR Part 140, and for continuing site insurance coverage as required by Price-Anderson 10 CFR 50.54(w).<sup>12</sup>

Gen's obligations will include the responsibilities with respect to retrospective liability required in accordance with 10 CFR 140.21. Based upon the financial information provided in Enclosure 8, Gen will have the financial ability to meet this obligation.

### G. **Antitrust Considerations**

The NRC has determined that antitrust reviews of post-operating license transfer applications are neither required nor authorized by the Atomic Energy Act, and therefore no antitrust information is required to be submitted with this post-operating license transfer application.<sup>13</sup>

<sup>11</sup> The NRC formulas in 10 CFR 50.75(c) include only those decommissioning costs incurred by licensees to remove a facility or site safely from service and reduce residual radioactivity to levels that permit: (1) release of the property for unrestricted use and termination of the license; or (2) release of the property under restricted conditions and termination of the license. The cost of dismantling or demolishing nonradiological systems and structures is not included in the NRC decommissioning cost estimates. The costs of managing and storing spent fuel on site until transfer to DOE are not included in the cost formulas. The Nuclear Decommissioning Trust for DCPD currently includes funds for non-NRC decommissioning costs.

<sup>12</sup> PG&E and/or Gen will in due course request modified Price-Anderson indemnity agreements and will make changes to nuclear liability and property coverages to reflect Gen as the operator and Nuclear as the owner, and each as an additional named insured.

<sup>13</sup> Final Rule, Antitrust Review Authority: Clarification, 65 Fed. Reg. 44,649 (July 19, 2000); see also Kansas Gas and Electric Co. (Wolf Creek Generating Station, Unit 1), CLI-99-19, 49 NRC 441 (June 18, 1999).



However, because the Plan calls for a restructuring that would split generation assets from the transmission and distribution businesses, the antitrust conditions currently included in Appendix C of the DCPD licenses would not and could not apply directly to Gen or Nuclear. The conditions also could not apply solely to PG&E.

Under the Plan, reorganized PG&E will be a local electric and gas distribution company serving retail customers in Northern and Central California. The company will have a service territory that covers 70,000 square miles. PG&E will contribute its approximately 18,500 circuit miles of electric transmission lines and cables located in California to ETrans. This will include approximately 1,300 circuit miles of 500 kV lines, 5,300 circuit miles of 230 kV lines, 6,000 circuit miles of 115kV lines and 4,000 circuit miles of 70 and 60 kV lines, and the towers, poles and underground conduit used to support the lines and cables. In addition, ETrans and its subsidiaries will receive all transmission substations, transmission control centers and associated operations systems, junctions and transmission switching stations and associated equipment necessary to support the lines and cables and all of the other land, entitlements, rights of way, access rights, personal, real and intellectual property and the business records necessary to operate the electric transmission business.

Currently, PG&E is a participating transmission owner in the California Independent System Operator (ISO), the entity that operates and controls most of the electric transmission facilities owned by the State's three major investor-owned utilities and provides open access to electric transmission services on a non-discriminatory basis. The ISO uses PG&E's transmission facilities to provide open access transmission service. As part of the restructuring, PG&E will assign to ETrans its contractual obligations as a participating transmission owner in the ISO.<sup>14</sup>

Accordingly, with respect to the existing antitrust license conditions, PG&E proposes to retain those conditions at this time. In order to preserve as nearly as possible the current antitrust obligations, PG&E proposes to retain reorganized PG&E on the license with respect to antitrust conditions and to add ETrans as a licensee for those conditions, as PG&E's successor with respect to the transmission system. PG&E and ETrans would be licensees for the limited purpose of the antitrust license

<sup>14</sup>

In December 1999, the FERC issued its final rule on Regional Transmission Organizations (RTOs) and encouraged utilities that own transmission systems to form RTOs on a voluntary basis. In several orders issued on July 12, 2001, the FERC indicated its strong preference for a single RTO that encompasses most of the Western United States, including California, and potentially Canadian provinces as well, that are interconnected in the region encompassed by the Western Systems Coordinating Council. No RTO is operational in the Western United States at this time. ETrans intends to join a FERC-approved Western RTO at such time as one is established and approved by FERC.

conditions. Along with Gen, PG&E and ETrans will be jointly and severally responsible for those conditions. This arrangement is reflected in the proposed license mark-ups provided in Enclosures 4 and 5.

**H. Restricted Data**

This application does not contain any Restricted Data or other classified defense information, and it is not expected that any such information will become involved. However, Gen and Nuclear will appropriately safeguard such information if any such information does become involved and will not permit any individual to have access to any such information until the Office of Personnel Management (the successor to the Civil Service Commission) shall have made an investigation and report to the NRC on the character, associations, and loyalty of such individual, and the NRC shall have determined that permitting such person to have access to Restricted Data will not endanger the common defense and security of the United States.

**I. No Environmental Impact**

The proposed license transfers and conforming license amendments meet the categorical exclusion criteria of 10 CFR 51.22(c)(21), in that this application does no more than request the approval of a direct transfer of the NRC licenses and the associated conforming amendments to the licenses.

The proposed license transfers and conforming license amendments do not involve any changes to the physical operation of the plants and, accordingly, do not involve any increase in the amount or type of radiological effluents that may be allowed to be released offsite. The proposed transfers and license amendments also do not involve any increase in the amount or type of any non-radiological effluents that may be released offsite. Further, the proposed transfers and license amendments do not involve any increase in individual or cumulative occupational radiation exposure. In sum, the proposed actions will have no environmental impact. Accordingly, if necessary, PG&E requests that the NRC issue and publish a finding of no significant environmental impact pursuant to 10 CFR 51.32 and 51.35.

**IV. Additional Information on Regulatory Issues**

**A. Design and Licensing Bases/Updates to FSAR**

The proposed license transfers and conforming license amendments will designate Gen as the licensee authorized to possess, use, and operate the DCPN nuclear units. The transfers and amendments will not affect the physical configuration of the facilities or alter any substantive Technical Specification requirements under which the units operate. Gen will control or have access to the design and licensing basis documents to

the same extent as PG&E does now, and the proposed transfers and conforming amendments will not affect the design and licensing bases. Changes to the Updated Final Safety Analysis Report necessary to reflect the change in responsible licensee will be incorporated on a schedule that complies with 10 CFR 50.71(e) following NRC approval of the transfers.

**B. Emergency Planning**

Concurrent with the transfers of operating authority, Gen will assume authority and responsibility for functions necessary to fulfill the emergency planning and preparedness requirements of 10 CFR 50.47(b) and Part 50, Appendix E. No changes will be made that reduce the effectiveness of the emergency plans or that adversely impact compliance with the NRC's emergency planning requirements.

Prior to implementation of the reorganization, the emergency plans will be reviewed in detail and any needed changes to the plans or implementing procedures will be made in accordance with 10 CFR 50.54(q) and Part 50, Appendix E, Section V, as appropriate. No major substantive changes to the existing emergency plans presently implemented by PG&E are anticipated as a result of the transfer. Likewise, no substantive changes are anticipated to the existing emergency planning organization. Generally, the current emergency facilities, equipment, and organizations will be transferred to Gen or Nuclear. As necessary, ownership of off-site emergency sirens will be transferred to Gen or Nuclear and provisions will be made, as needed, for the sirens to continue to be located on poles owned by the distribution company.

As part of the transition process, PG&E will evaluate offsite corporate support for the emergency plan and will make provisions for continued offsite corporate support, if needed. Existing agreements for support from outside organizations and agencies also will be reviewed such that appropriate actions can be taken, at an appropriate time prior to the transfers, to notify the parties to such agreements of the Plan and Gen's anticipated responsibility for management and operation of DCP. Support agreements will be assigned to Gen, if necessary.

**C. Offsite Power**

Offsite power is currently provided to DCP over transmission facilities owned by PG&E and operated by the ISO. As a result of the disaggregation of assets, certain transmission assets will be transferred to ETrans. However, the physical facilities will not change as a result of the change in ownership of and operating authority for DCP. Independent sources of offsite power will continue to be provided to the stations in compliance with 10 CFR Part 50, Appendix A, General Design Criterion 17.

Gen will establish an interconnection agreement with ETrans and will have power for DCPD pursuant to the bilateral contract between Gen and PG&E. Additionally, certain nuclear protocols related to the operation of the transmission system are already established by agreement between PG&E and the ISO, and these nuclear protocols will remain in place. Under an agreement between Gen and ETrans, ETrans will be responsible for the relationship with the ISO. Also, the agreements with ETrans will address continued maintenance of the transmission equipment that ETrans will own.

**D. Exclusion Area Control**

As the current owner and plant operator of DCPD, PG&E has the authority to determine and control activities within the exclusion areas for the DCPD plant site at least to the extent required by 10 CFR Part 100. As a result of the transfer of ownership of DCPD and related assets to Nuclear, and the lease agreement between Nuclear and Gen, Gen will have the required exclusion area control. Nuclear will own, and lease to Gen, essentially the same property as PG&E presently owns and controls, with the exception of certain transmission facilities. With respect to the transmission facilities, maintenance and switchyard agreements with ETrans will provide Gen with the right to determine activities in the exclusion area to the extent necessary to meet Part 100. This authority will extend to any activities of ETrans or other authorized entity with respect to maintenance of the switchyard and transmission facilities.

With respect to other activities unrelated to plant operations that will occur within the exclusion area previously identified in the DCPD Updated Final Safety Analysis Reports, there will be no changes. Gen will assume responsibility for the emergency plans as discussed above.

**E. Security**

Concurrent with the transfer of ownership and operating authority, Gen will assume authority and responsibility for the functions necessary to fulfill the security requirements of 10 CFR Part 73. No material changes are expected to the existing physical security organization, guard training and qualifications, safeguards contingency plans, or equipment. Accordingly, the proposed license transfers will not impact compliance with the NRC's security requirements.

Existing agreements for support from outside organizations and agencies will be reviewed such that appropriate actions can be taken prior to the transfers to notify parties to such agreements of Gen's relationship with PG&E, the plan of reorganization, and Gen's anticipated responsibility for management and operation of DCPD. Support agreements will be assigned to Gen, if necessary.

Any changes to the security plans to reflect the transfer of responsibility will not decrease the effectiveness of the plans and will be made in accordance with 10 CFR 50.54(p).

**F. Quality Assurance**

The proposed transfers will not impact compliance with the quality assurance requirements of 10 CFR Part 50, Appendix B, nor will they reduce the commitments in the NRC-accepted quality assurance programs for DCP. Concurrent with the transfers of ownership and operating authority, Gen will assume authority and ultimate responsibility for present functions associated with the quality assurance programs. The transfers of the licenses to Gen will not degrade the effectiveness of these functions. Any changes to the Quality Assurance Program to reflect the transition will not reduce the commitments in the quality assurance program description and will be handled in accordance with 10 CFR 50.54(a).

**G. Training**

The proposed license transfer will not impact compliance with the operator re-qualification program requirements of 10 CFR Part 50.54 and related sections, nor maintenance of the Institute of Nuclear Power Operations accreditation for licensed and non-licensed personnel training. Concurrent with the license transfers, Gen will assume responsibility for implementation of the present operator training programs. Changes to the programs to reflect the transition will not decrease the scope of the approved operator requalification program and will be made in accordance with 10 CFR 50.54(i).

**H. Spent Fuel Storage**

Upon transfer of ownership and operating responsibility, Gen will assume responsibility for safe storage of the fuel as one of its DCP operational responsibilities. Nuclear will assume title to spent nuclear fuel located at DCP. PG&E will assign to Nuclear its rights and obligations under the Standard Contract with the Department of Energy, as well as related claims.

By separate license and amendment applications, PG&E in the near future will request a site-specific Part 72 license for the proposed DCP ISFSI and will request related amendments to the DCP Part 50 license. PG&E anticipates that, given the current anticipated schedules, the Part 72 ISFSI license will be issued after the license transfers requested herein and after the implementation of the proposed reorganization. Accordingly, PG&E anticipates that Gen will become the initial ISFSI licensee as operator of that facility.

## V. Other Approvals

The Plan must be approved by the Bankruptcy Court pursuant to Section 1129 of the Bankruptcy Code, 11 USC 1129. As discussed above, PG&E has filed the Plan and Disclosure Statement. The Bankruptcy Court will hold a hearing to consider approving the Disclosure Statement. That hearing is now scheduled for December 19, 2001. The Bankruptcy Code further requires the Bankruptcy Court, after notice, to hold a confirmation hearing. PG&E expects the confirmation hearing to be held and the Plan to be confirmed in the next 6 months.

Pursuant to Section 1123 of the Bankruptcy Code, 11 USC 1123, the Bankruptcy Court has broad authority to authorize a debtor to dispose of assets in connection with implementation of a reorganization without approvals that might otherwise be required under applicable law. PG&E has requested the approval of the Bankruptcy Court to undertake the proposed transactions without further review or approval of California state and local government agencies.

In addition to the approval from the NRC, PG&E will seek the approval of the Securities and Exchange Commission (SEC) under Section 9(a)(2) of the Public Utility Holding Company Act of 1935, 15 USC 79i(a)(2) (because the transactions will result in the ownership by PG&E Corporation of more than one public utility company). PG&E will also need to make several notifications to, and file requests for approval from, the FERC, including, among other filings, a Federal Power Act (FPA) Section 203 application related to transfers of FERC jurisdictional transmission assets, an FPA Section 205 application for approval of the Gen-PG&E bilateral contract for sales of electricity and capacity, a filing under Section 205 of the FPA of generation interconnection agreements and other agreements, applications under Sections 204 and 305(a) of the FPA relating to issuance of securities for several of the businesses, and filings related to the hydroelectric stations and the gas transmission business. PG&E expects to make these filings by November 30, 2001, and to receive all of the necessary SEC and FERC approvals before the end of 2002.

As discussed above, PG&E also expects to seek a private letter ruling from the IRS related to the transfer of the beneficial interest in the qualified Nuclear Decommissioning Trust. Applications to transfer environmental permits, rights of way, and minor licenses and permits necessary for implementation of the transaction will be made to other federal, state, and local agencies, as required.

## VI. Schedule

PG&E requests that the NRC consent to the proposed transfers as promptly as possible, but no later than July 31, 2002.

The NRC's consent should be made immediately effective upon issuance and, consistent with NRC practice, should authorize the transfers occurring at any time through twelve months following the date of the consent or through such later date as may be permitted by the NRC. This schedule will allow sufficient

time for other approvals needed prior to closing on the reorganization, for arrangement of financing and completion of administrative actions necessary to complete the transactions, and for contingencies.

**Plan of Reorganization and Disclosure Statement**



1 UNITED STATES BANKRUPTCY COURT  
2 NORTHERN DISTRICT OF CALIFORNIA  
3 SAN FRANCISCO DIVISION  
4

**FILED**

SEP 20 2001

UNITED STATES BANKRUPTCY COURT  
SAN FRANCISCO, CA

5 In re

6 PACIFIC GAS AND ELECTRIC COMPANY,  
7 a California corporation,

8 Debtor.

9 Federal I.D. No. 94-0742640  
10

Case No. 01 30923 DM

Chapter 11 Case

[No Hearing Requested]

11 PLAN OF REORGANIZATION  
12 UNDER CHAPTER 11 OF THE BANKRUPTCY CODE FOR  
13 PACIFIC GAS AND ELECTRIC COMPANY  
[Dated September 20, 2001]

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1 Pacific Gas and Electric Company, a California corporation (the "Debtor"), together  
2 with the Debtor's parent company, PG&E Corporation, a California corporation (the "Parent"),  
3 jointly propose the following plan of reorganization for the Debtor under Section 1121(a) of title 11  
4 of the United States Code, as amended from time to time (the "Bankruptcy Code");

## 5 ARTICLE I

### 6 DEFINITIONS AND CONSTRUCTION OF TERMS

7 1.1 Definitions. As used herein, the following terms have the respective meanings  
8 specified below:

9 92A Bonds means those certain California Pollution Control Financing Authority,  
10 Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1992 Series A issued by the  
11 Issuer in the aggregate principal amount of \$35,000,000.

12 92B Bonds means those certain California Pollution Control Financing Authority,  
13 Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1992 Series B issued by the  
14 Issuer in the aggregate principal amount of \$50,000,000.

15 93A Bonds means those certain California Pollution Control Financing Authority,  
16 Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1993 Series A issued by the  
17 Issuer in the aggregate principal amount of \$60,000,000.

18 93B Bonds means those certain California Pollution Control Financing Authority,  
19 Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1993 Series B issued by the  
20 Issuer in the aggregate principal amount of \$200,000,000.

21 96B Bonds means those certain California Pollution Control Financing Authority,  
22 Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1996 Series B issued by the  
23 Issuer in the aggregate principal amount of \$160,000,000.

24 96C Bonds means those certain California Pollution Control Financing Authority,  
25 Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1996 Series C issued by the  
26 Issuer in the aggregate principal amount of \$200,000,000.

27 96D Bonds means those certain California Pollution Control Financing Authority,  
28 Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1996 Series D issued by the

1 Issuer in the aggregate principal amount of \$100,000,000.

2 96E Bonds means those certain California Pollution Control Financing Authority,  
3 Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1996 Series E issued by the  
4 Issuer in the aggregate principal amount of \$165,000,000.

5 96F Bonds means those certain California Pollution Control Financing Authority,  
6 Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1996 Series F issued by the  
7 Issuer in the aggregate principal amount of \$100,000,000.

8 96G Bonds means those certain California Pollution Control Financing Authority,  
9 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series G  
10 issued by the Issuer in the aggregate principal amount of \$62,870,000.

11 97A Bonds means those certain California Pollution Control Financing Authority,  
12 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series A  
13 issued by the Issuer in the aggregate principal amount of \$45,000,000.

14 97B Bonds means those certain California Pollution Control Financing Authority,  
15 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series B  
16 issued by the Issuer in the aggregate principal amount of \$148,550,000.

17 97C Bonds means those certain California Pollution Control Financing Authority,  
18 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series C  
19 issued by the Issuer in the aggregate principal amount of \$148,550,000.

20 97D Bonds means those certain California Pollution Control Financing Authority,  
21 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series D  
22 issued by the Issuer in the aggregate principal amount of \$17,900,000.

23 Administrative Expense Claims means any Claim constituting a cost or expense of  
24 administration of the Chapter 11 Case under Sections 503(b) and 507(a)(1) of the Bankruptcy Code,  
25 including, without limitation, all actual and necessary costs and expenses of preserving the estate of  
26 the Debtor, all actual and necessary costs and expenses of operating the business of the Debtor-in-  
27 Possession, any indebtedness or obligations incurred or assumed by the Debtor-in-Possession in  
28 connection with the conduct of its business, all cure amounts owed in respect of leases and contracts



1 assumed by the Debtor-in-Possession, all compensation and reimbursement expenses to the extent  
2 Allowed by the Bankruptcy Court under Sections 330 or 503 of the Bankruptcy Code and any fees  
3 or charges assessed against the estate of the Debtor under Section 1930 of chapter 123 of title 28 of  
4 the United States Code.

5 Affiliate has the meaning ascribed to such term in Section 101(2) of the Bankruptcy  
6 Code.

7 Allowed means, with reference to any Claim or Equity Interest, (a) any Claim against  
8 the Debtor which has been listed by the Debtor in its Schedules, as such Schedules may be amended  
9 by the Debtor from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount  
10 and not disputed or contingent and for which no contrary proof of claim or objection to claim has  
11 been filed, (b) any Claim or Equity Interest allowed hereunder, (c) any Claim or Equity Interest  
12 which is not Disputed, (d) any Claim or Equity Interest that is compromised, settled or otherwise  
13 resolved pursuant to a Final Order of the Bankruptcy Court or under the Plan, or (e) any Claim or  
14 Equity Interest which, if Disputed, has been Allowed by Final Order; provided, however, that  
15 Claims allowed solely for the purpose of voting to accept or reject the Plan pursuant to an order of  
16 the Bankruptcy Court shall not be considered "Allowed Claims" hereunder. Unless otherwise  
17 specified herein or by order of the Bankruptcy Court, "Allowed Administrative Expense Claim" or  
18 "Allowed Claim" shall not, for any purpose under the Plan, include interest on such Administrative  
19 Expense Claim or Claim from and after the Petition Date.

20 Amended and Restated Credit Agreement means the Amended and Restated Credit  
21 Agreement among the Debtor, Bank of America et al., dated as of December 1, 1997, together with  
22 all amendments, modifications, renewals, substitutions and replacements thereof.

23 Assumed Corporate Indemnities mean any obligation of the Debtor to defend,  
24 indemnify, reimburse or limit the liability of its present and any former officers, directors and/or  
25 employees who were officers, directors and/or employees, respectively, on or after the Petition Date,  
26 solely in their capacity as officers, directors and/or employees, against any claims or obligations  
27 pursuant to the Debtor's articles of incorporation or bylaws, applicable state law or specific  
28 agreement, or any combination of the foregoing.

1           Assumed Indemnification Claims mean all Claims, if any, as to which the claimant  
2 asserts rights based only upon the Assumed Corporate Indemnities.

3           Ballot means the form distributed to each holder of an impaired Claim or Equity Interest  
4 on which such holder shall indicate acceptance or rejection of the Plan.

5           Bank means, with respect to each Reimbursement Agreement, those certain banking or  
6 other financial institutions that are signatories hereto (other than the Letter of Credit Issuing Bank)  
7 and their respective successors and assigns.

8           Bankruptcy Code has the meaning set forth in the introduction to the Plan.

9           Bankruptcy Court means the United States Bankruptcy Court for the Northern District of  
10 California having jurisdiction over the Chapter 11 Case and, to the extent of any reference under  
11 Section 157 of title 28 of the United States Code, the unit of such District Court under Section 151  
12 of title 28 of the United States Code.

13           Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure as promulgated by  
14 the United States Supreme Court under Section 2075 of title 28 of the United States Code and any  
15 Local Rules of the Bankruptcy Court.

16           BFM means the block forward market administered by the PX.

17           BFM Contract Seizure Litigation means the complaint against the State of California  
18 filed by the Debtor on July 16, 2001 in San Francisco Superior Court to recover the value of the  
19 seized BFM contracts.

20           Bond Loan means, with respect to each series of PC Bonds, the loan of the proceeds  
21 from the sale of such series of PC Bonds made by the Issuer to the Debtor pursuant to the terms of  
22 the respective Loan Agreement.

23           Bond Trustee means, with respect to each series of PC Bonds, Bankers Trust Company,  
24 a state banking corporation organized under the laws of the State of New York, as trustee under the  
25 Indenture pursuant to which such series of PC Bonds were issued, and its successors and assigns or  
26 any successor trustee under such Indenture appointed in accordance with the terms thereof.

27           Business Day means any day other than a Saturday, Sunday or any other day on which  
28 commercial banks in San Francisco, California or New York, New York are required or authorized

1 to close by law or executive order.

2 Cash means legal tender of the United States of America.

3 Cause of Action means, without limitation, any and all actions, causes of action,  
4 liabilities, obligations, rights, suits, damages, judgments, claims and demands whatsoever, whether  
5 known or unknown, existing or hereafter arising, in law, equity or otherwise, based in whole or in  
6 part upon any act or omission or other event occurring prior to the Petition Date or during the course  
7 of the Chapter 11 Case, including through the Effective Date.

8 Chapter 11 Case means the case under chapter 11 of the Bankruptcy Code commenced  
9 by the Debtor in the Bankruptcy Court on April 6, 2001 and filed under Chapter 11 Case No. 01-  
10 30928-DM.

11 Chromium Litigation means the ten (10) civil actions pending in California courts -  
12 relating to chromium contamination: (i) Aguayo v. Pacific Gas and Electric Company, filed March  
13 15, 1995 in Los Angeles County Superior Court, (ii) Aguilar v. Pacific Gas and Electric Company,  
14 filed October 4, 1996 in Los Angeles County Superior Court, (iii) Acosta, et al. v. Betz Laboratories,  
15 Inc., et al., filed November 27, 1996 in Los Angeles County Superior Court, (iv) Adams v. Pacific  
16 Gas and Electric Company and Betz Chemical Company, filed on July 25, 2000 in Los Angeles  
17 Superior Court, (v) Baldonado v. Pacific Gas and Electric Company, filed On October 25, 2000 in  
18 Los Angeles Superior Court, (vi) Gale v. Pacific Gas and Electric Company, filed on January 30,  
19 2001 in Los Angeles Superior Court, (vii) Monice v. Pacific Gas & Electric Company, filed March  
20 15, 2001, in San Bernardino County Superior Court, (viii) Puckett v. Pacific Gas & Electric  
21 Company, filed March 30, 2001, in Los Angeles Superior Court, (ix) Alderson, et al. v. PG&E  
22 Corporation, Pacific Gas and Electric Company, Betz Chemical Company, et al., filed April 11,  
23 2001, in Los Angeles Superior Court and (x) Boyd, et al. v. Pacific Gas and Electric Company, et  
24 al., filed on May 2, 2001, in Los Angeles Superior Court.

25 Chromium Litigation Claims for Actual Damages means all Claims arising from the  
26 Chromium Litigation that result in a final judgment from a court of competent jurisdiction or a  
27 binding award, agreement or settlement payable by the Debtor or the Reorganized Debtor for  
28 damages or other obligations other than punitive, exemplary or similar damages.

1           Chromium Litigation Claims for Punitive Damages means all Claims arising from the  
2 Chromium Litigation that results in a final judgment from a court of competent jurisdiction or a  
3 binding award, agreement or settlement payable by the Debtor or the Reorganized Debtor for  
4 punitive, exemplary or similar damages, other than actual damages.

5           Chromium Subordinated Long-Term Notes means, collectively, the ETrans Chromium  
6 Subordinated Long-Term Notes, the GTrans Chromium Subordinated Long-Term Notes, the Gen  
7 Chromium Subordinated Long-Term Notes and the Reorganized Debtor Chromium Subordinated  
8 Long-Term Notes.

9           Claim has the meaning set forth in Section 101 of the Bankruptcy Code.

10          Claims Against the State means claims and actions against the State of California  
11 resulting from actions of the State of California and the CPUC relating to the recovery of transition  
12 costs and the filings to timely conclude that the conditions for ending the rate freeze had been  
13 satisfied.

14          Class means a category of holders of Claims or Equity Interests as set forth in Articles  
15 III and IV of the Plan.

16          Clerk means the clerk of the Bankruptcy Court.

17          Collateral means any property or interest in property of the estate of the Debtor subject  
18 to a Lien to secure the payment or performance of a Claim, which Lien is not subject to avoidance or  
19 otherwise invalid under the Bankruptcy Code or applicable state law.

20          Commercial Paper means short-term promissory notes bearing various interest rates  
21 based on the three month London Inter Bank Offered Rate of the Debtor issued under commercial  
22 paper dealer agreements between the Debtor and (i) Goldman Sachs & Co. dated May 30, 1997, (ii)  
23 Bank of America National Trust and Savings Association dated February 7, 1985, (iii) Salomon  
24 Smith Barney, Inc. dated November 10, 2000 and (iv) Merrill Lynch, Pierce Fenner & Smith (oral  
25 agreement).

26          Commercial Paper Claim means any Claim arising from Commercial Paper.

27          Committee means the official Committee of Unsecured Creditors appointed in the  
28 Chapter 11 Case by the United States Trustee pursuant to Section 1102 of the Bankruptcy Code.

1 The Committee is comprised of Enron Corp., Dynegy Power Marketing, Inc., P-E Berkeley, Inc.,  
2 GWF Power Systems, L.P., Bank of America, N.A., Morgan Guaranty, Merrill Lynch, Davey Tree  
3 Expert Co., the City of Palo Alto, California, the State of Tennessee and Pacific Investment  
4 Management Company LLC.

5 Common Stock means shares of the Debtor's common stock, par value \$5.00 per share.

6 Common Stock Equity Interests means any claim relating to the three hundred eighty  
7 seven million, one hundred thirty five thousand, two hundred forty two (387,135,242) issued and  
8 outstanding shares of Common Stock, each of which shares is held directly or indirectly by the  
9 Parent.

10 Confirmation Date means the date on which the Clerk of the Bankruptcy Court enters  
11 the Confirmation Order on the docket.

12 Confirmation Hearing means the hearing held by the Bankruptcy Court to consider  
13 confirmation of the Plan pursuant to Section 1129 of the Bankruptcy Code, as such hearing may be  
14 adjourned or continued from time to time.

15 Confirmation Order means the order of the Bankruptcy Court confirming the Plan  
16 pursuant to Section 1129 of the Bankruptcy Code.

17 Convenience Claims means any Claim of a vendor, supplier or service provider against  
18 the Debtor (a) in the amount of \$100,000 or less or (b) consensually reduced to \$100,000 or less.

19 Creditors means holders of Allowed Claims to be satisfied pursuant to Article IV of the  
20 Plan.

21 CPUC means the California Public Utilities Commission.

22 CPU Code means the California Public Utilities Code.

23 Debtor has the meaning set forth in the introduction to the Plan.

24 Debtor-in-Possession means the Debtor in its capacity as debtor-in-possession in the  
25 Chapter 11 Case pursuant to Sections 1101, 1107(a) and 1108 of the Bankruptcy Code.

26 Debtor's Articles of Incorporation means the Restated Articles of Incorporation of the  
27 Debtor, effective as of May 6, 1998.

28 Debtor's Bylaws means the Bylaws of the Debtor, as amended as of February 21, 2001.

1 Diablo Canyon means Diablo Canyon Power Plant.

2 Disbursing Agent means any Entity in its capacity as a disbursing agent under Section  
3 5.4 of the Plan.

4 Disclosure Statement means the Disclosure Statement for the Plan of Reorganization  
5 under Chapter 11 of the Bankruptcy Code for the Proponents, dated September 20, 2001, including,  
6 without limitation, all exhibits and schedules thereto, as approved on \_\_\_\_\_, 2001 by the  
7 Bankruptcy Court pursuant the Disclosure Statement Order.

8 Disclosure Statement Order means the Order of the Bankruptcy Court issued pursuant to  
9 Section 1125 of the Bankruptcy Code approving, among other things, the Disclosure Statement,  
10 setting dates for the confirmation hearing and for filing objections to the Plan, and establishing  
11 procedures for the solicitation and tabulation of votes to accept or reject the Plan.

12 Disputed Claim means, with reference to any Claim, proof of which was timely and  
13 properly filed, and in such case, or in the case of an Administrative Expense Claim, any  
14 Administrative Expense Claim or Claim which is disputed under the Plan or as to which the Debtor  
15 has interposed a timely objection and/or request for estimation in accordance with Section 502(c) of  
16 the Bankruptcy Code and Bankruptcy Rule 3018, which objection and/or request for estimation has  
17 not been withdrawn or determined by a Final Order, and any Claim proof of which was required to  
18 be filed by order of the Bankruptcy Court, but as to which a proof of claim was not timely or  
19 properly filed. A Claim that is Disputed by the Debtor as to its amount only shall be deemed  
20 Allowed in the amount the Debtor admits owing, if any, and Disputed as to the excess.

21 Disputed Claim Amount means the amount set forth in the proof of claim relating to a  
22 Disputed Claim or, if an amount is estimated in respect of a Disputed Claim in accordance with  
23 Section 502(c) of the Bankruptcy Code and Bankruptcy Rule 3018, the amount so estimated  
24 pursuant to an order of the Bankruptcy Court.

25 Distribution Record Date means \_\_\_ days prior to the Effective Date, as set forth in the  
26 Disclosure Statement Order.

27 DWR means the California Department of Water Resources.

28 DWR Claims means any Claim arising from the DWR Comprehensive Agreement

1 maturing in 2001 through 2008.

2 DWR Comprehensive Agreement means the Agreement between the Debtor and the  
3 DWR effective April 22, 1982 relating to the terms of certain transmission services provided to the  
4 DWR, together with all amendments, modifications, renewals, substitutions and replacements  
5 thereof.

6 Effective Date means thirty (30) days after the later of (a) the date on which the  
7 Confirmation Order is signed and (b) the date on which the conditions specified in Section 8.2 of the  
8 Plan have been satisfied or waived by the Proponents.

9 Entity has the meaning set forth in Section 101(15) of the Bankruptcy Code.

10 Environmental and Tort Claims for Actual Damages means all Claims arising from (x)  
11 environmental cleanup or similar obligations resulting from the pollution or contamination of  
12 property as a result of the Debtor's former or current operations and (y) personal injury, property  
13 damage, products liability, discrimination, employment or other similar litigation, other than the  
14 Chromium Litigation, against the Debtor that result in a final judgment from a court of competent  
15 jurisdiction or a binding award, agreement or settlement payable by the Debtor or the Reorganized  
16 Debtor for damages or other obligations other than punitive, exemplary or similar damages.

17 Environmental and Tort Claims for Punitive Damages means all Claims arising from (x)  
18 environmental cleanup or similar obligations resulting from the pollution or contamination of  
19 property as a result of the Debtor's former or current operations and (y) personal injury, property  
20 damage, products liability, discrimination, employment or other similar litigation, other than the  
21 Chromium Litigation, against the Debtor that result in a final judgment from a court of competent  
22 jurisdiction or a binding award, agreement or settlement payable by the Debtor or the Reorganized  
23 Debtor for punitive, exemplary or similar damages other than actual damages.

24 Equity Interest means any share of Common Stock, Preferred Stock or other instrument  
25 evidencing an ownership interest in the Debtor, whether or not transferable, and any option, warrant  
26 or right, contractual or otherwise, to acquire any such interest.

27 ERISA means the Employee Retirement Income Security Act of 1974, as amended.

28 ESP means energy service provider.

1           ESP Claims means any Claim arising from PX energy credits payable by the Debtor to  
2    ESPs.

3           ETrans means ETrans, LLC, a California limited liability company and a wholly-owned  
4    subsidiary of Newco.

5           ETrans Assets has the meaning set forth in Section 7.1(b) of the Plan.

6           ETrans Business means the Debtor's current electric transmission business.

7           ETrans Chromium Subordinated Long-Term Notes means the subordinated long-term  
8    debt securities to be issued by ETrans, the terms of which are set forth on the Summary of Terms of  
9    Long-Term Debt.

10          ETrans Liabilities has the meaning set forth in Section 7.1(c) of the Plan.

11          ETrans Long-Term Notes means the long-term debt securities to be issued by ETrans,  
12    the terms of which are set forth on the Summary of Terms of Long-Term Debt.

13          ETrans Membership Interests has the meaning set forth in Section 7.1(a) of the Plan.

14          ETrans New Money Notes has the meaning set forth in Section 7.1(e) of the Plan.

15          ETrans QUIDS Subordinated Long-Term Notes means the subordinated long-term debt  
16    securities to be issued by ETrans, the terms of which are set forth on the Summary of Terms of  
17    Long-Term Debt.

18          Exchange Act means the Securities Exchange Act of 1934, as amended.

19          Federal Judgment Rate means the monthly average of the one year constant maturity  
20    Treasury yield (as provided for in Section 1961 of title 28 of the United States Code, as amended),  
21    calculated as of the last day of each relevant month.

22          FPA means the Federal Power Act of 1920, as amended.

23          Fed. Rules Civ. Pro. means the Federal Rules of Civil Procedure.

24          FERC means the Federal Energy Regulatory Commission.

25          Filing Date means September 20, 2001.

26          Final Order means an order of the Bankruptcy Court, or any other court of competent  
27    jurisdiction, as to which the time to appeal, petition for certiorari, or move for reargument or  
28    rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for



1 reargument or rehearing shall then be pending or as to which any right to appeal, petition for  
2 certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to  
3 the Debtor or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has  
4 been sought, such order of the Bankruptcy Court or other court of competent jurisdiction shall have  
5 been determined by the highest court to which such order was appealed, or certiorari, reargument or  
6 rehearing shall have been denied and the time to take any further appeal, petition for certiorari or  
7 move for reargument or rehearing shall have expired; provided, however, that the possibility that a  
8 motion under Rule 59 or Rule 60 of the Fed. Rules Civ. Pro., or any analogous rule under the  
9 Bankruptcy Rules or applicable state court rules of civil procedure, may be filed with respect to such  
10 order shall not prevent such order from being a Final Order.

11 First and Refunding Mortgage Bonds means (i) 7.875% First and Refunding Mortgage  
12 Bonds Series 92A due March 1, 2002, (ii) 6.250% First and Refunding Mortgage Bonds Series 93C  
13 due August 1, 2003, (iii) 6.25% First and Refunding Mortgage Bonds Series 93G due March 1,  
14 2004, (iv) 5.875% First and Refunding Mortgage Bonds Series 93E due October 1, 2005, (v) First  
15 and Refunding Mortgage Bonds Series 81B due August 1, 2011, (vi) First and Refunding Mortgage  
16 Bonds Series 91A due May 1, 2024, (vii) 8.375% First and Refunding Mortgage Bonds Series 92B  
17 due May 1, 2025, (viii) 8.25% First and Refunding Mortgage Bonds Series 92D due November 1,  
18 2022, (ix) 7.25% First and Refunding Mortgage Bonds Series 93A due March 1, 2026, (x) 7.25%  
19 First and Refunding Mortgage Bonds Series 93D due August 1, 2026, (xi) 6.75% First and  
20 Refunding Mortgage Bonds Series 93F due October 1, 2023, and (xii) 7.05% First and Refunding  
21 Mortgage Bonds Series 93H due March 1, 2024, issued by the Debtor under the Mortgage.

22 Floating Rate Note Claims means any Claim arising from the Floating Rate Notes.

23 Floating Rate Notes means the Floating Rate Notes due October 31, 2001 issued by the  
24 Debtor under an indenture dated as of September 1, 1987 under which The Bank of New York was  
25 the indenture trustee on the Petition Date, together with all amendments, modifications, renewals,  
26 substitutions and replacements thereof.

27 Gen means Gen, LLC, a California limited liability company and a wholly-owned  
28 subsidiary of Newco.

1           Gen Assets has the meaning set forth in Section 7.3(b) of the Plan.

2           Gen Business means the Debtor's current electricity generation business.

3           Gen Chromium Subordinated Long-Term Notes means the subordinated long-term debt  
4 securities to be issued by Gen, the terms of which are set forth on the Summary of Terms of Long-  
5 Term Debt.

6           General Unsecured Claim means any Claim, including, but not limited to, (a) Revolving  
7 Line of Credit Claims, (b) Medium Term Notes Claims, (c) Senior Note Claims, (d) Floating Rate  
8 Note Claims, (e) DWR Claims, (f) Southern San Joaquin Valley Power Authority Bond Claims, (g)  
9 Claims arising from the rejection of leases of nonresidential real property and executory contracts,  
10 (h) Claims relating to pre-petition litigation against the Debtor other than Environmental and Tort  
11 Claims for Actual Damages, Environmental and Tort Claims for Punitive Damages, Chromium  
12 Litigation Claims for Actual Damages or Chromium Litigation Claims for Punitive Damages, (i)  
13 Claims of the Debtor's vendors, suppliers and service providers, (j) Claims relating to intercompany  
14 obligations and (k) Commercial Paper Claims; provided, however that General Unsecured Claims  
15 will not include any unsecured Claims included in any other class.

16           Gen Liabilities has the meaning set forth in Section 7.3(c) of the Plan.

17           Gen Long-Term Notes means the long-term debt securities to be issued by Gen, the  
18 terms of which are set forth on the Summary of Terms of Long-Term Debt.

19           Gen Membership Interests has the meaning set forth in Section 7.3(a) of the Plan.

20           Gen New Money Notes has the meaning set forth in Section 7.3(e) of the Plan.

21           Gen QUIDS Subordinated Long-Term Notes means the subordinated long-term debt  
22 securities to be issued by Gen, the terms of which are set forth on the Summary of Terms of Long-  
23 Term Debt.

24           Governmental Entity means any federal, state or local governmental authority or  
25 regulatory agency, authority, commission or instrumentality thereof.

26           GTrans means GTrans, LLC, a California limited liability company and a wholly-owned  
27 subsidiary of Newco.

28           GTrans Assets has the meaning set forth in Section 7.2(b) of the Plan.

1            GTrans Business means the Debtor's current interstate gas transmission business.

2            GTrans Chromium Subordinated Long-Term Notes means the subordinated long-term  
3 debt securities to be issued by GTrans, the terms of which are set forth on the Summary of Terms of  
4 Long-Term Debt.

5            GTrans Liabilities has the meaning set forth in Section 7.2(c) of the Plan.

6            GTrans Long-Term Notes means the long-term debt securities to be issued by GTrans,  
7 the terms of which are set forth on the Summary of Terms of Long-Term Debt.

8            GTrans Membership Interests has the meaning set forth in Section 7.2(a) of the Plan.

9            GTrans New Money Notes has the meaning set forth in Section 7.2(e) of the Plan.

10           GTrans QUIDS Subordinated Long-Term Notes means the subordinated long-term debt  
11 securities to be issued by GTrans, the terms of which are set forth on the Summary of Terms of  
12 Long-Term Debt.

13           HSR means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

14           Humboldt Bay means Unit 3 of the Humboldt Bay Power Plant.

15           Impaired means any Class of Claims or Equity Interests that is impaired within the  
16 meaning of Section 1124 of the Bankruptcy Code.

17           Indenture means, with respect to each series of PC Bonds, that certain indenture of trust  
18 between the Issuer and the Bond Trustee pursuant to which such series of PC Bonds were issued, as  
19 originally executed, together with all amendments, modifications, renewals, substitutions and  
20 replacements thereof.

21           Intercompany Agreement has the meaning set forth in Section 4.10(b)(ii) of the Plan.

22           Internal Restructuring means the transactions set forth in Sections 7.1 through 7.4,  
23 Sections 7.5(a) through 7.5(j), and Section 7.6 of the Plan.

24           IRS means the United States Internal Revenue Service.

25           Issuer means the California Pollution Control Financing Authority, a public  
26 instrumentality and political subdivision of the State of California, organized and existing under the  
27 California Pollution Control Financing Authority Act, being Division 27 (commencing at Section  
28 44500) of the California Health and Safety Code, as supplemented and amended.

1            ISO means the California Independent System Operator.

2            ISO, PX and Generator Claims mean any Claim arising from amounts due to the ISO,  
3            PX and various power generators based on purchases of electricity or ancillary services by the  
4            Debtor in markets operated by the PX and the ISO.

5            Issuance Date has the meaning set forth in Section 11.2(a) of the Plan.

6            Letter of Credit means, with respect to each series of Letter of Credit Backed PC Bonds,  
7            that certain irrevocable direct pay letter of credit issued by the Letter of Credit Issuing Bank for the  
8            account of the Debtor to the Bond Trustee and delivered to the Bond Trustee in accordance with the  
9            terms of the respective Indenture, securing, among other things, the payment of the principal of, and  
10           interest on, the respective series of Letter of Credit Backed PC Bonds, together with all  
11           amendments, modifications, renewals, substitutions and replacements thereof.

12           Letter of Credit Backed PC Bond Claims means all Claims of the Issuer, Bond Trustee  
13           and the holders of Letter of Credit Backed PC Bonds for all amounts due and owing by the Debtor  
14           under the Loan Agreements and each of the other PC Bond Documents executed by the Debtor in  
15           connection with the issuance of each series of Letter of Credit Backed PC Bonds.

16           Letter of Credit Backed PC Bonds means collectively, any series of 96C Bonds, 96E  
17           Bonds, 96F Bonds and/or 97B Bonds that are outstanding as of the Voting Record Date or the  
18           Effective Date, as applicable.

19           Letter of Credit Issuing Bank means, with respect to each series of Letter of Credit  
20           Backed PC Bonds, the issuer of the Letter of Credit.

21           Letter of Credit Bank Claims means Claims relating to (a) the contingent Claims of each  
22           Letter of Credit Issuing Bank and the applicable Banks, if any, with respect to payments which may  
23           become due by the Debtor under their respective Reimbursement Agreements with the Debtor in an  
24           amount equal to the outstanding Stated Amount of each of the Letters of Credit, and (b) the Claims  
25           of the Letter of Credit Issuing Banks and the applicable Banks, if any, for any and all accrued and  
26           unpaid amounts due by the Debtor under their respective Reimbursement Agreements, including  
27           amounts due as reimbursement of amounts paid by each Letter of Credit Issuing Bank under its  
28           respective Letter of Credit to the Bond Trustee for the payment of interest on the related series of

1 Letter of Credit Backed PC Bonds.

2 Lien has the meaning set forth in Section 101 of the Bankruptcy Code.

3 Loan Agreement means, with respect to each series of PC Bonds, that certain loan  
4 agreement by and between the Issuer and the Debtor with respect to such series of PC Bonds, as  
5 originally executed, together with all amendments, modifications, renewals, substitutions and  
6 replacements thereof.

7 Long-Term Notes means, collectively, the ETrans Long-Term Notes, the GTrans Long-  
8 Term Notes and the Gen Long-Term Notes.

9 Master Separation Agreement has the meaning set forth in Section 7.6(c) of the Plan.

10 MBIA means MBIA Insurance Corporation.

11 MBIA Claims means any Claims relating to (a) the contingent Claims of MBIA with  
12 respect to payments which may become due by the Debtor under the terms of the MBIA  
13 Reimbursement Agreement as reimbursement for payments made by MBIA under the PC Bond  
14 Insurance Policy, and (b) the Claims of MBIA for any and all accrued and unpaid amounts due by  
15 the Debtor under the MBIA Reimbursement Agreement, including any and all amounts due by the  
16 Debtor as reimbursement of amounts paid by MBIA under the PC Bond Insurance Policy to the  
17 Bond Trustee for the payment of interest on the MBIA Insured PC Bonds.

18 MBIA Insured PC Bond Claims means any Claims of the Issuer, Bond Trustee and the  
19 holders of the MBIA Insured PC Bonds for all amounts due and owing by the Debtor under the Loan  
20 Agreements and each of the other PC Bond Documents executed by the Debtor in connection with  
21 the issuance of each series of MBIA Insured PC Bonds.

22 MBIA Insured PC Bonds means those certain California Pollution Control Financing  
23 Authority, Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1996 Series A  
24 issued by the Issuer in the aggregate principal amount of \$200,000,000.

25 MBIA Reimbursement Agreement means that certain Reimbursement and Indemnity  
26 Agreement, dated as of May 1, 2000, by and between the Debtor and MBIA, pursuant to which  
27 MBIA has issued the PC Bond Insurance Policy, together with all amendments, modifications, and  
28 renewals thereof.

1           Medium Term Note Claims means any Claim arising from the Medium Term Notes.

2           Medium Term Notes means those certain notes bearing various interest rates from  
3 5.810% to 8.450% due through October 7, 2013 issued by the Debtor other than the Senior Notes  
4 and the Floating Rate Notes issued by the Debtor under an indenture dated as of September, 1987, as  
5 amended, under which the Bank of New York was the indenture trustee on the Petition Date.

6           Membership Interests means, collectively, the ETrans Membership Interests, the GTrans  
7 Membership Interests and the Gen Membership Interests.

8           Moody's means Moody's Investor Services or its successor.

9           Mortgage means that certain First and Refunding Mortgage dated December 1, 1920,  
10 made by the Debtor, under which BNY Western Trust Company was trustee on the Petition Date,  
11 together with all amendments, modifications, renewals, substitutions and replacements thereof.

12           Mortgage Backed PC Bonds means collectively, the 92A Bonds, the 92 B Bonds, the  
13 93A Bonds and the 93B Bonds.

14           Mortgage Backed PC Bond Claims means any Claim of the Issuer, Bond Trustee and the  
15 holders of the Mortgage Backed PC Bonds for all amounts due and owing by the Debtor under the  
16 Loan Agreement and each of the other PC Bond Documents executed by the Debtor in connection  
17 with the issuance of each series of Mortgage Backed PC Bonds.

18           Mortgage Bonds means, with respect to each series of Mortgage Backed PC Bonds,  
19 those certain first and refunding mortgage bonds made by the Debtor in favor of the Bond Trustee  
20 pursuant to and secured by the Mortgage, in an aggregate principal amount equal to the related series  
21 of Mortgage Backed PC Bonds.

22           Newco means Newco, Inc., a California corporation and initially a wholly-owned  
23 subsidiary of the Debtor.

24           Newco Common Stock has the meaning set forth in Section 7.4(a) of the Plan.

25           New Money Notes means, collectively, the ETrans New Money Notes, the GTrans New  
26 Money Notes, the Gen New Money Notes and the Reorganized Debtor New Money Notes.

27           New Mortgage Bonds means mortgage bond to be issued by the Reorganized Debtor,  
28 the terms of which are set forth on the Summary of Terms of Long-Term Debt.

1           NGA means the Natural Gas Policy Act of 1978.

2           NOP or Net Open Position means the Debtor's customer electricity load requirements  
3 that are not met by (a) the DWR's long-term contracts or (b) the Reorganized Debtor's generating  
4 facilities or other long-term contracts with QFs and other providers existing as of the Effective Date.

5           NRC means the U.S. Nuclear Regulatory Commission.

6           NYSE means the New York Stock Exchange.

7           Other Priority Claims means any Claim, other than an Administrative Expense Claims  
8 or a Priority Tax Claims, entitled to priority in right of payment under Section 507(a) of the  
9 Bankruptcy Code.

10          Other Secured Claims means, among other Claims, Claims relating to mechanics' and  
11 materialmen's liens and secured tax Claims, as well as Secured Claims other than those Secured  
12 Claims in Class 3a, Class 3b or Class 4a.

13          PC Allocable Share means, with respect to each series of PC Bonds, that portion of the  
14 Debtor's payment obligations arising under the related PC Bond Documents to be allocated to each  
15 of ETrans, GTrans, Gen and the Reorganized Debtor, which shall be approximately as follows: (a)  
16 ETrans: twenty six percent (26%); (b) GTrans: seventeen percent (17%); (c) Gen: fourteen percent  
17 (14%); and (d) Reorganized Debtor: forty three percent (43%).

18          PC Bond Documents means, with respect to each series of PC Bonds, the Loan  
19 Agreement, Indenture, and all of the other documents, instruments, agreements and certificates  
20 evidencing, securing, governing or otherwise pertaining to the respective Bond Loan or the  
21 respective series of PC Bonds or otherwise executed and delivered by or on behalf of the Debtor in  
22 connection with any of the foregoing, together with all amendments, modifications, renewals,  
23 substitutions and replacements of or to any of the foregoing.

24          PC Bond Insurance Policy means that certain Financial Guaranty Insurance Policy  
25 issued by MBIA with respect to the MBIA Insured PC Bonds, together with all amendments,  
26 modifications, renewals, substitutions and replacements thereof.

27          PC Bonds means collectively, the Letter of Credit Backed PC Bonds, the MBIA Insured  
28 Bonds, the Mortgage Backed PC Bonds, the Prior Bonds and the Treasury Bonds.

1            Person has the meaning set forth in Section 101(41) of the Bankruptcy Code.

2            Petition Date means April 6, 2001, the date on which the Debtor commenced the  
3 Chapter 11 Case.

4            Parent and PG&E Corporation has the meaning set forth in the introduction to the Plan.

5            Parent Assets has the meaning set forth in Section 7.6(a) of the Plan.

6            Parent Liabilities has the meaning set forth in Section 7.6(b) of the Plan.

7            Plan means this Plan of Reorganization under Chapter 11 of the Bankruptcy Code for  
8 Pacific Gas and Electric Company proposed by the Proponents, dated September 20, 2001,  
9 including, without limitation, the Plan Supplement and all exhibits, supplements, appendices and  
10 schedules hereto, either in its present form or as the same may be altered, amended or modified from  
11 time to time.

12           Plan Supplement means the documents, schedules and other instruments to be filed with  
13 the Bankruptcy Court in accordance with Section 11.18 of the Plan.

14           Preferred Stock means the issued and outstanding shares of the Debtor's First Preferred  
15 Stock, par value \$25.00 per share, and the Debtor's \$100 First Preferred Stock, par value \$100.00  
16 per share. The Debtor's First Preferred Stock includes: (a) 6% First Preferred Stock, (b) 5 1/2% First  
17 Preferred Stock, (c) 5% First Preferred Stock, (d) 5% Redeemable First Preferred, (e) 5%  
18 Redeemable Series A, (f) 4.80% Redeemable First Preferred, (g) 4.50% Redeemable First Preferred,  
19 (h) 4.36% Redeemable First Preferred, (i) 6.57% Redeemable First Preferred, (j) 7.04% Redeemable  
20 First Preferred, and (k) 6.30% Redeemable First Preferred.

21           Preferred Stock Equity Interests means any Claim relating to the Debtor's Preferred  
22 Stock.

23           Prior Bond Claims means any Claims of the Prior Letter of Credit Issuing Banks for any  
24 and all accrued and unpaid amounts due by the Debtor under their respective Prior Reimbursement  
25 Agreements, including amounts due as reimbursement of amounts paid by each Prior Letter of  
26 Credit Issuing Banks under its respective Prior Letter of Credit to the Bond Trustee for the payment  
27 of the redemption price of the related series of Prior Bonds.

28           Prior Bonds means collectively, the 96B Bonds, the 96D Bonds, the 97A Bonds and the



1 97C Bonds, together with any series of 96C Bonds, 96E Bonds, 96F Bonds and/or 97B Bonds that  
2 have been redeemed in whole, but not in part, as of the Voting Record Date or the Effective Date, as  
3 applicable.

4 Prior Letter of Credit means, with respect to each series of Prior Bonds, that certain  
5 irrevocable direct pay letter of credit issued by the Prior Letter of Credit Issuing Bank for the  
6 account of the Debtor to the Bond Trustee and delivered to the Bond Trustee in accordance with the  
7 terms of the respective Indenture which secured, among other things, the payment of the principal  
8 of, and interest on, the respective series of Prior Bonds, together with all amendments,  
9 modifications, renewals, substitutions and replacements thereof.

10 Prior Letter of Credit Issuing Bank means, with respect to each series of Prior Bonds,  
11 the issuer of the Prior Letter of Credit.

12 Prior Reimbursement Agreement means, with respect to each series of Prior Bonds, that  
13 certain reimbursement or other agreement between the Debtor and the Prior Letter of Credit Issuing  
14 Bank providing, among other things, for the issuance of the related Prior Letter of Credit and the  
15 reimbursement of the Prior Letter of Credit Issuing Bank for draws made thereunder, together with  
16 all amendments, modifications, renewals, substitutions and replacements thereof.

17 Priority Tax Claim means any Claim for taxes entitled to priority in payment under  
18 Section 507(a)(8) of the Bankruptcy Code.

19 Professional Compensation and Reimbursement Claims means Administrative Claims  
20 for the compensation of professionals and reimbursement of expenses incurred by such professionals  
21 pursuant to Sections 503(b)(2), 503(b)(3), 503(b)(4) and 503(b)(5) of the Bankruptcy Code.

22 Proponents means the Debtor and the Parent.

23 PUHCA means the Public Utility Holding Company Act of 1935, as amended.

24 PX means the California Power Exchange.

25 QFs means qualifying facilities.

26 QUIDS means the 7.90% Deferrable Interest Subordinated Debentures, Series A, Due  
27 December 31, 2025 issued by the Debtor under the QUIDS Indenture, together with all amendments,  
28 modifications, renewals, substitutions and replacements thereof.

1            QUIDS Claims means all Claims arising from the QUIDS.

2            QUIDS Indenture means the Indenture dated as of November 28, 1995 and issued by the  
3 Debtor to the First National Bank of Chicago, as trustee, together with all amendments,  
4 modifications, renewals, substitutions and replacements thereof.

5            QUIDS Subordinated Long-Term Notes means, collectively, the ETrans QUIDS  
6 Subordinated Long-Term Notes, the GTrans QUIDS Subordinated Long-Term Notes and the Gen  
7 QUIDS Subordinated Long-Term Notes

8            Rate Recovery has the meaning set forth in Section 7.5(g) of the Plan.

9            Rate Recovery Litigation means Pacific Gas and Electric Co. v. Loretta Lynch, et al.,  
10 case no. C-00-4128-SBA in the United States District Court for the Northern District of California,  
11 or any subsequent lawsuit raising the same claims.

12            Refunding Bonds means, with respect to each series of Prior Bonds, a new series of  
13 revenue bonds to be issued by the Issuer (or other authorized governmental entity) for the benefit of  
14 the Reorganized Debtor, the proceeds of the sale of which shall be loaned by the Issuer to the  
15 Reorganized Debtor for the purpose of paying the principal portion of the redemption price of such  
16 series of Prior Bonds by repaying the related Reimbursement Obligation.

17            Reimbursement Agreement means, with respect to each series of Letter of Credit Backed  
18 PC Bonds, that certain reimbursement or other agreement between the Debtor and the Letter of  
19 Credit Issuing Bank and certain other Banks, if any, that are signatories thereto providing, among  
20 other things, for the issuance of the related Letter of Credit and the reimbursement of the Letter of  
21 Credit Issuing Bank and certain other Banks, if any, that are signatories thereto for draws made  
22 under such Letter of Credit, together with all amendments, modifications, renewals, substitutions  
23 and replacements thereof.

24            Reimbursement Obligation means, with respect to each series of Prior Bonds, that  
25 portion of the reimbursement obligation of the Debtor under the Prior Reimbursement Agreement  
26 arising with respect to the portion of the final drawing made under the related Prior Letter of Credit  
27 for the payment of the principal portion of the redemption price of the related series of Prior Bonds.

28            Releasees means (i) all present and former officers and directors of the Debtor and the

1 Parent who were directors and/or officers, respectively, on or after the Petition Date; (ii) any other  
2 Persons who serve or served as members of management of the Debtor or the Parent on or after the  
3 Petition Date; (iii) all present and former members of the Committee; (iv) all present and former  
4 officers and directors and other Persons who serve or served as members of the management of any  
5 present or former member of the Committee; and (v) all advisors, consultants or professionals of or  
6 to the Debtor and the Parent, the Committee and the members of the Committee.

7 Reorganized Debtor means the Debtor, or any successor thereto by merger,  
8 consolidation or otherwise, on and after the Effective Date, other than Newco, ETrans, GTrans or  
9 Gen or their respective subsidiaries or affiliates.

10 Reorganized Debtor Chromium Subordinated Long-Term Notes means the subordinated  
11 long-term debt securities to be issued by the Reorganized Debtor, the terms of which are set forth on  
12 the Summary of Terms of Long-Term Debt.

13 Reorganized Debtor New Money Notes means long-term debt securities to be issued by  
14 the Reorganized Debtor, the terms of which are set forth on the Summary of Terms of Long-Term  
15 Debt.

16 Reorganized Debtor Power Purchase Agreement has the meaning set forth in Section  
17 7.3(g) of the Plan.

18 Reorganized Debtor Spin-Off has the meaning set forth in Section 7.6(c) of the Plan.

19 Restructuring Transactions means the transactions set forth in Article VII of the Plan.

20 Revolving Line of Credit means the Amended and Restated Credit Agreement dated as  
21 of December 1, 1997, as amended, as to which Bank of America National Trust and Savings  
22 Association was the Administrative Agent on the Petition Date, together with all amendments,  
23 modifications, renewals, substitutions and replacements thereof.

24 Revolving Line of Credit Claim means any Claim arising from the Revolving Line of  
25 Credit.

26 RTO means Regional Transmission Organization.

27 Schedules means (i) the schedule of assets and liabilities, (ii) the list of holders of Equity  
28 Interests, (iii) the statement of financial affairs filed by the Debtor under Section 521 of the

HOWARD  
RICE  
NEMEROVSKI  
CANADY  
BALK  
BARAKIN  
A Professional Corporation

1 Bankruptcy Code and Bankruptcy Rule 1007, and (iv) all amendments and modifications thereto  
2 through and including the date by which objections to Claims must be filed with the Bankruptcy  
3 Court pursuant to Section 11.11 hereto.

4 SEC means the United States Securities and Exchange Commission.

5 Secured Claim means any Claim, to the extent reflected in the Schedules or a proof of  
6 claim as a Secured Claim, which is secured by a Lien on Collateral to the extent of the value of such  
7 Collateral, as determined in accordance with Section 506(a) of the Bankruptcy Code, or, in the event  
8 that such Claim is subject to a permissible setoff under Section 553 of the Bankruptcy Code, to the  
9 extent of such permissible setoff.

10 Secured Claims Relating to First and Refunding Mortgage Bonds means any Claim  
11 arising from the First and Refunding Mortgage Bonds.

12 Secured Claims Relating to Replaced First and Refunding Mortgage Bonds means any  
13 Claim arising from Secured Claims against the Debtor evidenced by the Mortgage Bonds that secure  
14 the Mortgage Backed PC Bond Claims.

15 Securities Act means the Securities Act of 1933, as amended.

16 Senior Note Claims means all Claims arising from the Senior Notes.

17 Senior Notes means the 7.375% Senior Notes due November 1, 2005 issued by the  
18 Debtor under an indenture dated September 1, 1987 as amended under which The Bank of New  
19 York was the indenture trustee on the Petition Date, together with all amendments, modifications,  
20 renewals, substitutions and replacements thereof.

21 Southern San Joaquin Valley Power Authority Agreement means the Agreement  
22 between the Debtor and the Southern San Joaquin Valley Power Authority dated as of July 1, 1997  
23 and related Indenture of Trust dated as of November 1, 1991 between the Southern San Joaquin  
24 Valley Power Authority and Bank of America National Trust and Savings Association as Trustee in  
25 respect of amounts payable on certain bonds issued by Southern San Joaquin Power Authority  
26 maturing in 2001 through January 1, 2013, together with all amendments, modifications, renewals,  
27 substitutions and replacements thereof.

28 Southern San Joaquin Valley Power Authority Bond Claims means any Claim arising

1 from the Southern San Joaquin Valley Power Authority Agreement.

2 S&P means Standard & Poor's Rating Services, a division of The McGraw Hill  
3 Companies, Inc., or its successor.

4 Stated Amount means, with respect to each Letter of Credit, the aggregate amount  
5 available to be drawn thereunder, from time to time, in accordance with the terms thereof.

6 Summary of Terms of Long-Term Debt means the summary of terms of the long-term  
7 debt securities to be issued by each of ETrans, GTrans, Gen and the Reorganized Debtor as set forth  
8 on Exhibit 1 to the Plan.

9 Transmission Control Agreement means the Transmission Control Agreement dated  
10 March 31, 1998, per the order in California Independent System Operator Cooperation, 82 FERC  
11 ¶ 61,235 (1998), together with all amendments, modifications, renewals, substitutions and  
12 replacements thereof.

13 Transmission and Storage Contract has the meaning set forth in Section 7.2(g) of the  
14 Plan.

15 Treasury PC Bond Claims means the Claims of the Issuer, Bond Trustee and the holders  
16 of Treasury PC Bonds for all amounts due and owing by the Debtor under the Loan Agreements and  
17 each of the other PC Bond Documents executed by the Debtor in connection with the issuance of  
18 each series of Treasury PC Bonds.

19 Treasury PC Bonds means, collectively, the 96G Bonds and the 97D Bonds.

20 Trusts means trusts created to cover costs associated with the decommissioning of  
21 Diablo Canyon and Humboldt Bay, consisting of a CPUC jurisdictional "qualified" trust covering  
22 both facilities, a CPUC jurisdictional "non-qualified" trust covering Humboldt Bay, and a FERC  
23 jurisdictional "qualified" trust covering both facilities.

24 Unimpaired means any Class of Claims or Equity Interests which is not Impaired.

25 Voting Record Date means \_\_\_\_\_, 20\_\_, as set forth in the Disclosure Statement  
26 Order.

27 WAPA means the Western Area Power Administration, U.S. Department of Energy.

28 Western RTO means a single RTO which encompasses most of the Western United

1 States, including California, and potentially Canadian provinces, that are interconnected in the  
2 region encompassed by the Western Systems Coordinating Council.

3 1.2 Interpretation; Application of Definitions and Rules of Construction. Wherever  
4 from the context it appears appropriate, each term stated in either the singular or the plural shall  
5 include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter  
6 gender shall include the masculine, feminine and neuter. Unless otherwise specified, all section,  
7 article, schedule or exhibit references in the Plan are to the respective Section in, Article of,  
8 Schedule to, or Exhibit to, the Plan. The words "herein," "hereof," "hereto," "hereunder" and other  
9 words of similar import refer to the Plan as a whole and not to any particular section, subsection or  
10 clause contained in the Plan. The rules of construction contained in Section 102 of the Bankruptcy  
11 Code shall apply to the construction of the Plan. A term used herein that is not defined herein, but  
12 that is used in the Bankruptcy Code, shall have the meaning ascribed to that term in the Bankruptcy  
13 Code. The headings in the Plan are for convenience of reference only and shall not limit or  
14 otherwise affect the provisions of the Plan.

## 15 **ARTICLE II**

### 16 **TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS, 17 PROFESSIONAL COMPENSATION AND REIMBURSEMENT 18 CLAIMS, AND PRIORITY TAX CLAIMS**

19 2.1 Administrative Expense Claims. Except to the extent that any entity entitled to  
20 payment of any Allowed Administrative Expense Claim agrees to a less favorable treatment, each  
21 holder of an Allowed Administrative Expense Claim shall receive Cash in an amount equal to such  
22 Allowed Administrative Expense Claim on the later of the Effective Date and the date such  
23 Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon  
24 thereafter as is practicable; provided, however, that Allowed Administrative Expense Claims  
25 representing liabilities incurred in the ordinary course of business by the Debtor-in-Possession or  
26 liabilities arising under loans or advances to or other obligations incurred by the Debtor-in-  
27 Possession shall be paid in full and performed by the Debtor in the ordinary course of business in  
28 accordance with the terms and subject to the conditions of any agreements governing, instruments  
evidencing or other documents relating to such transactions.

2.2 Professional Compensation and Reimbursement Claims. The holders of Professional Compensation and Reimbursement Claims shall file their respective final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Effective Date by no later than the date that is ninety (90) days after the Effective Date, or such other date as may be fixed by the Bankruptcy Court. If granted such an award by the Bankruptcy Court, such award shall be paid in full in such amounts as are Allowed by the Bankruptcy Court either (a) on the date such Professional Compensation and Reimbursement Claim becomes an Allowed Professional Compensation and Reimbursement Claim, or as soon thereafter as is practicable, or (b) upon such other terms as may be mutually agreed upon between such holder of an Allowed Professional Compensation and Reimbursement Claim and the Debtor.

2.3 Priority Tax Claims. Except to the extent that a holder of an Allowed Priority Tax Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Priority Tax Claim, at the sole option of the Debtor, (a) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable, or (b) equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at a fixed annual rate equal to 8.0%, over a period through the sixth (6th) anniversary of the date of assessment of such Allowed Priority Tax Claim, or upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Priority Tax Claim deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Priority Tax Claim.

### ARTICLE III

## CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

Claims and Equity Interests other than Administrative Expense Claims, Professional and Reimbursement Claims and Priority Tax Claims are classified for all purposes, including voting, confirmation and distribution pursuant to the Plan, as follows:

	<u>Class</u>	<u>Claim/Interest</u>	<u>Status</u>
1			
2	--	Administrative Expense Claims	Unimpaired
3	--	Professional Compensation and Reimbursement Claims	Unimpaired
4	--	Priority Tax Claims	Unimpaired
5	1	Other Priority Claims	Unimpaired
6	2	Other Secured Claims	Unimpaired
7	3a	Secured Claims Relating to First and Refunding Mortgage Bonds	Impaired
8	3b	Secured Claims Relating to Replaced First and Refunding Mortgage Bonds	Impaired
9			
10	4a	Mortgage Backed PC Bond Claims	Impaired
11	4b	MBIA Insured PC Bond Claims	Impaired
12	4c	MBIA Claims	Impaired
13	4d	Letter of Credit Backed PC Bond Claims	Impaired
14	4e	Letter of Credit Bank Claims	Impaired
15	4f	Prior Bond Claims	Impaired
16	4g	Treasury PC Bond Claims	Unimpaired
17	5	General Unsecured Claims	Impaired
18	6	ISO, PX and Generator Claims	Impaired
19	7	ESP Claims	Impaired
20	8a	Environmental and Tort Claims for Actual Damages	Unimpaired
21	8b	Environmental and Tort Claims for Punitive Damages	Unimpaired
22	9a	Chromium Litigation Claims for Actual Damages	Impaired
23	9b	Chromium Litigation Claims for Punitive Damages	Impaired
24	10	Convenience Claims	Unimpaired
25	11	QUIDS Claims	Impaired
26	12	Preferred Stock Equity Interests	Impaired
27	13	Common Stock Equity Interests	Impaired
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ARTICLE IV

TREATMENT OF CLAIMS AND EQUITY INTERESTS

4.1 Payment of Interest. Allowed Claims shall include amounts owed with respect to the period prior to the Petition Date and applicable interest accrued during such period. Holders of Allowed Claims shall also be paid in Cash any accrued and unpaid interest due on the principal amount of such Allowed Claims through the Effective Date. Except as otherwise provided herein, any interest payable under this Section 4.1 shall be calculated at the lowest non-default rate specified in the applicable indenture or instrument governing such Allowed Claim. If no such instrument exists, or if the applicable instrument does not specify a non-default rate of interest, interest shall be paid on the principal amount of such Allowed Claim at the Federal Judgment Rate.

4.2 Timing of Payments and Distributions.

(a) Each of the distributions specified in this Article IV with respect to accrued pre-petition and post-petition interest on all Allowed General Unsecured Claims, Allowed ISO, PX and Generator Claims and Allowed ESP Claims accrued through the Confirmation Date shall be paid within ten (10) days of the Confirmation Date, or as soon thereafter as practicable. From the Confirmation Date through the earlier of (i) certain events affecting the Plan and (ii) the Effective Date, each of the distributions specified in this Article IV with respect to interest on all Allowed General Unsecured Claims, Allowed ISO, PX and Generator Claims and Allowed ESP Claims accrued after the Confirmation Date shall be paid in arrears on a quarterly basis; provided, however, the amounts paid pursuant to this Section 4.2(a) on account of post-petition interest may be re-characterized, in the sole discretion of the Proponents, in the event certain events occur.

(b) Except as set forth in Section 4.2(a) above and except to the extent a holder of an Allowed Claim or Equity Interest as of the Distribution Record Date has otherwise been paid all or a portion of such holders Allowed Claim or Equity Interest prior to the Effective Date, each of the distributions specified in this Article IV with respect to each Allowed Claim or Equity Interest shall (i) occur on the later of the Effective Date, the date such Allowed Claim or Equity Interest becomes an Allowed Claim or Equity Interest or as soon thereafter as is practicable, and (ii) be in full and complete settlement, satisfaction and discharge of such Allowed Claim or Equity Interest.

1                   4.3    Class 1 - Other Priority Claims.

2                   (a)   Distributions. Each holder of an Allowed Other Priority Claim, if any  
3 exist, shall be paid in full, in Cash, on the later of Effective Date and the date its Other Priority  
4 Claim becomes an Allowed Claim, or as soon thereafter as is practicable.

5                   (b)   Impairment and Voting. Class 1 is unimpaired by the Plan. Each holder of  
6 an Allowed Other Priority Claim is conclusively presumed to have accepted the Plan and is not  
7 entitled to vote to accept or reject the Plan.

8                   4.4    Class 2 - Other Secured Claims.

9                   (a)   Distributions/Reinstatement of Claims. Each holder of an Allowed Other  
10 Secured Claim shall, at the option of the Debtor, (i) be reinstated and rendered unimpaired in  
11 accordance with Section 1124(2) of the Bankruptcy Code or (ii) receive Cash in an amount equal to  
12 such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim  
13 required to be paid pursuant to Section 506(b) of the Bankruptcy Code, on the later of the Effective  
14 Date and the date such Other Secured Claim becomes an Allowed Other Secure Claim, or as soon  
15 thereafter as is practicable.

16                   (b)   Impairment and Voting. Class 2 is unimpaired by the Plan. Each holder of  
17 an Allowed Other Secured Claim is conclusively presumed to have accepted the Plan and is not  
18 entitled to vote to accept or reject the Plan.

19                   4.5    Class 3a - Secured Claims Relating to First and Refunding Mortgage Bonds.

20                   (a)   Allowance. The Secured Claims Relating to First and Refunding  
21 Mortgage Bonds shall be deemed Allowed Secured Claims Relating to First and Refunding  
22 Mortgage Bonds in the amounts set forth in Schedule 4.5 to the Plan Supplement.

23                   (b)   Distributions. Each holder of an Allowed Secured Claim Relating to First  
24 and Refunding Mortgage Bonds shall receive Cash in an amount equal to one hundred percent  
25 (100%) of such Allowed Claim. Allowed Secured Claims Relating to First and Refunding Mortgage  
26 Bonds shall not include any prepayment or other penalties associated with the repayment of First  
27 and Refunding Mortgage Bonds.

28                   (c)   Liens. All existing liens securing the Allowed Secured Claims Relating to

1 First and Refunding Mortgage Bonds shall be extinguished as of the Effective Date.

2 (d) Impairment and Voting. Class 3a is impaired by the Plan. Each holder of  
3 an Allowed Secured Claim Relating to First and Refunding Mortgage Bonds is entitled to vote to  
4 accept or reject the Plan.

5 4.6 Class 3b - Secured Claims Relating to Replaced First and Refunding Mortgage  
6 Bonds.

7 (a) Allowance. The Secured Claims Relating to Replaced First and Refunding  
8 Mortgage Bonds shall be deemed Allowed Secured Claims Relating to Replaced First and  
9 Refunding Mortgage Bonds in the amounts set forth in Schedule 4.6 to the Plan Supplement.

10 (b) Distributions. Each series of Mortgage Bond shall be replaced with New  
11 Mortgage Bonds. Each holder of a Mortgage Bond shall receive an amount in Cash equal to any and  
12 all accrued and unpaid interest owed to such holder in respect to such Mortgage Bond in accordance  
13 with the terms thereof to and including the last scheduled interest payment date preceding the  
14 Effective Date.

15 (c) Liens. The property transferred by the Debtor to ETrans, GTrans, Gen,  
16 Newco, the Parent and their respective subsidiaries and affiliates or sold by the Debtor pursuant to  
17 Article VII of the Plan shall be released from the lien of the Mortgage. As of the Effective Date, the  
18 New Mortgage Bonds shall be the only debt outstanding under the Mortgage.

19 (d) Impairment and Voting. Class 3b is impaired by the Plan. Each holder of  
20 an Allowed Secured Claim Relating to Replaced First and Refunding Mortgage Bonds is entitled to  
21 vote to accept or reject the Plan.

22 4.7 Class 4a - Mortgage Backed PC Bond Claims.

23 (a) Allowance. The Mortgage Backed PC Bond Claims shall be deemed  
24 Allowed Mortgage Backed PC Bond Claims in the amounts set forth on Schedule 4.7 to the Plan  
25 Supplement.

26 (b) Distributions.

27 (i) Each series of Mortgage Backed PC Bonds shall remain  
28 outstanding. To the extent such payments are not made or provided for by the payment of Class 3b

1 Claims to or for the benefit of the Bond Trustee, each holder of a Mortgage Backed PC Bond shall  
2 receive Cash in an amount equal to any and all accrued and unpaid interest owed to such holder in  
3 respect of such Mortgage Backed PC Bond in accordance with the terms thereunder to and including  
4 the last scheduled interest payment date preceding the Effective Date. All unpaid fees and expenses  
5 of the Issuer and Bond Trustee due and owing under the applicable Loan Agreements shall be paid  
6 in Cash. The Reorganized Debtor shall continue to be solely liable for the Debtor's obligations  
7 under the PC Bond Documents related to the Mortgage Backed PC Bonds.

8 (ii) With respect to any property transferred by the Debtor to ETrans,  
9 GTrans or Gen pursuant to the terms of the Plan, the acquisition or construction of which was  
10 financed or refinanced with the proceeds of a series of Mortgage Backed PC Bonds, the transferee  
11 shall assume the obligation to perform, satisfy and/or comply with those terms, covenants,  
12 conditions or obligations under the related PC Bond Documents arising from and after the Effective  
13 Date which are to be observed, performed, satisfied or complied with by the owner or operator of the  
14 "Project" (as described therein) or any portion thereof which is then owned or controlled by such  
15 party, including, without limitation, (A) any obligation to maintain such Project or portion thereof  
16 and its other assets and to timely pay any taxes, governmental charges, assessments, insurance  
17 premiums or other costs or expenses related thereto, (B) the obligation to comply with all  
18 restrictions on the use of such Project or portion thereof set forth in the related PC Bond Documents,  
19 and (C) the obligation to refrain from taking any action or permitting any action to be taken with  
20 respect to such Project or portion thereof that could cause interest on the related series of PC Bonds  
21 to become includable in the gross income of the holders thereof for federal income tax purposes.

22 (iii) On or prior to the Effective Date, with respect to each series of  
23 Mortgage Backed PC Bonds, the Reorganized Debtor, the Issuer and Bond Trustee shall receive an  
24 opinion of the original bond counsel to the effect that the transactions set forth in the Plan with  
25 respect to each series of Mortgage Backed PC Bonds and the execution and delivery of any releases,  
26 amendments or other agreements in connection therewith will not, in and of themselves, cause  
27 interest on such series of Mortgage Backed PC Bonds to become includable in the gross income of  
28 the holders thereof for federal income tax purposes.

1 (c) Impairment and Voting. Class 4a is impaired by the Plan. Each holder of  
2 an Allowed Mortgage Backed PC Bond Claim is entitled to vote to accept or reject the Plan.

3 4.8 Class 4b – MBIA Insured PC Bond Claims.

4 (a) Allowance. The MBIA Insured PC Bond Claims shall be deemed Allowed  
5 MBIA Insured PC Bond Claims in the amounts set forth on Schedule 4.8 to the Plan Supplement.

6 (b) Distributions.

7 (i) The MBIA Insured PC Bonds shall remain outstanding. Each  
8 holder of a MBIA Insured PC Bond shall receive Cash in an amount equal to any and all accrued  
9 and unpaid interest owed to such holder in respect of such MBIA Insured PC Bond in accordance  
10 with the terms of the respective MBIA Insured PC Bond, to and including the last scheduled interest  
11 payment date preceding the Effective Date. All unpaid fees and expenses of the Issuer and Bond  
12 Trustee due and owing under the Loan Agreement shall also be paid in Cash. The Reorganized  
13 Debtor shall continue to be solely liable for the Debtor's obligations under the PC Bond Documents  
14 related to the MBIA Insured PC Bonds.

15 (ii) With respect to any property transferred by the Debtor to ETrans,  
16 GTrans or Gen pursuant to the terms of the Plan, the acquisition or construction of which was  
17 financed or refinanced with the proceeds of a series of MBIA Insured PC Bonds, the transferee shall  
18 assume the obligation to perform, satisfy and/or comply with those terms, covenants, conditions or  
19 obligations under the related PC Bond Documents arising from and after the Effective Date which  
20 are to be observed, performed, satisfied or complied with by the owner or operator of the "Project"  
21 (as described therein) or any portion thereof which is then owned or controlled by such party,  
22 including, without limitation, (A) any obligation to maintain such Project or portion thereof and its  
23 other assets and to timely pay any taxes, governmental charges, assessments, insurance premiums or  
24 other costs or expenses related thereto, (B) the obligation to comply with all restrictions on the use  
25 of such Project or portion thereof set forth in the related PC Bond Documents, and (C) the obligation  
26 to refrain from taking any action or permitting any action to be taken with respect to such Project or  
27 portion thereof that could cause interest on the related series of PC Bonds to become includable in  
28 the gross income of the holders thereof for federal income tax purposes.

(iii) On or prior to the Effective Date, the Reorganized Debtor, the Issuer and the Bond Trustee shall receive an opinion of the original bond counsel to the effect that the transactions set forth in the Plan with respect to the MBIA Insured PC Bonds and the execution and delivery of any releases, amendments or other agreements in connection therewith will not, in and of themselves, cause interest thereon to become includable in the gross income of the holders thereof for federal income tax purposes.

(c) Impairment and Voting. Class 4b is impaired by the Plan. Each holder of an Allowed MBIA Insured PC Bond Claim is entitled to vote to accept or reject the Plan.

4.9 Class 4c – MBIA Claims.

(a) Allowance. The MBIA Claims shall be deemed Allowed MBIA Claims in the amounts set forth on Schedule 4.9 to the Plan Supplement.

(b) Distributions. Each holder of an Allowed MBIA Claim shall receive Cash equal to its pro rata share of the aggregate amount paid by MBIA to the Bond Trustee with respect to the payment of interest on the MBIA Insured PC Bonds during the period from the Petition Date to and including the last scheduled interest payment date preceding the Effective Date, together with its pro rata share of all other amounts due and owing to MBIA under the terms of the MBIA Reimbursement Agreement through the Effective Date, including interest due on such amounts to the extent provided in the MBIA Reimbursement Agreement at the non-default rate. The Reorganized Debtor shall continue to be solely liable under the MBIA Reimbursement Agreement.

(c) Impairment and Voting. Class 4c is impaired by the Plan. Each holder of an Allowed MBIA Claim is entitled to vote to accept or reject the Plan.

4.10 Class 4d – Letter of Credit Backed PC Bond Claims.

(a) Allowance. The Letter of Credit Backed PC Bond Claims shall be deemed Allowed Letter of Credit Backed PC Bond Claims in the amounts set forth on Schedule 4.10 to the Plan Supplement.

(b) Distributions.

(i) The Letter of Credit Backed PC Bonds shall remain outstanding. Each holder of a Letter of Credit Backed PC Bond shall receive Cash in an amount equal to any and

1 all accrued and unpaid interest owed to such Holder in respect of such Letter of Credit Backed PC  
2 Bond in accordance with the terms thereof to and including the last scheduled interest payment date  
3 preceding the Effective Date. All unpaid fees and expenses of the Issuer and Bond Trustee due and  
4 owing under the Loan Agreements shall also be paid in Cash. With respect to each series of Letter  
5 of Credit Backed PC Bonds, the applicable Loan Agreement(s) and related PC Bond Documents  
6 shall be modified on the Effective Date to provide that the Reorganized Debtor, ETrans, GTrans and  
7 Gen shall each be severally, but not jointly, liable for its PC Allocable Share of the payment  
8 obligations of the Debtor under the original Loan Agreement arising from and after the Effective  
9 Date.

10 (ii) With respect to each series of Letter of Credit Backed PC Bonds  
11 the Reorganized Debtor, ETrans, GTrans and Gen will enter into an intercompany agreement (each  
12 an "Intercompany Agreement") which will provide, among other things that, in the event that the  
13 Reorganized Debtor, ETrans, GTrans or Gen shall fail to pay its PC Allocable Share of any payment  
14 obligation due under the related PC Bond Documents or due by such party under the related  
15 Reimbursement Agreement as set forth herein or shall fail to perform any other act required under  
16 the terms of the related PC Bond Documents or Reimbursement Agreement, then any non-defaulting  
17 party shall have the right, but not the obligation, to make such payment or perform such act for the  
18 account of and at the expense of the defaulting party. All such sums paid or expended by the non-  
19 defaulting party, together with interest thereon at [twice the applicable PC Bond rate], shall be paid  
20 by the defaulting party to such non-defaulting party on demand. The Intercompany Agreement will  
21 also provide that the making of any election, the granting of any consent or the taking of any  
22 discretionary act required or permitted to be made or taken by the borrower or account party under  
23 the terms of the related PC Bond Documents or the related Reimbursement Agreement shall be  
24 made or taken only upon the unanimous written consent of the Reorganized Debtor, ETrans, GTrans  
25 and Gen.

26 (iii) With respect to any property transferred by the Debtor to ETrans,  
27 GTrans or Gen pursuant to the terms of the Plan, the acquisition or construction of which was  
28 financed or refinanced with the proceeds of a series of Letter of Credit Backed PC Bonds, the

1 transferee shall assume the obligation to perform, satisfy and/or comply with those terms, covenants,  
2 conditions or obligations under the related PC Bond Documents arising from and after the Effective  
3 Date which are to be observed, performed, satisfied or complied with by the owner or operator of the  
4 "Project" (as described therein) or any portion thereof which is then owned or controlled by such  
5 party, including, without limitation, (A) any obligation to maintain such Project or portion thereof  
6 and its other assets and to timely pay any taxes, governmental charges, assessments, insurance  
7 premiums or other costs or expenses related thereto, (B) the obligation to comply with all  
8 restrictions on the use of such Project or portion thereof set forth in the related PC Bond Documents,  
9 and (C) the obligation to refrain from taking any action or permitting any action to be taken with  
10 respect to such Project or portion thereof that could cause interest on the related series of PC Bonds  
11 to become includable in the gross income of the holders thereof for federal income tax purposes.

12 (c) Impairment and Voting. Class 4d is impaired by the Plan. Each holder of  
13 an Allowed Letter of Credit Backed PC Bond Claim is entitled to vote to accept or reject the Plan.

14 4.11 Class 4e – Letter of Credit Bank Claims.

15 (a) Allowance. The Letter of Credit Bank Claims shall be deemed Allowed  
16 Letter of Credit Bank Claims in the amounts set forth on Schedule 4.11 to the Plan Supplement.

17 (b) Distributions. Each holder of an Allowed Letter of Credit Bank Claim  
18 shall receive Cash in an amount equal to its pro rata share of the aggregate amount paid by the  
19 respective Letter of Credit Issuing Bank to the respective Bond Trustee under the terms of the  
20 applicable Letter of Credit with respect to the payment of the interest on the Letter of Credit Backed  
21 PC Bonds to which such Letter of Credit Issuing Bank Claim relates during the period from the  
22 Petition Date to and including the last scheduled interest payment date on such Letter of Credit  
23 Backed PC Bonds preceding the Effective Date, together with its pro rata share of all other amounts  
24 then due and owing to the respective Letter of Credit Issuing Bank and the applicable Banks, if any,  
25 under the terms of the respective Reimbursement Agreement through the Effective Date, including  
26 interest due on such amounts to the extent provided in the respective Reimbursement Agreement at  
27 the non-default rate. Each Reimbursement Agreement between the Debtor and a Letter of Credit  
28 Issuing Bank and the applicable Banks, if any, shall be modified on the Effective Date to provide



1 that the Reorganized Debtor, ETrans, GTrans and Gen shall each be severally, but not jointly, liable  
2 for its PC Allocable Share of the payment obligations of the Debtor to such Letter of Credit Issuing  
3 Bank and the applicable Banks, if any, under the original Reimbursement Agreement arising from  
4 and after the Effective Date. Each Letter of Credit Issuing Bank shall extend the expiration date of  
5 its outstanding Letter(s) of Credit to a date five (5) years after the Effective Date. On the Effective  
6 Date, ETrans, Gtrans, Gen and the Reorganized Debtor will enter into an Intercompany Agreement  
7 with respect to each Reimbursement Agreement.

8 (c) Impairment and Voting. Class 4e is impaired by the Plan. Each holder of  
9 an Allowed Letter of Credit Bank Claim is entitled to vote to accept or reject the Plan.

10 4.12 Class 4f – Prior Bond Claims.

11 (a) Allowance. The Prior Bond Claims shall be deemed Allowed Prior Bond  
12 Claims in the amounts set forth on Schedule 4.12 to the Plan Supplement.

13 (b) Distributions. Each holder of an Allowed Prior Bond Claim shall receive  
14 Cash in an amount equal to its pro rata share of (i) the accrued and unpaid interest due on the  
15 outstanding Reimbursement Obligation of the Debtor to such holder under the respective Prior  
16 Reimbursement Agreement in accordance with the terms thereof to and including the Effective Date,  
17 (ii) all other amounts (other than the Reimbursement Obligation) due and owing to the respective  
18 Prior Letter of Credit Issuing Bank under the terms of the respective Prior Reimbursement  
19 Agreement through the Effective Date at the non-default rate and (iii) sixty percent (60%) of such  
20 outstanding Reimbursement Obligation. Each Prior Reimbursement Agreement between the Debtor  
21 and a Prior Letter of Credit Issuing Bank shall be modified on the Effective Date to provide that the  
22 Reorganized Debtor shall remain solely liable thereunder for the remaining forty percent (40%) of  
23 the respective Reimbursement Obligation which shall be payable in ten (10) years and bear interest  
24 at the same rate as the Reorganized Debtor's notes with a ten (10) year maturity, unless and until  
25 Refunding Bonds are issued with respect thereto secured by, among other things, a new letter of  
26 credit issued by such Prior Letter of Credit Issuing Bank, all in form and content and upon terms and  
27 conditions satisfactory to the Reorganized Debtor.

28 (c) Impairment and Voting. Class 4f is impaired by the Plan. Each holder of

1 an Allowed Prior Bond Claim is entitled to vote to accept or reject the Plan.

2 4.13 Class 4g – Treasury PC Bond Claims.

3 (a) Allowance. The Treasury PC Bond Claims shall be deemed Allowed  
4 Treasury PC Bond Claims in the amounts set forth on Schedule 4.13 to the Plan Supplement.

5 (b) Distributions.

6 (i) Each Allowed Treasury PC Bond Claim shall be reinstated and  
7 rendered unimpaired in accordance with Section 1124 of the Bankruptcy Code. Each series of  
8 Treasury PC Bonds will remain outstanding. The Debtor's obligations under PC Bond Documents  
9 related to the Treasury PC Bonds shall remain solely the obligation of the Reorganized Debtor.  
10 Each holder of a Treasury PC Bond shall receive Cash in an amount equal to any and all accrued and  
11 unpaid interest owed to such holder with respect to such Treasury PC Bond in accordance with the  
12 terms thereof to and including the last scheduled interest payment date preceding the Effective Date.  
13 All unpaid fees and expenses of the Issuer and Bond Trustee due and owing under the Loan  
14 Agreements shall also be paid in Cash.

15 (ii) With respect to any property transferred by the Debtor to ETrans,  
16 GTrans or Gen pursuant to the terms of the Plan, the acquisition or construction of which was  
17 financed or refinanced with the proceeds of a series of Treasury PC Bonds, the transferee shall  
18 assume the obligation to perform, satisfy and/or comply with those terms, covenants, conditions or  
19 obligations under the related PC Bond Documents arising from and after the Effective Date which  
20 are to be observed, performed, satisfied or complied with by the owner or operator of the "Project"  
21 (as described therein) or any portion thereof which is then owned or controlled by such party,  
22 including, without limitation, (A) any obligation to maintain such Project or portion thereof and its  
23 other assets and to timely pay any taxes, governmental charges, assessments, insurance premiums or  
24 other costs or expenses related thereto, (B) the obligation to comply with all restrictions on the use  
25 of such Project or portion thereof set forth in the related PC Bond Documents, and (C) the obligation  
26 to refrain from taking any action or permitting any action to be taken with respect to such Project or  
27 portion thereof that could cause interest on the related series of PC Bonds to become includable in  
28 the gross income of the holders thereof for federal income tax purposes.

(iii) On the Effective Date, the Reorganized Debtor, the Issuer, and the Bond Trustee shall receive an opinion of the original bond counsel to the effect that the transactions set forth in the Plan with respect to the Treasury PC Bonds and the execution and delivery of any releases, amendments or other agreements in connection therewith will not, in and of themselves, cause interest thereon to become includable in the gross income of the holders thereof for federal income tax purposes.

(c) Impairment and Voting. Class 4g is unimpaired by the Plan. Each holder of an Allowed Treasury PC Bond Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

#### 4.14 Class 5 - General Unsecured Claims.

(a) Distributions. Each holder of an Allowed General Unsecured Claim shall receive (i) Cash in an amount equal to sixty percent (60%) of such Allowed Claim and (ii) Long-Term Notes having an aggregate face value equal to forty percent (40%) of such Allowed Claim. In addition, each holder of an Allowed General Unsecured Claim shall receive its pro rata share of a \$40 million placement fee to be divided among holders of Allowed Claims in Classes 5, 6, 7 and 9a.

(b) Impairment and Voting. Class 5 is impaired by the Plan. Each holder of an Allowed General Unsecured Claim is entitled to vote to accept or reject the Plan.

#### 4.15 Class 6 - ISO, PX and Generator Claims.

(a) Distributions. Each holder of an Allowed ISO, PX and Generator Claim shall receive (i) Cash in an amount equal to sixty percent (60%) of the amount of such Allowed Claim and (ii) Long-Term Notes having an aggregate face value equal to forty percent (40%) of the amount of such Allowed Claim. In addition, each holder of an Allowed ISO, PX and Generator Claim shall receive its pro rata share of a \$40 million placement fee to be divided among holders of Allowed Claims in Classes 5, 6, 7 and 9a.

(b) Impairment and Voting. Class 6 is impaired by the Plan. Each holder of an Allowed ISO, PX and Generator Claim is entitled to vote to accept or reject the Plan.

#### 4.16 Class 7 - ESP Claims.

(a) Distributions. Each holder of an Allowed ESP Claim shall receive (i) Cash

1 in an amount equal to sixty percent (60%) of the amount of such Allowed Claim and (ii) Long-Term  
2 Notes having an aggregate face value equal to forty percent (40%) of the amount of such Allowed  
3 Claim. In addition, each holder of an Allowed ESP Claim shall receive its pro rata share of a \$40  
4 million placement fee to be divided among holders of Allowed Claims in Classes 5, 6, 7 and 9a.

5 (b) Impairment and Voting. Class 7 is impaired by the Plan. Each holder of  
6 an Allowed ESP Claim is entitled to vote to accept or reject the Plan.

7 4.17 Class 8a – Environmental and Tort Claims for Actual Damages.

8 (a) Distributions. Each Allowed Environmental and Tort Claim for Actual  
9 Damages shall be satisfied in full in the ordinary course of business at such time and in such manner  
10 as ETrans, GTrans, Gen or the Reorganized Debtor, as the case may be, is obligated to satisfy such  
11 Allowed Claim under applicable law.

12 (b) Impairment and Voting. Class 8a is unimpaired by the Plan. Each holder  
13 of an Allowed Environmental and Tort Claim for Actual Damages is conclusively presumed to have  
14 accepted the Plan and is not entitled to vote to accept or reject the Plan.

15 4.18 Class 8b – Environmental and Tort Claims for Punitive Damages.

16 (a) Distributions. Each Allowed Environmental and Tort Claim for Punitive  
17 Damages shall be satisfied in full in the ordinary course of business at such time and in such manner  
18 as ETrans, GTrans, Gen or the Reorganized Debtor, as the case may be, is obligated to satisfy such  
19 Allowed Claim under applicable law.

20 (b) Impairment and Voting. Class 8b is unimpaired by the Plan. Each holder  
21 of an Allowed Environmental and Tort Claim for Punitive Damages is conclusively presumed to  
22 have accepted the Plan and is not entitled to vote to accept or reject the Plan.

23 4.19 Class 9a – Chromium Litigation Claims for Actual Damages.

24 (a) Distributions. On the later of the Effective Date and such date as an  
25 Allowed Chromium Litigation Claim for Actual Damages becomes due and payable, each holder of  
26 an Allowed Chromium Litigation Claim for Actual Damages shall receive (i) Cash in an amount  
27 equal to sixty percent (60%) of such Allowed Claim and (ii) Long-Term Notes having an aggregate  
28 face value equal to forty percent (40%) of such Allowed Claim. In addition, each holder of an

Allowed Chromium Litigation Claim for Actual Damages shall receive its pro rata share of a \$40 million placement fee to be divided among holders of Allowed Claims in Classes 5, 6, 7 and 9a. The aggregate after-tax amount of any Allowed Chromium Litigation Claim for Actual Damages shall be divided among ETrans, GTrans, Gen and the Reorganized Debtor approximately as follows: twelve and one-half percent (12.5%); twelve and one-half percent (12.5%); twenty-five percent (25%); and fifty percent (50%), respectively.

(b) Impairment and Voting. Class 9a is impaired by the Plan. Each holder of an Allowed Chromium Litigation Claim for Actual Damages is entitled to vote to accept or reject the Plan.

4.20 Class 9b – Chromium Litigation Claims for Punitive Damages.

(a) Distributions. On the later of the Effective Date and such date as an Allowed Chromium Litigation Claim for Punitive Damages becomes due and payable, each holder of an Allowed Chromium Litigation Claim for Punitive Damages shall receive Chromium Subordinated Long-Term Notes having an aggregate face value equal to one hundred percent (100%) of such Allowed Claim. In addition, each holder of an Allowed Chromium Litigation Claim for Punitive Damages shall receive its pro rata share of a \$40 million placement fee to be divided among holders of Allowed Claims in Classes 5, 6, 7 and 9a. The aggregate after-tax amount of any Allowed Chromium Litigation Claim for Punitive Damages shall be divided among ETrans, GTrans, Gen and the Reorganized Debtor approximately as follows: twelve and one-half percent (12.5%); twelve and one-half percent (12.5%); twenty-five percent (25%); and fifty percent (50%) respectively.

(b) Impairment and Voting. Class 9b is impaired by the Plan. Each holder of an Allowed Chromium Litigation Claim for Punitive Damages is entitled to vote to accept or reject the Plan.

4.21 Class 10 – Convenience Claims.

(a) Distributions. Each holder of an Allowed Convenience Claim shall receive Cash in an amount equal to one hundred percent (100%) of such Allowed Claim.

(b) Impairment and Voting. Class 10 is unimpaired by the Plan. Each holder

1 of an Allowed Convenience Claim is conclusively presumed to have accepted the Plan and is not  
2 entitled to vote to accept or reject the Plan.

3 4.22 Class 11 – QUIDS Claims.

4 (a) Allowance. The QUIDS Claims shall be deemed Allowed QUIDS Claims  
5 in the aggregate principal amount set forth in Schedule 4.22, plus all accrued and unpaid interest as  
6 of the Petition Date at the non-default rate of interest specified in the QUIDS Indenture.

7 (b) Distributions. Each holder of an Allowed QUIDS Claim shall receive (i)  
8 Cash in an amount equal to accrued but unpaid interest on the principal amount of such Allowed  
9 Claim from January 1, 2001 to the Effective Date and (ii) QUIDS Subordinated Long-Term Notes  
10 having an aggregate face value equal to one hundred percent (100%) of such Allowed Claim  
11 (excluding the pre-petition interest portion of the Allowed Claim to be paid in Cash pursuant to  
12 Section 4.22(b)(i) of the Plan).

13 (c) Impairment and Voting. Class 11 is impaired by the Plan. Each holder of  
14 an Allowed QUIDS Claim is entitled to vote to accept or reject the Plan.

15 4.23 Class 12 - Preferred Stock Equity Interests.

16 (a) Treatment. Each holder of a Preferred Stock Equity Interest shall retain its  
17 Preferred Stock in the Reorganized Debtor and shall receive in Cash any dividends and sinking fund  
18 payments accrued in respect of such Preferred Stock through the last scheduled payment date prior  
19 to the Effective Date.

20 (b) Impairment and Voting. Class 12 is impaired by the Plan. Each holder of  
21 an Allowed Preferred Stock Equity Interest is entitled to vote to accept or reject the Plan.

22 4.24 Class 13 - Common Stock Equity Interests.

23 (a) Treatment. Each holder of a Common Stock Equity Interest shall retain its  
24 Common Stock in the Debtor, but the Common Stock directly held by the Parent shall be distributed  
25 by the Parent to the shareholders of the Parent pursuant to the Plan Supplement.

26 (b) Impairment and Voting. Class 13 is impaired by the Plan. Each holder of  
27 an Allowed Common Stock Equity Interest is entitled to vote to accept or reject the Plan.

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1                   4.25   Allocation of Long-Term Notes, QUIDS Subordinated Long-Term Notes and  
2   Chromium Subordinated Long-Term Notes.

3                   (a)   To the extent the Plan provides for the satisfaction of a portion of an  
4   Allowed Claim in the form of Long-Term Notes, the aggregate amount of such Long-Term Notes  
5   shall be divided among each of the following entities approximately as follows:

- 6                               (i)   ETrans: twelve percent (12%);  
7                               (ii)   GTrans: fifteen percent (15%); and  
8                               (iii)   Gen: seventy-three percent (73%).

9                   (b)   To the extent the Plan provides for the satisfaction of a portion of an  
10   Allowed Claim in the form of QUIDS Subordinated Long-Term Notes, the aggregate amount of  
11   such QUIDS Subordinated Long-Term Notes shall be divided among each of the following entities  
12   approximately as follows:

- 13                               (i)   ETrans: twenty-seven and one-half percent (27.5%);  
14                               (ii)   GTrans: nineteen and eight-tenths percent (19.8%); and  
15                               (iii)   Gen: fifty-two and seven-tenths percent (52.7%).

16                   (c)   To the extent the Plan provides for the satisfaction of a portion of an  
17   Allowed Claim in the form of Chromium Subordinated Long-Term Notes, the aggregate amount of  
18   such Chromium Subordinated Long-Term Notes shall be divided among each of the four (4) entities  
19   approximately as follows:

- 20                               (i)   ETrans: twelve and one-half percent (12.5%);  
21                               (ii)   GTrans: twelve and one-half percent (12.5%);  
22                               (iii)   Gen: twenty-five percent (25%); and  
23                               (iv)   Reorganized Debtor: fifty percent (50%).

24                   4.26   Tax Treatment. To the extent that, in the Proponents discretion, adjustments are  
25   required in terms of the nature or terms of consideration to be distributed to holders of Allowed  
26   Claims pursuant to this Article IV in order to obtain the desired tax treatment, such adjustments shall  
27   be made in accordance with Section 11.11 of the Plan.

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ARTICLE V

PROVISIONS REGARDING VOTING AND DISTRIBUTIONS UNDER  
THE PLAN AND TREATMENT OF DISPUTED, CONTINGENT AND  
UNLIQUIDATED ADMINISTRATIVE EXPENSE CLAIMS AND  
CLAIMS

5.1 Voting of Claims. Each holder of record as of the Voting Record Date of an Allowed Claim or Equity Interest in an Impaired Class of Claims or Equity Interests set forth in Article IV of the Plan shall be entitled to vote separately with regard to each Impaired Class of Claims or Equity Interests held by such holder to accept or reject the Plan as provided in the Disclosure Statement Order.

5.2 Elimination of Vacant Classes. Any Class of Claims that is not occupied as of the Commencement Date of the Confirmation Hearing by an Allowed Claim or a Claim temporarily allowed under Bankruptcy Rule 3018 shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to Section 1129(a)(8) of the Bankruptcy Code.

5.3 Nonconsensual Confirmation. If any Impaired Class of Claims or Equity Interests entitled to vote shall not accept the Plan by the requisite statutory majorities provided in Section 1126(c) of the Bankruptcy Code, the Debtor reserves the right to amend the Plan in accordance with Section 11.11 hereof or to undertake to have the Bankruptcy Court confirm the Plan under Section 1129(b) of the Bankruptcy Code, or both.

5.4 Method of Distributions Under the Plan.

(a) Disbursing Agent. All distributions under the Plan shall be made by the Debtor as Disbursing Agent or such other entity designated by the Debtor as Disbursing Agent. A Disbursing Agent shall not be required to provide any bond, surety or other security for the performance of its duties, unless otherwise ordered by the Bankruptcy Court; and, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond, surety or other security shall be borne by the Debtor.

(b) Distributions to Holders as of the Distribution Record Date.

(i) Subject to Bankruptcy Rule 9010, all distributions under the Plan



1 shall be made to the holder of each Allowed Claim or Equity Interest at the address of such holder as  
2 listed on the Schedules as of the Distribution Record Date, unless the Debtor has been notified in  
3 writing of a change of address, including, without limitation, by the filing of a timely proof of Claim  
4 or Equity Interest by such holder that provides an address for such holder different from the address  
5 reflected on the Schedules.

6 (ii) As at the close of business on the Distribution Record Date, the  
7 claims register and records of the stock transfer agent shall be closed, and there shall be no further  
8 changes in the record holder of any Claim or Equity Interest. The Debtor shall have no obligation to  
9 recognize any transfer of any Claim or Equity Interest occurring after the Distribution Record Date.  
10 The Debtor shall instead be authorized and entitled to recognize and deal for all purposes of the Plan  
11 with only those record holders stated on the claims register or the records of the stock transfer agent  
12 as of the close of business on the Distribution Record Date.

13 (c) Distributions of Cash. Any payment of Cash made by the Debtor pursuant  
14 to the Plan shall, at the Debtor's option, be made by check drawn on a domestic bank or wire  
15 transfer.

16 (d) Timing of Distributions. Except as otherwise set forth in the Plan,  
17 payments and distributions to holders of Allowed Claims or Equity Interests on the Effective Date  
18 shall be made on the Effective Date, or as soon thereafter as is practicable. Any payment or  
19 distribution required to be made under the Plan on a day other than a Business Day shall be made on  
20 the next succeeding Business Day.

21 (e) Allocation of Plan Distributions. All distributions in respect of Allowed  
22 Claims shall be allocated first to the portion of such Claims representing interest (as determined for  
23 federal income tax purposes), second to the original principal amount of such Claims (as determined  
24 for federal income tax purposes), and any excess to the remaining portion of such Claims.

25 (f) Minimum Distributions. No payment of Cash less than one hundred  
26 dollars (\$100) shall be made by the Debtor to any holder of a Claim or Equity Interest unless a  
27 request therefor is made in writing to the Debtor.

28 (g) Unclaimed Distributions. All distributions under the Plan that are

1 unclaimed for a period of one (1) year after distribution thereof shall be deemed unclaimed property  
2 under Section 347(b) of the Bankruptcy Code and revested in the Debtor and any entitlement of any  
3 holder of any Claim or Equity Interest to such distributions shall be extinguished and forever barred.

4           5.5     Objections to and Resolution of Administrative Expense Claims and Claims.

5 Except as to applications for allowance of compensation and reimbursement of Professional  
6 Compensation and Reimbursement Claims under Sections 330 and 503 of the Bankruptcy Code, the  
7 Reorganized Debtor shall, on and after the Effective Date, have the exclusive right to make and file  
8 objections to Administrative Expense Claims and Claims. On and after the Effective Date, the  
9 Reorganized Debtor shall have the authority to compromise, settle, otherwise resolve or withdraw  
10 any objections to Administrative Expense Claims and Claims and compromise, settle or otherwise  
11 resolve Disputed Administrative Expense Claims and Disputed Claims without the approval of the  
12 Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, the Reorganized Debtor  
13 shall file all objections to Administrative Expense Claims that are the subject of proofs of claim or  
14 requests for payment filed with the Bankruptcy Court (other than applications for allowances of  
15 compensation and reimbursement of expenses) and Claims and serve such objections upon the  
16 holder of the Administrative Expense Claim or Claim as to which the objection is made as soon as is  
17 practicable, but in no event later than one hundred eighty (180) days after the Effective Date or such  
18 later date as may be approved by the Bankruptcy Court.

19           5.6     Payment of the Trustees' Fees. To the extent allowed by law, the fees of the

20 Bond Trustees and the trustees under the Debtor's Mortgage and indentures (acting in their  
21 capacities as trustees and, if applicable, acting in their capacities as disbursing agents), the Issuer of  
22 the PC Backed Mortgage Bonds and their professionals shall be paid by the Debtor pursuant to the  
23 Confirmation Order. Upon payment of such fees and expenses, such Trustees shall be deemed to  
24 have released their liens securing payment of their fees and expenses for all fees and expenses  
25 payable through the Effective Date

26           5.7     Cancellation of Existing Securities and Agreements. On the Effective Date, the  
27 promissory notes, bonds, debentures and all other debt instruments evidencing any Claim, other than  
28 those that are reinstated and rendered unimpaired or renewed and extended pursuant to Article IV of

1 the Plan, or renewed and remain outstanding pursuant to Article IV of the Plan, respectively, shall be  
2 deemed cancelled without further act or action under any applicable agreement, law, regulation,  
3 order or rule and the obligations of the Debtor under the agreements and indentures governing such  
4 Claims, as the case may be, shall be discharged. The Common Stock and Preferred Stock  
5 representing Equity Interests shall remain outstanding. Holders of promissory notes, bonds,  
6 debentures and any and all other debt instruments evidencing any Claim shall not be required to  
7 surrender such instruments.

## 8 ARTICLE VI

### 9 EXECUTORY CONTRACTS AND UNEXPIRED LEASES

#### 10 6.1 Assumption, Assignment and/or Rejection of Executory Contracts and 11 Unexpired Leases.

12 (a) Assumption of Executory Contracts and Unexpired Leases. Pursuant to  
13 Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts set forth on  
14 Schedule 6.1(a)(i) to the Plan Supplement and unexpired leases set forth on Schedule 6.1(a)(ii) to the  
15 Plan Supplement that exist between the Debtor and any Person or Entity shall be deemed assumed  
16 by the Debtor as of the Effective Date, except that any executory contract or unexpired lease shall be  
17 deemed rejected by the Debtor as of the Effective Date (i) that has been rejected pursuant to an order  
18 of the Bankruptcy Court entered prior to the Confirmation Date, (ii) as to which a motion for  
19 approval of the rejection of such executory contract or unexpired lease has been filed and served  
20 prior to the Confirmation Date or (iii) that is set forth in Schedule 6.1(a)(iii) to the Plan Supplement  
21 (executory contracts) or Schedule 6.1(a)(iv) to the Plan Supplement (unexpired leases). The  
22 schedules referred to in the preceding sentence are intended to contain collectively all existing  
23 executory contracts and unexpired leases of the Debtor. The Debtor reserves the right, on or prior to  
24 the Confirmation Date, to amend Schedules 6.1(a)(i) through 6.1(a)(iv) to the Plan Supplement to  
25 delete any executory contract or unexpired lease therefrom or add any executory contract or  
26 unexpired lease thereto, in which event such executory contract(s) or unexpired lease(s) shall be  
27 deemed to be, respectively, assumed by the Debtor or rejected. The Debtor shall provide notice of  
28 any amendments to Schedules 6.1(a)(i) through 6.1(a)(iv) to the Plan Supplement to the parties to

1 the executory contracts and unexpired leases affected thereby. The listing of a document on  
2 Schedules 6.1(a)(i) through 6.1(a)(iv) to the Plan Supplement shall not constitute an admission by  
3 the Debtor that such document is an executory contract or an unexpired lease or that the Debtor has  
4 any liability thereunder.

5 (b) Assignment of Executory Contracts and Unexpired Leases. Pursuant to  
6 Sections 365(f) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases  
7 assigned pursuant to Article VII of the Plan shall be deemed assigned by the Debtor on the Effective  
8 Date to those entities as set forth in Article VII of the Plan.

9 (c) Schedules of Rejected Executory Contracts and Unexpired Leases;  
10 Inclusiveness. Each executory contract and unexpired lease listed or to be listed on Schedule  
11 6.1(a)(iii) or 6.1(a)(iv) to the Plan Supplement that relates to the use or occupancy of real property  
12 shall include (i) modifications, amendments, supplements, restatements or other agreements made  
13 directly or indirectly by any agreement, instrument, or other document that in any manner affects  
14 such executory contract or unexpired lease, without regard to whether such agreement, instrument or  
15 other document is listed on Schedules 6.1(a)(iii) or 6.1(a)(iv) to the Plan Supplement and (ii)  
16 executory contracts or unexpired leases appurtenant to the premises listed on Schedules 6.1(a)(iii) or  
17 6.1(a)(iv) to the Plan Supplement, including, without limitation, all easements, licenses, permits,  
18 rights, privileges, immunities, options, rights of first refusal, powers, uses, usufructs, reciprocal  
19 easement agreements, vault, tunnel or bridge agreements or franchises, and any other interests in real  
20 estate or rights in rem relating to such premises to the extent any of the foregoing are executory  
21 contracts or unexpired leases, unless any of the foregoing agreements previously has been assumed  
22 or assumed and assigned by the Debtor.

23 (d) Insurance Policies. All of the Debtor's insurance policies and any  
24 agreements, documents or instruments relating thereto, are treated as executory contracts under the  
25 Plan. Nothing contained in this Section 6.2 shall constitute or be deemed a waiver of any Cause of  
26 Action that the Debtor may hold against any entity, including, without limitation, the insurer under  
27 any of the Debtor's policies of insurance.

28 (e) Approval of Assumption, Assumption and Assignment or Rejection of

1 Executory Contracts and Unexpired Leases. Entry of the Confirmation Order shall, subject to and  
2 upon the occurrence of the Effective Date, constitute (i) the approval, pursuant to Sections 365(a)  
3 and 1123(b)(2) of the Bankruptcy Code, of the assumption of the executory contracts and unexpired  
4 leases assumed pursuant to Section 6.1(a) hereof, (ii) the extension of time, pursuant to Section  
5 365(d)(4) of the Bankruptcy Code, within which the Debtor may assume, assume and assign or  
6 reject the unexpired leases specified in Section 6.1(a) hereof through the date of entry of an order  
7 approving the assumption, assumption and assignment or rejection of such unexpired leases, (iii)  
8 approval, pursuant to Sections 365(f) and 1123 (b)(2) of the Bankruptcy Code, of the assignment of  
9 the executory contracts and unexpired leases assigned pursuant to Article VII of the Plan, and (iv)  
10 the approval, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the rejection of  
11 the executory contracts and unexpired leases rejected pursuant to Section 6.1 hereof.

12 (f) Cure of Defaults. Except as may otherwise be agreed to by the parties,  
13 within thirty (30) days after the Effective Date, the Debtor shall cure any and all undisputed defaults  
14 under any executory contract or unexpired lease assumed, or assumed and assigned, by the Debtor  
15 pursuant to Section 6.1(a) hereof, in accordance with Section 365(b)(1) of the Bankruptcy Code. All  
16 Disputed defaults that are required to be cured shall be cured either within thirty (30) days of the  
17 entry of a Final Order determining the amount, if any, of the Debtor's liability with respect thereto,  
18 or as may otherwise be agreed to by the parties.

19 (g) Bar Date for Filing Proofs of Claim Relating to Executory Contracts and  
20 Unexpired Leases Rejected Pursuant to, or Omitted from, the Plan. Claims arising out of the  
21 rejection of an executory contract or unexpired lease pursuant to Section 6.1 of the Plan must be  
22 filed with the Bankruptcy Court and served upon the Debtor by no later than thirty (30) days after  
23 the later of (i) notice of entry of an order approving the rejection of such executory contract or  
24 unexpired lease, (ii) notice of entry of the Confirmation Order and (iii) notice of an amendment to  
25 Schedules 6.1(a)(iii) or 6.1(a)(iv) to the Plan Supplement. Claims arising out of the omission of an  
26 executory contract or unexpired lease from Schedules 6.1(i) through 6.1(iv) to the Plan Supplement  
27 must be filed with the Bankruptcy Court and served upon the Debtor by no later than thirty (30) days  
28 after notice of entry of the Confirmation Order. All such Claims not filed within such time shall be

1 forever barred from assertion against the Debtor, its estate and its property.

2 (h) Assumed Indemnification Obligations. Entry of the Confirmation Order  
3 shall, subject to and upon the occurrence of the Effective Date, constitute the approval, pursuant to  
4 Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, of the assumption of the Assumed  
5 Indemnification Claims. The Assumed Indemnification Claims shall, in all respects, irrespective of  
6 whether such claims arise under contracts or executory contracts, survive confirmation of the Plan,  
7 remain unaffected thereby, and not be discharged irrespective of whether indemnification, defense,  
8 reimbursement or limitation is owed in connection with an event occurring before, on or after the  
9 Petition Date.

10 (i) Compensation and Benefit Programs. Except as provided in Section 6.1 of  
11 the Plan, all savings, retirement, health care, severance, performance-based cash incentive, retention,  
12 employee welfare benefit, life insurance, disability and other similar plans and agreements, all  
13 directors and officers liability and other insurance and all workers' compensation programs are  
14 treated as executory contracts under the Plan and shall, on the Effective Date, be deemed assumed  
15 by the Debtor in accordance with Sections 365(a) and 1123(b)(2) of the Bankruptcy Code.

16 (j) Retiree Benefits. Payments, if any, due to any Person for the purpose of  
17 providing or reimbursing payments for retired employees and their spouses and dependents for  
18 medical, surgical, or hospital care benefits, or benefits in the event of sickness, accident, disability,  
19 or death under any plan, fund, or program (through the purchase of insurance or otherwise)  
20 maintained or established in whole or in part by the Debtor prior to the Petition Date shall be  
21 continued for the duration of the period the Debtor has obligated itself to provide such benefits.

## 22 ARTICLE VII

### 23 IMPLEMENTATION OF THE PLAN

#### 24 7.1 Restructuring of the Electric Transmission Business.

25 (a) ETrans Membership Interests. On or before the Effective Date, ETrans  
26 shall have authorized and, subject to the terms and conditions hereof, shall issue to Newco one  
27 hundred percent (100%) of ETrans' membership interests (the "ETrans Membership Interests").

28 (b) Transfer of ETrans Assets. On the terms and subject to the conditions

1 hereof, on or before the Effective Date, the Debtor shall transfer, convey, assign and deliver, and  
2 ETrans (or such other special purpose affiliates or wholly-owned subsidiaries of ETrans as are  
3 deemed necessary) shall accept, all right, title and interest of the Debtor in and to the rights,  
4 properties and assets of the Debtor used in connection with the ETrans Business and set forth on  
5 Schedule 7.1(b) to the Plan Supplement (collectively the "ETrans Assets"), free and clear of all  
6 mortgages, liens, pledges, security interests, charges, claims, restrictions and encumbrances of any  
7 nature whatsoever, except as set forth on Schedule 7.1(b) to the Plan Supplement.

8 (c) Assumed ETrans Liabilities. On or before the Effective Date, ETrans and  
9 its affiliates or subsidiaries, if any, shall assume and thereafter in due course pay and fully satisfy the  
10 executory contracts, leases, liabilities and obligations of the Debtor set forth on Schedule 7.1(c) to  
11 the Plan Supplement (collectively the "ETrans Liabilities") and no other liabilities or obligations.

12 (d) ETrans Long-Term Notes, ETrans QUIDS Subordinated Long-Term Notes  
13 and ETrans Chromium Subordinated Long-Term Notes.

14 (i) On or before the Effective Date, ETrans shall issue to the Debtor  
15 approximately \$380 million in long-term debt securities, consisting of ETrans Long-Term Notes and  
16 ETrans QUIDS Subordinated Long-Term Notes.

17 (ii) On or before the Effective Date, or as soon as practical thereafter,  
18 ETrans shall issue to the Debtor ETrans Chromium Subordinated Long-Term Notes.

19 (e) New Money Notes. On or before the Effective Date, or as soon as  
20 practical thereafter, ETrans shall sell and issue new debt securities in the original principal amount  
21 of approximately \$770 million, the terms of which are set forth on the Summary of Terms of Long-  
22 Term Debt, which notes shall be registered under the Securities Act or shall be exchangeable for  
23 substantially identical notes so registered (any and all such notes, including the exchanged notes,  
24 collectively, the "ETrans New Money Notes").

25 (f) Cash Consideration. On the Effective Date, or as soon as practical  
26 thereafter, ETrans shall pay Cash to the Debtor in the amount of approximately \$770 million, subject  
27 to adjustment.

28 (g) Continuing Services Agreement. On or before the Effective Date, ETrans,

1 its affiliates or subsidiaries, if any, and the Reorganized Debtor shall enter into one or more  
2 agreements, as necessary whereby ETrans will interconnect with the Reorganized Debtor and shall  
3 provide to the Reorganized Debtor certain transmission services as necessary for the Reorganized  
4 Debtor's continued service to each of its customers pursuant to contracts to be assumed by the  
5 Reorganized Debtor, including those with (i) WAPA and certain of its customers and (ii) the City  
6 and County of San Francisco.

7 (h) Service and Maintenance Agreement. On or before the Effective Date,  
8 ETrans, its affiliates or subsidiaries, if any, and the Reorganized Debtor shall enter into one or more  
9 agreements, as necessary to allow for ETrans to transition to separate operations.

10 (i) RTO. ETrans intends to join an RTO. At such time as a Western RTO is  
11 established and approved by the FERC and the FERC issues an order allowing ETrans to join such  
12 RTO, ETrans may transfer to such RTO. If the FERC certifies the ISO as a RTO, ETrans may  
13 decide to remain with the ISO. Prior to any withdrawal from the ISO, ETrans shall provide notice of  
14 its withdrawal to the ISO pursuant to the terms of the Transmission Control Agreement.

15 (j) Boards of Control. The members of the Boards of Control of ETrans and  
16 its affiliates or subsidiaries, if any, immediately prior to the Effective Date, and as set forth on  
17 Schedule 7.1(j) to the Plan Supplement, shall serve as the initial Boards of Control of ETrans and its  
18 affiliates or subsidiaries, if any, on and after the Effective Date unless otherwise disclosed prior to  
19 the Effective Date. Each of the members of such initial Boards of Control shall serve in accordance  
20 with the organizational documents of ETrans or its affiliates or subsidiaries, if any, as the same may  
21 be amended from time to time.

22 (k) Officers. The officers of ETrans and its affiliates or subsidiaries, if any,  
23 immediately prior to the Effective Date, and as set forth on Schedule 7.1(k) to the Plan Supplement,  
24 shall serve as the initial officers of ETrans and its affiliates or subsidiaries, if any, on and after the  
25 Effective Date unless otherwise disclosed prior to the Effective Date. Such officers shall serve in  
26 accordance with any employment agreement with ETrans or its affiliates or subsidiaries, if any, and  
27 applicable law.  
28



1 (I) Regulatory Approvals.

2 (i) ETrans, its affiliates or subsidiaries, if any, and the Proponents  
3 shall timely seek all regulatory approvals from all applicable Governmental Entities that the  
4 Proponents, in their sole discretion, believe necessary to effectuate the transactions specified in this  
5 Section 7.1, including, without limitation, requesting confirmation, acceptance or approval by (A)  
6 the FERC (1) pursuant to Sections 8 and 203 of the FPA, of the transfer of the ETrans Assets and  
7 ETrans Membership Interests, (2) pursuant to Sections 204 and 305 of the FPA, of the issuance of  
8 the ETrans securities, assumption of ETrans Liabilities, transfer of ETrans Membership Interests and  
9 the creation of interlocking directorates, if any, and (3) pursuant to Section 205 of the FPA, of new  
10 and any modified rate schedules and tariffs; (B) the SEC, pursuant to Section 9(a)(2) of PUHCA, of  
11 the acquisition indirectly by the Parent of the ETrans Membership Interests; and (C) various federal  
12 agencies for its transfer of federal permits, rights of ways and other authorizations or operating  
13 permits, as required. In conjunction with the application under Section 203 of the FPA, ETrans  
14 shall commit to participate in a FERC-approved RTO and, as necessary and appropriate to satisfy  
15 such commitment, withdraw from participation in the ISO.

16 (ii) ETrans, its affiliates or subsidiaries, if any, and the Proponents  
17 shall seek an affirmative ruling of the Bankruptcy Court, which may be in the Confirmation Order,  
18 that, pursuant to Section 1123 of the Bankruptcy Code, the approval of California's state and local  
19 governmental agencies, including, but not limited to, the CPUC, shall not be required, among other  
20 things, in order to transfer or operate the ETrans Assets, for the transfer and use of various permits,  
21 licenses, leases and other entitlements in connection with the transfer and operation of the ETrans  
22 Assets, to transfer operational control of its transmission facilities from the ISO to a FERC-approved  
23 RTO, to issue securities, to assume the ETrans Liabilities or to otherwise effectuate the  
24 Restructuring Transactions.

25 7.2 Restructuring of the Gas Transmission Business.

26 (a) GTrans Membership Interests. On or before the Effective Date, GTrans  
27 shall have authorized and, subject to the terms and conditions hereof, shall issue to Newco one  
28 hundred percent (100%) of GTrans' membership interests (the "GTrans Membership Interests").

1 (b) Transfer of GTrans Assets. On the terms and subject to the conditions  
2 hereof, on or before the Effective Date, the Debtor shall transfer, convey, assign and deliver, and  
3 GTrans (or such other special purpose affiliates or wholly-owned subsidiaries of GTrans as are  
4 deemed necessary) shall accept, all right, title and interest of the Debtor in and to the rights,  
5 properties and assets of the Debtor used in connection with the GTrans Business and described on  
6 Schedule 7.2(b) to the Plan Supplement (collectively the "GTrans Assets"), free and clear of all  
7 mortgages, liens, pledges, security interests, charges, claims, restrictions and encumbrances of any  
8 nature whatsoever, except as set forth on Schedule 7.2(b) to the Plan Supplement.

9 (c) Assumed GTrans Liabilities. On or before the Effective Date, GTrans  
10 shall assume and thereafter in due course pay and fully satisfy the executory contracts, leases,  
11 liabilities and obligations of the Debtor set forth on Schedule 7.2(c) to the Plan Supplement  
12 (collectively the "GTrans Liabilities") and no other liabilities or obligations.

13 (d) GTrans Long-Term Notes, GTrans QUIDS Subordinated Long-Term  
14 Notes and GTrans Chromium Subordinated Long-Term Notes.

15 (i) On or before the Effective Date, GTrans shall issue to the Debtor  
16 approximately \$420 million in long-term debt securities, consisting of GTrans Long-Term Notes and  
17 GTrans QUIDS Subordinated Long-Term Notes.

18 (ii) On or before the Effective Date, or as soon as practical thereafter,  
19 GTrans shall issue to the Debtor GTrans Chromium Subordinated Long-Term Notes.

20 (e) New Money Notes. On or before the Effective Date, or as soon as  
21 practical thereafter, GTrans shall sell and issue new debt securities in the original principal amount  
22 of approximately \$390 million, the terms of which are set forth on the Summary of Terms of Long-  
23 Term Debt, which notes shall be registered under the Securities Act or shall be exchangeable for  
24 substantially identical notes so registered (any and all such notes, including the exchanged notes,  
25 collectively, (the "GTrans New Money Notes").

26 (f) Cash Consideration. On the Effective Date, or as soon as practical  
27 thereafter, GTrans shall pay Cash to the Debtor in the amount of approximately \$390 million,  
28 subject to adjustment.

(g) Transmission and Storage Contract. On or before the Effective Date, GTrans, its affiliates or subsidiaries, if any, and the Reorganized Debtor shall enter into an agreement related to gas transmission and storage rights, the form of which shall be set forth on Exhibit 7.2(g) to the Plan Supplement (the "Transmission and Storage Contract").

(h) Boards of Control. The members of the Boards of Control of GTrans and its affiliates or subsidiaries, if any, immediately prior to the Effective Date, and as set forth on Schedule 7.2(h) to the Plan Supplement, shall serve as the initial Boards of Control of GTrans and its affiliates or subsidiaries, if any, on and after the Effective Date unless otherwise disclosed prior to the Effective Date. Each of the members of such initial Boards of Control shall serve in accordance with the organizational documents of GTrans or its affiliates or subsidiaries, if any, as the same may be amended from time to time.

(i) Officers. The officers of GTrans and its affiliates or subsidiaries, if any, immediately prior to the Effective Date, and as set forth on Schedule 7.2(i) to the Plan Supplement, shall serve as the initial officers of GTrans and its affiliates or subsidiaries, if any, on and after the Effective Date unless otherwise disclosed prior to the Effective Date. Such officers shall serve in accordance with any employment agreement with GTrans or its affiliates or subsidiaries, if any, and applicable law.

(j) Regulatory Approvals.

(i) GTrans, its affiliates or subsidiaries, if any, and the Proponents shall timely seek all regulatory approvals from all applicable Governmental Entities that the Proponents, in their sole discretion, believe necessary to effectuate the transactions specified in this Section 7.2, including, without limitation, issuance, acceptance or approval by (A) the FERC, of a certificate under Section 7 of the NGA, to operate the GTrans Assets under FERC jurisdiction for the transfer of the GTrans Assets, for GTrans to operate the GTrans Assets after the transfer and for establishment of new rate tariffs; and (B) various federal agencies for its transfer of federal permits, rights-of-ways and other authorizations or operating permits, as required.

(ii) GTrans, its affiliates or subsidiaries, if any, and the Proponents shall seek an affirmative ruling of the Bankruptcy Court that, pursuant to Section 1123 of the

1 Bankruptcy Code, the approval of California's state and local governmental agencies, including, but  
2 not limited to the CPUC, shall not be required, among other things, in order to transfer or operate the  
3 GTrans Assets, for the transfer and use of various permits, licenses, leases and other entitlements in  
4 connection with the transfer and operation of the GTrans Assets, to issue securities, to assume the  
5 GTrans Liabilities, or to otherwise effectuate the Restructuring Transactions.

6 7.3 Restructuring of the Electric Generation Business.

7 (a) Gen's Membership Interests. Before the Effective Date, Gen shall have  
8 authorized and, subject to the terms and conditions hereof, shall issue to Newco one hundred percent  
9 (100%) of Gen's membership interests (the "Gen Membership Interests").

10 (b) Transfer of Gen Assets. On the terms and subject to the conditions hereof,  
11 on or before the Effective Date, the Debtor shall transfer, convey, assign and deliver, and Gen (or  
12 such other special purpose affiliates or wholly-owned subsidiaries of Gen as are deemed necessary)  
13 shall accept, all right, title and interest of the Debtor in and to the rights, properties and assets of the  
14 Debtor used in connection with the Gen Business and described on Schedule 7.3(b) to the Plan  
15 Supplement (collectively the "Gen Assets"), free and clear of all mortgages, liens, pledges, security  
16 interests, charges, claims, restrictions and encumbrances of any nature whatsoever except as set forth  
17 on Schedule 7.3(b) to the Plan Supplement.

18 (c) Assumed Gen Liabilities. On or before the Effective Date, Gen and its  
19 affiliates or subsidiaries, if any, shall assume and thereafter in due course pay and fully satisfy the  
20 executory contracts, leases, liabilities and obligations of the Debtor set forth on Schedules 7.3(c) to  
21 the Plan Supplement (collectively the "Gen Liabilities") and no other liabilities or obligations.

22 (d) Gen Long-Term Notes, Gen QUIDS Subordinated Long-Term Notes, and  
23 Gen Chromium Subordinated Long-Term Notes.

24 (i) On or before the Effective Date, Gen shall issue to the Debtor  
25 approximately \$1.9 billion in long-term debt securities, consisting of Gen Long-Term Notes and  
26 Gen QUIDS Subordinated Long-Term Notes.

27 (ii) On or before the Effective Date, or as soon as practical thereafter,  
28 Gen shall issue to the Debtor Gen Chromium Subordinated Long-Term Notes.

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P.A.  
ATTORNEYS AT LAW  
A Professional Corporation

1 (e) New Money Notes. On or before the Effective Date, or as soon as  
2 practical thereafter, Gen shall sell and issue new debt securities in the original principal amount of  
3 approximately \$200 million, the terms of which are set forth on the Summary of Terms of Long-  
4 Term Debt, which notes shall be registered under the Securities Act or shall be exchangeable for  
5 substantially identical notes so registered (any and all such notes, including the exchanged notes,  
6 collectively, the "Gen New Money Notes").

7 (f) Cash Consideration. On or before the Effective Date, or as soon as  
8 practical thereafter, Gen shall pay Cash to the Debtor in the amount of approximately \$200 million,  
9 subject to adjustment.

10 (g) Reorganized Debtor Power Purchase Agreement. On or before the  
11 Effective Date, Gen and the Reorganized Debtor shall enter into a long-term power sales agreement,  
12 whereby the Reorganized Debtor shall purchase output generated by Gen's facilities and produced  
13 by Gen under its irrigation district and two operationally linked hydroelectric QF power purchase  
14 agreements, the form of which shall be set forth on Exhibit 7.3(g) to the Plan Supplement (the  
15 "Reorganized Debtor Power Purchase Agreement").

16 (h) Boards of Control. The members of the Boards of Control of Gen and its  
17 affiliates or subsidiaries, if any, immediately prior to the Effective Date, and as set forth on Schedule  
18 7.3(h) to the Plan Supplement, shall serve as the initial Boards of Control of Gen and its affiliates or  
19 subsidiaries, if any, on and after the Effective Date unless otherwise disclosed prior to the Effective  
20 Date. Each of the members of such initial Boards of Control shall serve in accordance with the  
21 organizational documents of Gen or its affiliates or subsidiaries, if any, as the same may be amended  
22 from time to time.

23 (i) Officers. The officers of Gen and its affiliates or subsidiaries, if any,  
24 immediately prior to the Effective Date, and as set forth on Schedule 7.3(i) to the Plan Supplement,  
25 shall serve as the initial officers of Gen and its affiliates or subsidiaries, if any, on and after the  
26 Effective Date, unless otherwise disclosed prior to the Effective Date. Such officers shall serve in  
27 accordance with any employment agreement with Gen or its affiliates or subsidiaries, if any, and  
28 applicable law.

(j) Regulatory Approvals.

(i) Gen, its affiliates or subsidiaries, if any, and the Proponents shall timely seek all regulatory approvals from all applicable Governmental Entities that the Proponents, in their sole discretion, believe necessary to effectuate the transactions specified in this Section 7.3, including, without limitation, confirmation, acceptance or approval by (A) the FERC (1) pursuant to Sections 8 and 203 of the FPA, of the transfer of the Gen Membership Interests and certain Gen Assets, including a contract for the sale of power for resale and certain limited transmission facilities associated with generation, (2) pursuant to Sections 204 and 305 of the FPA, of the issuance of the Gen securities, the assumption of Gen Liabilities, the transfer of Gen Membership Interests and the creation of interlocking directorates, if any, (3) pursuant to Section 205 of the FPA, to sell the output of the generation assets and purchased power pursuant to the Reorganized Debtor Power Purchase Agreement and any agreements between Gen and its affiliates or subsidiaries, and (4) the transfer of the Debtor's beneficial interest in the Trusts covering Diablo Canyon; (B) the SEC, pursuant to Section 9(a)(2) of PUHCA, of the acquisition indirectly by the Parent of the Gen Membership Interests; (C) the NRC, of the Debtor's transfer of the Gen Assets, including, but not limited to, the Debtor's beneficial interest in the Trusts covering Diablo Canyon to Gen or its affiliates or subsidiaries, if any; and (D) various federal agencies for its transfer of federal permits, rights-of-ways and other authorizations or operating permits, as required.

(ii) Gen, its affiliates or subsidiaries, if any, and the Proponents shall seek an affirmative ruling of the Bankruptcy Court that, pursuant to Sections 1123 and 1142(b) of the Bankruptcy Code, that (A) the approval of California's state and local governmental agencies, including, but not limited to, the CPUC, shall not be required, among other things, in order to transfer or operate the Gen Assets, including, but not limited to, the beneficial interest in the Trusts covering Diablo Canyon, for the transfer and use of various permits, licenses, leases and other entitlements in connection with the transfer and operation of the GTrans Assets, to issue securities, to assume the Gen Liabilities or to otherwise effectuate the Restructuring Transactions; and (B) the Reorganized Debtor is not required to retain its remaining generation assets through 2005.

1                   7.4    Newco.

2                   (a)    Issuance of Newco Common Stock. Prior to the Effective Date, Newco  
3 shall have authorized and issued to the Debtor an aggregate of ten thousand (10,000) shares of  
4 Common Stock, par value \$0.01 per share, of Newco (the "Newco Common Stock"), which shall  
5 constitute 100% of the authorized, issued and outstanding shares of Newco Common Stock.

6                   (b)    Board of Directors. The members of the Board of Directors of Newco  
7 immediately prior to the Effective Date, and as set forth on Schedule 7.4(b) to the Plan Supplement,  
8 shall serve as the initial Board of Directors of Newco on and after the Effective Date unless  
9 otherwise disclosed prior to the Effective Date. Each of the members of such initial Board of  
10 Directors shall serve in accordance with the articles of incorporation of Newco or bylaws of Newco,  
11 as the same may be amended from time to time.

12                   (c)    Officers. The officers of Newco immediately prior to the Effective Date,  
13 and as set forth on Schedule 7.4(c) to the Plan Supplement, shall serve as the initial officers of  
14 Newco on and after the Effective Date unless otherwise disclosed prior to the Effective Date. Such  
15 officers shall serve in accordance with any employment agreement with Newco and applicable law.

16                   7.5    Reorganized Debtor.

17                   (a)    Surplus Property and Property Rights. On or immediately after the  
18 Effective Date, the Debtor shall sell, transfer, convey, assign and deliver, all right, title and interest  
19 of the Debtor in and to the rights, properties and assets of the Debtor described on Schedule 7.5(a) to  
20 the Plan Supplement, free and clear of all mortgages, liens, pledges, security interests, charges,  
21 claims, restrictions and encumbrances of any nature whatsoever except as set forth on Schedule  
22 7.5(a) to the Plan Supplement.

23                   (b)    Dividend of Newco Common Stock to the Parent. Following the  
24 transactions set forth Sections 7.1 through 7.4 of the Plan but prior to the Reorganized Debtor Spin-  
25 off, the Debtor shall declare and pay a dividend of the outstanding Newco Common Stock to the  
26 Parent; and each of ETrans, GTrans and Gen shall thereafter continue as an indirect wholly-owned  
27 subsidiary of the Parent.

28                   (c)    Chromium Subordinated Long-Term Notes. On or before the Effective

1 Date, the Reorganized Debtor shall issue Reorganized Debtor Chromium Subordinated Long-Term  
2 Notes.

3 (d) New Money Notes. On or before the Effective Date, or as soon as  
4 practical thereafter, the Reorganized Debtor shall sell and issue new debt securities in the original  
5 principal amount of approximately \$4.31 billion, the terms of which are set forth on the Summary of  
6 Terms of Long-Term Debt, which notes shall be registered under the Securities Act or shall be  
7 exchangeable for substantially identical notes so registered (any and all such notes, including the  
8 exchanged notes, collectively, the "Reorganized Debtor New Money Notes").

9 (e) Transfer of Long-Term Notes, QUIDS Subordinated Long-Term Notes and  
10 Chromium Subordinated Long-Term Notes to Holders of Allowed Claims. On the Effective Date or  
11 as soon thereafter as is practicable, and following the transactions set forth in Sections 7.1 through  
12 7.4 of the Plan, on the terms and subject to the conditions hereof, the Debtor shall transfer, convey,  
13 assign and deliver, and the Creditors shall accept, all right, title and interest of the Debtor in and to  
14 the Long-Term Notes, the QUIDS Subordinated Long-Term Notes and the Chromium Subordinated  
15 Long-Term Notes, in accordance with Article IV hereof, free and clear of all mortgages, liens,  
16 pledges, security interests, charges, claims, restrictions and encumbrances of any nature whatsoever  
17 except as set forth on Schedule 7.5(e) to the Plan Supplement.

18 (f) NOP. Upon the occurrence of the following events, the Reorganized  
19 Debtor may assume the NOP: (i) the Reorganized Debtor establishes and maintains an investment  
20 grade credit rating from S&P and Moody's; (ii) the Reorganized Debtor receives assurances from  
21 S&P and Moody's that the Reorganized Debtor's credit rating shall not be downgraded as a result of  
22 the reassumption of the NOP; (iii) there is an objective retail rate recovery mechanism in place  
23 pursuant to which the Reorganized Debtor is able to fully recover in a timely manner its wholesale  
24 costs of purchasing electricity to satisfy the NOP; (iv) there are objective standards in place  
25 regarding pre-approval of procurement transactions; and (v) subsequent to reassumption of the NOP,  
26 the conditions in clauses (iii) and (iv) shall remain in effect. The Reorganized Debtor shall be  
27 prohibited from accepting, directly or indirectly, an assignment of the DWR contracts.

28 (g) Retention and Transfer of Rate Recovery Litigation Claims. All of the



1 Debtor's rights to and interest in the proceeds from any resolution of the Rate Recovery Litigation  
2 and resulting CPUC rate order requiring collection in rates (the "Rate Recovery") are property of the  
3 estate of the Debtor pursuant to Section 541 of the Bankruptcy Code. On the Effective Date, and  
4 prior to the transactions set forth in Section 7.5(b) of the Plan, on the terms and subject to the  
5 conditions hereof, the Debtor shall transfer, convey, assign and deliver, and Newco, or a subsidiary  
6 of Newco, shall accept, right, title and interest of the Debtor in and to ninety five percent (95%) of  
7 the net after tax proceeds from the Rate Recovery, free and clear of all mortgages, liens, pledges,  
8 security interests, charges, claims, restrictions and encumbrances of any nature whatsoever, except  
9 as set forth on Schedule 7.5(g) to the Plan Supplement, with the remaining right, title and interest in  
10 and to the remaining five percent (5%) of the net after tax proceeds continuing to be held by the  
11 Reorganized Debtor.

12 (h) BFM Contract Seizure Litigation. All of the Debtor's rights to and interest  
13 in the proceeds from any resolution of the BFM Contract Seizure Litigation are property of the estate  
14 of the Debtor pursuant to Section 541 of the Bankruptcy Code. On the Effective Date, and prior to  
15 the transactions set forth in Section 7.5(b) of the Plan, on the terms and subject to the conditions  
16 hereof, the Debtor shall transfer, convey, assign and deliver, and Newco, or a subsidiary of Newco,  
17 shall accept, right, title and interest of the Debtor in and to either the claim or the net after tax  
18 proceeds from the BFM Contract Seizure Litigation, free and clear of all mortgages, liens, pledges,  
19 security interests, charges, claims, restrictions and encumbrances of any nature whatsoever, except  
20 as set forth on Schedule 7.5(h) to the Plan Supplement; provided, however, if the proceeds from the  
21 BFM Contract Seizure Litigation are to be collected through the Debtor's customers, the  
22 Reorganized Debtor shall retain the rights to 5% of the net after tax proceeds from any successful  
23 resolution of such claim.

24 (i) Claims Against the State. All of the Debtor's rights to and interest in the  
25 proceeds from any resolution of the Claims Against the State are property of the estate of the Debtor  
26 pursuant to Section 541 of the Bankruptcy Code. On the Effective Date, and prior to the  
27 transactions set forth in Section 7.5(b) of the Plan, on the terms and subject to the conditions hereof,  
28 the Debtor shall transfer, convey, assign and deliver, and Newco, or a subsidiary of Newco, shall

1 accept, right, title and interest of the Debtor in and to either the claims or the net after tax proceeds  
2 from the Claims Against the State, free and clear of all mortgages, liens, pledges, security interests,  
3 charges, claims, restrictions and encumbrances of any nature whatsoever, except as set forth on  
4 Schedule 7.5(i) to the Plan Supplement; provided, however, if the proceeds from the Other Claims  
5 Against the State are to be collected through the Debtor's customers, the Reorganized Debtor shall  
6 retain the rights to 5% of the net after tax proceeds from any successful resolution of such claim.

7 (j) Separation and Support Services Agreements. On or before the Effective  
8 Date, ETrans, GTrans, Gen, Newco, the Reorganized Debtor, the Parent and their subsidiaries and  
9 affiliates shall enter into one or more agreements, as appropriate, relating to the separation of the  
10 Debtor's existing operations among ETrans, GTrans, Gen, Newco, the Reorganized Debtor and their  
11 subsidiaries and affiliates, including, but not limited to, business lines, tax-sharing and allocation,  
12 employee matters, indemnification and insurance arrangements, real estate, environmental matters,  
13 technology and intellectual property ownership and license agreements, on-going electric  
14 operational matters, and certain operating, maintenance, metering, telecommunication and  
15 emergency services.

16 (k) Board of Directors. The members of the Board of Directors of the Debtor  
17 immediately prior to the Effective Date, and as set forth on Schedule 7.5(k) to the Plan Supplement,  
18 shall serve as the initial Board of Directors of the Reorganized Debtor on and after the Effective  
19 Date. Each of the members of such initial Board of Directors shall serve in accordance with the  
20 Debtor's Articles of Incorporation or the Debtor's Bylaws, as the same may be amended from time  
21 to time.

22 (l) Officers. The officers of the Debtor immediately prior to the Effective  
23 Date, and as set forth on Schedule 7.5(l) to the Plan Supplement, shall serve as the initial officers of  
24 the Reorganized Debtor on and after the Effective Date. Such officers shall serve in accordance with  
25 any employment agreement with the Reorganized Debtor and applicable law.

26 (m) Articles of Incorporation and Bylaws. The articles of incorporation and  
27 bylaws of the Reorganized Debtor shall contain provisions necessary to (i) prohibit the issuance of  
28 nonvoting equity securities as required by Section 1123(a)(6) of the Bankruptcy Code, subject to

1 further amendment of such articles of incorporation and bylaws as permitted by applicable law and  
2 (ii) effectuate the provisions of the Plan, in each case without any further action by the shareholder  
3 or directors of the Debtor.

4 (n) Reorganized Debtor Spin-Off. In connection with the transactions set forth  
5 in Section 7.6(c) hereof, the Debtor shall, on, or as soon as practicable after, the Effective Date:

6 (i) have authorized and, subject to the terms and conditions hereof,  
7 shall issue to the Parent such number of additional shares of the Reorganized Debtor's Common  
8 Stock such that after such dividend is paid, the number of issued and outstanding shares of Common  
9 Stock held directly by the Parent will be the same as the number of issued and outstanding shares of  
10 common stock of the Parent;

11 (ii) seek a private letter ruling from the IRS substantially to the effect  
12 that, among other things, (A) the Internal Restructuring shall qualify as a "reorganization" under  
13 Section 368(a) of the Tax Code and (B) the Reorganized Debtor Spin-Off shall qualify as a tax-free  
14 spin-off under Section 355 of the Tax Code; provided, that in the event the desired ruling cannot be  
15 obtained, the Proponents may choose to proceed with a modified ruling or without a ruling;

16 (iii) prepare and distribute an information statement meeting the  
17 requirements of the Exchange Act to the holders of common stock of the Parent prior to the date of  
18 the Reorganized Debtor Spin-Off;

19 (iv) cause the Reorganized Debtor's Common Stock to be approved for  
20 listing on the NYSE, subject only to official notice of distribution; and

21 (v) establish a rights plan (the terms of which are set forth on the  
22 Summary of Terms attached as Schedule 7.5(n)(v) to the Plan Supplement) and distribute to the  
23 shareholders of the Reorganized Debtor's Common Stock one "right" for each outstanding share of  
24 the Reorganized Debtor's Common Stock.

25 (o) Regulatory Issues.

26 (i) The Proponents shall timely seek a no-action letter from the SEC to  
27 the effect that each of the securities to be issued pursuant to Article IV hereof shall be issued by a  
28 successor of the Debtor for purposes of Section 1145(a) of the Bankruptcy Code.

(ii) The Proponents shall timely seek all regulatory approvals from all applicable Governmental Entities that the Proponents, in their sole discretion, believe necessary to effectuate the transactions specified in this Section 7.5, including, without limitation, confirmation, approval or acceptance by (i) the FERC, pursuant to Sections 204 and 305 of the FPA, of the Debtor's issuances of securities, the debt financing, and the declaration and payment of the dividend of the Newco Common Stock to the Parent and the indirect transfer of the Membership Interests to the Parent; (ii) the SEC, pursuant to Section 9(a)(2) of PUHCA, of the acquisition by Parent of the Newco Common Stock, and indirectly the Membership Interests; (iii) the NRC of the indirect transfer of certain assets related to the shutdown nuclear generating unit at Humboldt Bay in connection with the Reorganized Debtor Spin-Off; and (iv) various federal agencies for its transfer of federal permits, rights-of-ways and other authorizations, as required.

(iii) The Proponents shall seek an affirmative ruling of the Bankruptcy Court, which may be in the Confirmation Order, that, pursuant to Section 1123 of the Bankruptcy Code, that (A) the approval of California's state and local governmental agencies, including, but not limited to, the CPUC, and the payment of fees to such agencies, shall not be required for (1) the change of ownership of the Debtor resulting from the Reorganized Debtor Spin-Off or for the transfer of the ETrans Assets, the GTrans Assets and the Gen Assets, and (2) the transfer of assets to, or operation of assets by, ETrans, GTrans or Gen, or their affiliates or subsidiaries, as appropriate or to otherwise effectuate the Restructuring Transactions, and (B) the CPUC affiliate transaction rules shall not apply to any of the agreements entered into as part of the Restructuring Transactions.

#### 7.6 Parent.

(a) Transfer of Parent Assets. On the terms and subject to the conditions hereof, on or before the Effective Date, the Debtor shall transfer, convey, assign and deliver, and the Parent, Newco or a subsidiary of the Parent or Newco, shall accept, all right, title and interest of the Debtor in and to the rights, properties and assets of the Debtor and described on Schedule 7.6(a) to the Plan Supplement (collectively the "Parent Assets"), free and clear of all mortgages, liens, pledges, security interests, charges, claims, restrictions and encumbrances of any nature whatsoever except as set forth on Schedule 7.6(a) to the Plan Supplement.

1 (b) Assumed Parent Liabilities. On and as of the Effective Date, the Parent,  
2 Newco or a subsidiary of the Parent or Newco, shall assume and thereafter in due course pay and  
3 fully satisfy the executory contracts, leases, liabilities and obligations of the Debtor set forth on  
4 Schedule 7.6(b) to the Plan Supplement (collectively the "Parent Liabilities") and no other liabilities  
5 or obligations.

6 (c) Parent Dividend. Immediately following the transactions set forth in  
7 Sections 7.1 through 7.5, 7.6(a) and 7.6(b) hereof, and on or immediately following the Effective  
8 Date, the Parent shall declare and pay a one-for one dividend of all of the Reorganized Debtor's  
9 Common Stock held by the Parent to the shareholders of the Parent (the "Reorganized Debtor Spin-  
10 Off") in accordance with the terms and conditions of the Master Separation Agreement attached as  
11 Exhibit 7.6(c) to the Plan Supplement (the "Master Separation Agreement").

12 (d) Regulatory Approvals. The Proponents shall timely seek all regulatory  
13 approvals from all applicable Governmental Entities that the Proponents, in their sole discretion,  
14 believe necessary to effectuate the transactions specified in this Article VII, including, without  
15 limitation, confirmation, acceptance or approval by (i) the FERC, pursuant to Section 203 of the  
16 FPA, the transfer by Parent of interests in the Debtor to the Parent's shareholders and (ii) the SEC,  
17 pursuant to Section 9(a)(2) of PUHCA, of (A) the temporary ownership by the Parent of the  
18 Debtor's Common Stock and (B) the indirect ownership of the ETrans Membership Interests and the  
19 Gen Membership Interests.

20 7.7 Working Capital Facilities. Each of the Reorganized Debtor, ETrans, GTrans  
21 and Gen shall establish working capital facilities for the purpose of funding seasonal fluctuations in  
22 working capital, letters of credit primarily for workers' compensation liabilities in the event the  
23 Reorganized Debtor, ETrans, GTrans or Gen do not secure approval by the State of California of the  
24 self-funding set forth in Section 7.8(b) of the Plan and certain other contingencies, the terms,  
25 available components and estimated amounts of which shall be set forth on Exhibit 7.7 to the Plan  
26 Supplement.

27 7.8 Regulatory Issues.

28 (a) Each of the Reorganized Debtor, Newco, ETrans, GTrans and Gen and

1 their respective subsidiaries and affiliates shall operate their businesses in accordance with all  
2 applicable laws and regulations promulgated or issued by all Governmental Entities having  
3 jurisdiction over such businesses.

4 (b) In the event that any of the Reorganized Debtor, ETrans, GTrans, Gen or  
5 Newco does not purchase workers' compensation insurance, such entity shall apply for approval by  
6 the Office of Self Insurance Plans of such entities' self insurance plan which shall satisfy the  
7 workers' compensation requirements set forth in the State of California's Labor Code Section 3700  
8 and by the Office of Self Insurance Plans, provided that each of the Reorganized Debtor, Newco,  
9 ETrans, GTrans and Gen shall post separate collateral to the State of California to support their self-  
10 insured programs.

11 7.9 Issuance of New Securities. Notwithstanding the foregoing, certain securities  
12 related approvals shall be sought from the FERC under Section 204 of the FPA. Other than such  
13 FERC approvals, the issuance of the following securities and notes by the Reorganized Debtor,  
14 Newco, ETrans, GTrans and Gen is hereby authorized without further act or action under applicable  
15 law, regulation, order or rule:

- 16 (a) Membership Interests;
- 17 (b) 10,000 shares of Newco Common Stock;
- 18 (c) shares of the Reorganized Debtor's Common Stock;
- 19 (d) Long-Term Notes;
- 20 (e) QUIDS Subordinated Long-Term Notes;
- 21 (f) Chromium Subordinated Long-Term Notes;
- 22 (g) New Money Notes; and
- 23 (h) New Mortgage Bonds.

24 7.10 Additional Entities. In accordance with Section 11.11 hereof, the Proponents  
25 may modify the Restructuring Transactions set forth in this Article VII in such a manner as they may  
26 deem necessary and appropriate in order to effect the Internal Restructuring set forth in the Plan,  
27 including, but not limited to, (a) forming additional special purpose affiliates or subsidiaries of  
28 ETrans, GTrans, Gen and Newco (such entities to be set forth on Schedule 7.10(a) to the Plan

Supplement) and (b) transferring certain assets (to be set forth on Schedule 7.10(b) to the Plan Supplement) of the Debtor to the entities set forth on Schedule 7.10(a) to the Plan Supplement.

## ARTICLE VIII

### CONFIRMATION AND EFFECTIVENESS OF THE PLAN

8.1 Conditions Precedent to Confirmation. The Plan shall not be confirmed by the Bankruptcy Court unless and until the following conditions shall have been satisfied or waived pursuant to Section 8.4 of the Plan:

(a) the Bankruptcy Court shall have entered an order or orders, which may be the Confirmation Order, approving the Plan, authorizing the Debtor to execute, enter into and deliver the Plan and to execute, implement and take all actions necessary or appropriate to give effect to the transactions contemplated by the Plan;

(b) the Bankruptcy Court shall have entered an order or orders, which may be the Confirmation Order, determining that the Debtor, the Parent and their affiliates are not liable or responsible for any DWR contracts (except for the DWR Claims) or purchases of power by the DWR, and any liabilities associated therewith;

(c) the Bankruptcy Court shall have entered an order or orders, which may be in the Confirmation Order, prohibiting the Reorganized Debtor from accepting, directly or indirectly, an assignment of the DWR contracts;

(d) the Bankruptcy Court shall have entered an order or orders, which may be in the Confirmation Order, prohibiting the reassumption of the NOP of its electric customers by the Reorganized Debtor unless the conditions set forth in Section 7.5(f) of the Plan are satisfied;

(e) The Bankruptcy Court shall have entered an order or orders, which may be the Confirmation Order, approving the commitment of ETrans to join a FERC-approved RTO and authorizing ETrans to join such FERC-approved RTO at such time as it is operational;

(f) the Bankruptcy Court shall have entered an order or orders, which may be in the Confirmation Order, approving and authorizing the execution of the proposed (i) Reorganized Debtor Power Purchase Agreement and (ii) the Transmission and Storage Contract;

(g) the Bankruptcy Court shall have entered an order or orders, which may be

1 the Confirmation Order, having the effect of prohibiting officials of the CPUC and officials of the  
2 State of California from taking any action related to the allocation or other treatment of any "gain on  
3 sale" related to assets transferred or disposed of under the Plan that would adversely impact the  
4 Reorganized Debtor;

5 (h) the Bankruptcy Court shall have entered an order or orders, which may be  
6 the Confirmation Order, that the CPUC affiliate transaction rules are not applicable to the  
7 Restructuring Transactions;

8 (i) the Bankruptcy Court shall have entered an order or orders, which may be  
9 the Confirmation Order, that the approval of state and local agencies of California, including, but not  
10 limited to, the CPUC, shall not be required in connection with the Restructuring Transactions  
11 because Section 1123 of the Bankruptcy Code preempts such state and local laws;

12 (j) the Bankruptcy Court shall have entered an order or orders, which may be  
13 the Confirmation Order, that the Proponents are not required to comply with Chapter 5 and Section  
14 1001 of the California Corporations Code because Section 1123 of the Bankruptcy Code preempts  
15 such state law; and

16 (k) the Confirmation Order shall be, in form and substance, acceptable to the  
17 Proponents.

18 8.2 Conditions Precedent to Effectiveness. The Plan shall not become effective  
19 unless and until the following conditions shall have been satisfied or waived pursuant to Section 8.4  
20 of the Plan:

21 (a) the Confirmation Order, in form and substance acceptable to the Debtor  
22 shall have been signed by the Bankruptcy Court on or before June 30, 2002, and shall have become a  
23 Final Order;

24 (b) the Effective Date shall have occurred on or before January 1, 2003;

25 (c) all actions, documents and agreements necessary to implement the Plan  
26 shall have been effected or executed;

27 (d) the Proponents shall have received all authorizations, consents, regulatory  
28 approvals, rulings, letters, no-action letters, opinions or documents that are determined by the



Proponents to be necessary to implement the Plan;

(e) S&P and Moody's shall have established credit ratings for each of the securities to be issued by ETrans, GTrans, Gen and the Reorganized Debtor that are acceptable to the Proponents;

(f) the Plan shall not have been modified in a material way, including any modification pursuant to Section 11.11 of the Plan, since the Confirmation Date; and

(g) each of the disaggregated entities shall have consummated the sale of the New Money Notes as contemplated by the Plan.

8.3 Effect of Failure of Conditions. In the event that one or more of the conditions specified in Section 8.2 of the Plan have not occurred or been waived on or before January 1, 2003,

(a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made, \*

(c) the Debtor and all holders of Claims and Equity Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred and (d) the Debtor's obligations with respect to Claims and Equity Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtor or any other Person or Entity or to prejudice in any manner the rights of the Debtor or any Person or Entity in any further proceedings involving the Debtor.

8.4 Waiver of Conditions. The Proponents may waive by a writing signed by an authorized representative of the respective Proponent and subsequently filed with the Bankruptcy Court, one or more of the conditions precedent set forth in Sections 8.1 and 8.2 of the Plan.

## ARTICLE IX

### EFFECT OF CONFIRMATION OF PLAN

9.1 Term of Bankruptcy Injunction or Stays. Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case under Section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

9.2 Revesting of Assets. On the Effective Date, except as otherwise transferred, sold

1 or otherwise provided for in the Plan, the property of the estate of the Debtor shall vest in the  
2 Reorganized Debtor.

3 9.3 Operations Following Effective Date. From and after the Effective Date, the  
4 Reorganized Debtor, Newco, ETrans, GTrans and Gen and their respective subsidiaries and affiliates  
5 may each operate its businesses, and may use, acquire and dispose of property free of any  
6 restrictions imposed under the Bankruptcy Code. As of the Effective Date, all property of the  
7 Reorganized Debtor, Newco, ETrans, GTrans and Gen and their respective subsidiaries and affiliates  
8 shall be free and clear of all liens, claims and interests of holders of Claims and Equity Interests,  
9 except as otherwise provided in the Plan.

10 9.4 Claims Extinguished. As of the Effective Date, any and all avoidance claims  
11 accruing to the Debtor under Sections 502(d), 544, 545, 547, 548, 549, 550 and 551 of the  
12 Bankruptcy Code and not then pending, shall be extinguished.

13 9.5 Discharge of Debtor. The rights afforded herein and the treatment of all Claims  
14 and Equity Interests herein shall be in exchange for and in complete satisfaction, discharge and  
15 release of Claims and Equity Interests of any nature whatsoever, including any interest accrued on  
16 such Claims from and after the Petition Date, against the Debtor or any of its assets or properties.  
17 Except as otherwise provided herein, (a) on the Effective Date, all such Claims against and Equity  
18 Interests in the Debtor shall be satisfied, discharged and released in full and (b) all Persons shall be  
19 precluded from asserting against the Debtor, its successors, or its assets or properties any other or  
20 further Claims or Equity Interests based upon any act or omission, transaction or other activity of  
21 any kind or nature that occurred prior to the Confirmation Date.

22 9.6 Injunction. In addition to and except as otherwise expressly provided in the  
23 Plan, the Confirmation Order or a separate order of the Bankruptcy Court, all entities who have held,  
24 hold or may hold Claims against or Equity Interests in the Debtor, are permanently enjoined, on and  
25 after the Effective Date, from (a) commencing or continuing in any manner any action or other  
26 proceeding of any kind with respect to any such Claim or Equity Interest, (b) the enforcement,  
27 attachment, collection or recovery by any manner or means of any judgment, award, decree or order  
28 against the Reorganized Debtor, Newco, ETrans, GTrans or Gen or their respective subsidiaries or

1 affiliates on account of any such Claim or Equity Interest, (c) creating, perfecting or enforcing any  
2 encumbrance of any kind against the Reorganized Debtor, Newco, ETrans, GTrans or Gen or their  
3 respective subsidiaries or affiliates or against the property or interests in property of the Reorganized  
4 Debtor, Newco, ETrans, GTrans or Gen or their respective subsidiaries or affiliates on account of  
5 any such Claim or Equity Interest, (d) asserting any right of setoff, subrogation or recoupment of any  
6 kind against any obligation due from the Reorganized Debtor, Newco, ETrans, GTrans or Gen or  
7 their respective subsidiaries or affiliates or against the property or interests in property of the  
8 Reorganized Debtor, Newco, ETrans, GTrans or Gen or their respective subsidiaries or affiliates on  
9 account of any such Claim or Equity Interest and (e) commencing or continuing in any manner any  
10 action or other proceeding of any kind with respect to any claims and Causes of Action which are  
11 extinguished, dismissed or released pursuant to the Plan. The injunction shall also enjoin all parties  
12 in interest, including, without limitation, all entities who have held, hold or may hold Claims against  
13 or Equity Interests in the Debtor, from taking any action in violation of the Confirmation Order.  
14 Such injunction shall extend to successors of the Reorganized Debtor, Newco, ETrans, GTrans or  
15 Gen or their respective subsidiaries or affiliates, their respective properties and interests in property.  
16 This Section 9.6 shall not enjoin, bar or otherwise impair the commencement or prosecution of  
17 direct personal claims against any Person other than the Reorganized Debtor, Newco, ETrans,  
18 GTrans and Gen and their respective subsidiaries or affiliates.

## 19 ARTICLE X

### 20 RETENTION OF JURISDICTION

21 The Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, or  
22 related to, the Chapter 11 Case and the Plan pursuant to, and for the purposes of, Sections 105(a) and  
23 1142 of the Bankruptcy Code and for, among other things, the following purposes:

- 24 (a) to hear and determine pending applications for the assumption or rejection  
25 of executory contracts or unexpired leases, if any are pending, and the allowance of cure amounts  
26 and Claims resulting therefrom;
- 27 (b) to hear and determine any and all adversary proceedings, applications and  
28 contested matters;

- 1 (c) to hear and determine any objection to Administrative Expense Claims or  
2 Claims;  
3 (d) to enter and implement such orders as may be appropriate in the event the  
4 Confirmation Order is for any reason stayed, revoked, modified or vacated;  
5 (e) to issue such orders in aid of execution and consummation of the Plan, to  
6 the extent authorized by Section 1142 of the Bankruptcy Code;  
7 (f) to consider any amendments to or modifications of the Plan, to cure any  
8 defect or omission, or to reconcile any inconsistency in any order of the Bankruptcy Court,  
9 including, without limitation, the Confirmation Order;  
10 (g) to hear and determine all applications for compensation and reimbursement  
11 of expenses of professionals under Sections 330, 331 and 503(b) of the Bankruptcy Code;  
12 (h) to hear and determine disputes arising in connection with the  
13 interpretation, implementation or enforcement of the Plan and/or Confirmation Order;  
14 (i) to recover all assets of the Debtor and property of the Debtor's estate,  
15 wherever located;  
16 (j) to hear and determine matters concerning state, local and federal taxes in  
17 accordance with Sections 346, 505 and 1146 of the Bankruptcy Code;  
18 (k) to hear any other matter not inconsistent with the Bankruptcy Code; and  
19 (l) to enter a final decree closing the Chapter 11 Case.

## 20 ARTICLE XI

### 21 MISCELLANEOUS PROVISIONS

22 11.1 Effectuating Documents and Further Transactions. The Debtor (or the  
23 Reorganized Debtor after the Effective Date), the Parent, Newco, ETrans, GTrans and Gen and their  
24 respective subsidiaries and affiliates are each authorized to execute, deliver, file or record such  
25 contracts, instruments, releases, indentures and other agreements or documents and take such actions  
26 as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the  
27 Plan and any securities issued pursuant to the Plan.  
28

11.2 Assurances Regarding Debt Securities.

(a) The Proponents shall take all commercially reasonable actions prior to the date on which all debt securities issued or sold under the Plan are freely tradable (the "Issuance Date") to ensure that such debt securities will be structured, marketed, priced and sold in such a manner to trade at par; provided, however, that the assurances undertaken herein are not intended to protect against changes in market interest rates after the date on which all debt securities issued under the Plan are freely tradable.

(b) At all times prior to the Issuance Date, the Committee shall be given reasonable observation rights in the process of structuring, marketing, pricing and selling the debt securities.

11.3 Corporate Action. On the Effective Date, all matters provided for under the Plan that would otherwise require approval of the shareholder or directors of the Debtor shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to the applicable general corporation law of California, the state in which the Debtor is incorporated, without any requirement of further action by the shareholder or directors of the Debtor. On the Effective Date, or as soon thereafter as is practicable, the Debtor, ETrans, GTrans, Gen and Newco and their respective subsidiaries and affiliates shall, if required, file their articles of incorporation or articles of organization or amended articles of incorporation or amended articles of organization, as appropriate, with the Secretary of State of California, in accordance with the applicable general corporation law of California.

11.4 Exemption from Transfer Taxes. Pursuant to Section 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange of notes or issuance of debt or equity securities under the Plan, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including, without limitation, any merger agreements or agreements of consolidation, deeds, bills of sale or assignments executed in connection with any of the transactions contemplated under the Plan, shall not be subject to any stamp, real estate transfer, mortgage recording, sales or other similar tax. All sale transactions

1 consummated by the Debtor and approved by the Bankruptcy Court on and after the Petition Date  
2 through and including the Effective Date, including, without limitation, the sales, if any, by the  
3 Debtor of owned property or assets pursuant to Section 363(b) of the Bankruptcy Code and the  
4 assumptions, assignments and sales, if any, by the Debtor of executory contracts and unexpired  
5 leases pursuant to Section 365 of the Bankruptcy Code, shall be deemed to have been made under, in  
6 furtherance of, or in connection with the Plan and, therefore, shall not be subject to any stamp, real  
7 estate transfer, mortgage recording, sales or other similar tax.

8           11.5   Releases by Debtor.

9                   (a)   As of the Effective Date, and subject to the release by the Releasees set  
10 forth in Section 11.6 below, the Debtor releases all of the Releasees from any and all Causes of  
11 Action held by, assertable on behalf of or derivative from the Debtor, in any way relating to the  
12 Debtor, the Debtor-in-Possession, the Chapter 11 Case, the Plan, negotiations regarding or  
13 concerning the Plan and the ownership, management and operation of the Debtor; provided,  
14 however, that the foregoing shall not operate as a waiver of or release from any Causes of Action  
15 arising out of any express contractual obligation owing by any former director, officer or employee  
16 to the Debtor or any reimbursement obligation of any former director, officer or employee with  
17 respect to a loan or advance made by the Debtor to such former director, officer or employee and is  
18 not a waiver of or release for any attorneys retained in connection with this Chapter 11 Case from  
19 claims by their respective clients.

20                   (b)   As of the Effective Date, the Debtor releases the Parent from any and all  
21 Causes of Action held by, assertable on behalf of, or derivative from, the Debtor, in any way relating  
22 to the Debtor, the Debtor-in-Possession, the Chapter 11 Case, the Plan, negotiations regarding or  
23 concerning the Plan, the ownership, management and operation of the Debtor, and any transactions  
24 or transfers between the Parent and the Debtor, including but not limited to, any Cause of Action  
25 arising under Chapter 5 of the Bankruptcy Code or any state fraudulent conveyance statute.

26           11.6   Limited Release by Releasees. In consideration for release of the Releases and  
27 other valuable consideration, except as otherwise provided under the Plan, as of the Effective Date,  
28 each of the Releasees, in any capacity, at their option, generally release the Debtor and the Debtor-

1 in-Possession, the Reorganized Debtor, Newco, ETrans, GTrans, Gen and Newco and their  
2 respective subsidiaries and affiliates, in each case in any capacity, from any and all Causes of Action  
3 held by, assertable on behalf of or derivative from such Releasee, in any way relating to the Debtor,  
4 the Debtor-in-Possession, the Chapter 11 Case, the Plan, negotiations regarding or concerning the  
5 Plan and the ownership, management and operation of the Debtor. The release by the Debtor in  
6 Section 11.5 of the Plan shall be provided only to Releasees who execute and delivery to the Debtor  
7 a release as provided in this Section 11.6 and in a form acceptable to the Debtor.

8           11.7 Exculpation. As of and subject to the occurrence of the Confirmation Date, (a)  
9 the Proponents shall be deemed to have solicited acceptances of the Plan in good faith and in  
10 compliance with the applicable provisions of the Bankruptcy Code, including, without limitation  
11 Section 1125(a) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule or regulation  
12 governing the adequacy of disclosure in connection with such solicitation and (b) the Proponents  
13 and each of their affiliates, agents, directors, officers, employees, advisors and attorneys shall be  
14 deemed to have participated in good faith and in compliance with the applicable provisions of the  
15 Bankruptcy Code in the offer and issuance of any securities under the Plan, and therefore, none of  
16 the Debtor, the Debtor-in-Possession, the Parent, the Committee, or any of their respective members,  
17 officers, directors, employees, advisors, professionals or agents shall have or incur any liability to  
18 any holder of a Claim or Equity Interest or other party in interest for any act or omission in  
19 connection with, related to, or arising out of, the Chapter 11 Case, negotiations regarding or  
20 concerning the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan or the  
21 administration of the Plan or the property to be distributed under the Plan, except for willful  
22 misconduct or gross negligence, and, in all respects, the Debtor, the Debtor-in-Possession, the  
23 Parent, the Committee, and each of their respective members, officers, directors, employees,  
24 advisors, professionals and agents shall be entitled to rely upon the advice of counsel with respect to  
25 their duties and responsibilities under the Plan; provided that nothing in this Section 11.7 shall effect  
26 a release in favor of any person other than the Debtor with respect to any debt owed to the United  
27 States Government, any state, city or municipality for any liability of such person arising under (a)  
28 the Internal Revenue Code, or any state, city or municipal tax code, or (b) the environmental laws of

1 the United States, any state, city or municipality.

2 11.8 Termination of Committee. The appointment of the Committee shall terminate  
3 on the Effective Date.

4 11.9 Fees and Expenses.

5 (a) Subject to Section 1129(a)(4) and other applicable provisions of the  
6 Bankruptcy Code, as of the Confirmation Date, the Debtor shall reimburse the Parent for any and all  
7 fees and expenses of professional Persons incurred by the Parent in connection with the preparation  
8 of the Disclosure Statement and the Plan and the prosecution, implementation and consummation of  
9 the Plan. On a monthly basis thereafter, the Debtor shall reimburse the Parent for any and all fees  
10 and expenses of professional Persons thereafter incurred by the Parent in connection with the  
11 Disclosure Statement and the Plan.

12 (b) From and after the Effective Date, the Reorganized Debtor shall, in the  
13 ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay  
14 the reasonable fees and expenses of professional Persons thereafter incurred, including, without  
15 limitation, those fees and expenses incurred in connection with the implementation and  
16 consummation of the Plan.

17 11.10 Payment of Statutory Fees. All fees payable pursuant to Section 1930 of title 28  
18 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing,  
19 shall be paid on the Effective Date.

20 11.11 Amendment or Modification of the Plan.

21 (a) Alterations, amendments or modifications of or to the Plan may be  
22 proposed in writing by the Debtor at any time prior to the Confirmation Date, provided that the Plan,  
23 as altered, amended or modified, satisfies the conditions of Sections 1122 and 1123 of the  
24 Bankruptcy Code and the Debtor shall have complied with Section 1125 of the Bankruptcy Code.  
25 The Plan may be altered, amended or modified by the Debtors at any time after the Confirmation  
26 Date and before substantial consummation, provided that the Plan, as altered, amended or modified,  
27 satisfies the requirements of Sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy  
28 Court, after notice and a hearing, confirms the Plan, as altered, amended or modified, under Section



1 1129 of the Bankruptcy Code and the circumstances warrant such alterations, amendments or  
2 modifications. A holder of a Claim that has accepted the Plan shall be deemed to have accepted the  
3 Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does  
4 not materially and adversely change the treatment of the Claim of such holder.

5 11.12 Severability. In the event that the Bankruptcy Court determines that any  
6 provision in the Plan is invalid, void or unenforceable, such provision shall be invalid, void or  
7 unenforceable with respect to the holder or holders of such Claims or Equity Interests as to which  
8 the provision is determined to be invalid, void or unenforceable. The invalidity, voidness or  
9 unenforceability of any such provision shall in no way limit or affect the enforceability and  
10 operative effect of any other provision of the Plan.

11 11.13 Revocation or Withdrawal of the Plan. The Proponents reserve the right to  
12 revoke or withdraw the Plan prior to the Confirmation Date. If the Proponents revoke or withdraw  
13 the Plan prior to the Confirmation Date, then the Plan shall be deemed null and void. In such event,  
14 nothing contained herein shall constitute or be deemed a waiver or release of any claims by or  
15 against the Debtor or any other Person or Entity or to prejudice in any manner the rights of the  
16 Debtor or any Person or Entity in any further proceedings involving the Debtor.

17 11.14 Binding Effect. The Plan shall be binding upon and inure to the benefit of the  
18 Proponents, the Reorganized Debtor, Newco, ETrans, GTrans, and Gen and their subsidiaries and  
19 affiliates, the holders of Claims and Equity Interests, other parties in interest, and their respective  
20 successors and assigns.

21 11.15 Notices. All notices, requests and demands to or upon the Debtor to be effective  
22 shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been  
23 duly given or made when actually delivered or, in the case of notice by facsimile transmission, when  
24 received and telephonically confirmed, addressed as follows:

HOWARD  
RICE  
EMEROVSKI  
CANADY  
PAUK  
& RABKIN  
A Professional Corporation

1 *If to the Debtor:*

2 Pacific Gas and Electric Company  
3 77 Beale Street  
4 P.O. Box 7442  
5 San Francisco, California 94120  
6 Attn: General Counsel  
7 Telephone: (415) 973-7000  
8 Facsimile: (415) 973-5320

9 *with a copy to:*

10 PG&E Corporation  
11 One Market, Spear Street Tower, Suite 2400  
12 San Francisco, California 94105  
13 Attn: General Counsel  
14 Telephone: (415) 267-7000  
15 Facsimile: (415) 267-7265

16 *and:*

17 Howard, Rice, Nemerovski, Canady, Falk & Rabkin  
18 A Professional Corporation  
19 Three Embarcadero Center, 7th Floor  
20 San Francisco, California 94111  
21 Attn: James L. Lopes  
22 Telephone: (415) 434-1600  
23 Facsimile: (415) 217-5910

24 *and:*

25 Weil, Gotshal & Manges LLP  
26 700 Louisiana, Suite 1600  
27 Houston, Texas 77002  
28 Attn: Alan Gover  
Telephone: (713) 546-5000  
Facsimile: (713) 224-9511

*If to the Committee:*

21 Milbank, Tweed, Hadley & McCloy LLP  
22 601 South Figueroa Street, 30th Floor  
23 Los Angeles, California 90017  
24 Attn: Paul S. Aronzon  
25 Telephone: (213) 892-4000  
26 Facsimile: (213) 629-5063

*If to the Trustee:*

25 The Office of the United States Trustee  
26 250 Montgomery Street, Suite 1000  
27 San Francisco, California 94104  
28 Attn: Stephen L. Johnson  
Telephone: (415) 705-3333  
Facsimile: (415) 705-3379

HOWARD  
RICE  
NEMEROVSKI  
CANADY  
FALK  
& RABKIN  
A Professional Corporation

1           11.16 Governing Law. Except to the extent the Bankruptcy Code, Bankruptcy Rules or  
2 other federal law is applicable, or to the extent an exhibit to the Plan provides otherwise, the rights  
3 and obligations arising under this Plan shall be governed by, and construed and enforced in  
4 accordance with, the laws of the State of California, without giving effect to the principles of  
5 conflicts of law of such jurisdiction.

6           11.17 Withholding and Reporting Requirements. Except as otherwise provided by the  
7 Plan, in connection with the consummation of the Plan, the Debtor shall comply with all  
8 withholding and reporting requirements imposed by any federal, state, local or foreign taxing  
9 authority and all distributions hereunder shall be subject to any such withholding and reporting  
10 requirements.

11           11.18 Plan Supplement. The Plan Supplement shall be filed with the Clerk of the  
12 Bankruptcy Court at least ten (10) days prior to the last day upon which holders of Claims and  
13 Equity Interests may vote to accept or reject the Plan. Upon its filing with the Bankruptcy Court, the  
14 Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal  
15 court hours. Holders of Claims or Equity Interests may obtain a copy of the Plan Supplement upon  
16 written request to the Debtor at the address set forth in Section 11.15 of the Plan.

17           11.19 Exhibits/Schedules. All exhibits and schedules to the Plan, including the Plan  
18 Supplement, are incorporated into and are a part of the Plan as if set forth in full herein.  
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HOWARD  
RICE  
MEROVSKI  
ANADY  
BALK  
& RABKIN  
A Professional Corporation

1 11.20 Filing of Additional Documents. On or before substantial consummation of the  
2 Plan, the Debtor shall file with the Bankruptcy Court such agreements and other documents as may  
3 be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.  
4

5 DATED: September 20, 2001  
6

PACIFIC GAS AND ELECTRIC COMPANY

7  
8 By: Gordon R. Smith  
9 Gordon R. Smith  
President and Chief Executive Officer

10 PG&E CORPORATION

11  
12 By: Robert D. Glynn, Jr.  
13 Robert D. Glynn, Jr.  
Chairman of the Board, Chief Executive Officer  
and President

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HOWARD  
RICE  
NEMEROVSKI  
CANADY  
BALK  
& RAEBKIN  
A Professional Corporation

## EXHIBIT 1

### Summary of Terms of Long-Term Debt

#### I. New Money Notes

<b>Issuers</b>	1. ETrans; 2. GTrans; 3. Gen; and 4. Reorganized Debtor.
<b>Amount</b>	ETrans -- \$770,000,000 GTrans -- \$390,000,000 Gen -- \$200,000,000 Reorganized Debtor -- \$4,310,000,000
<b>Interest Rate</b>	Market rate for comparable long-term notes at the time of issuance.
<b>Maturity</b>	10 years, 20 years or 30 years from issuance.
<b>Interest Payment Date</b>	Semiannually. *
<b>Ranking</b>	Pari passu with other unsecured notes, including long-term notes, and prior to subordinated debt.
<b>Covenants</b>	Will reflect market terms at the time of their issuance.
<b>Initial Trading Procedures</b>	The initial holders of the New Money Notes will be permitted to sell such New Money Notes upon issuance; <u>provided, however</u> such initial sale is conducted through one of the bookrunning managers of the New Money Notes offerings for the period 10 days after issuance of the New Money Notes.

#### II. Long-Term Notes

<b>Issuers</b>	1. ETrans; 2. GTrans; and 3. Gen.
<b>Amount</b>	ETrans -- \$380,000,000 GTrans -- \$420,000,000 Gen -- \$1,900,000,000

<b>Interest Rate</b>	Market rate for comparable long-term notes at the time of issuance.
<b>Maturity</b>	10 years, 20 years or 30 years from issuance.
<b>Interest Payment Date</b>	Semiannually.
<b>Ranking</b>	Pari passu with other unsecured notes, including New Money Notes, and prior to subordinated debt.
<b>Covenants</b>	Will reflect market terms at the time of their issuance.
<b>Initial Trading Procedures</b>	The initial holders of the long-term notes will be permitted to sell such long-term notes upon issuance; <u>provided, however</u> such initial sale is conducted through one of the bookrunning managers of the New Money Notes offerings for the period 10 days after issuance of the long-term notes.

### III. QUIDS Long-Term Subordinated Notes

<b>Issuers</b>	<ol style="list-style-type: none"> <li>1. ETrans;</li> <li>2. GTrans; and</li> <li>3. Gen.</li> </ol>
<b>Amount</b>	<p>ETrans -- \$80,000,000</p> <p>GTrans -- \$60,000,000</p> <p>Gen -- \$160,000,000</p>
<b>Interest Rate</b>	Market rate for comparable long-term subordinated notes at the time of issuance.
<b>Maturity</b>	2025 (same as original maturity).
<b>Redemption Rights</b>	Redeemable in whole or in part at 100% of principal plus accrued interest.
<b>Interest Payment Date</b>	Quarterly. So long as no event of default has occurred, the issuer may extend the interest payment period for up to 20 quarters and then pay the accrued interest, subject to further extension (but not beyond maturity) for an additional 20 quarters. During the extension, the issuer would be precluded from paying dividends or making distributions to equity holders and from redeeming or repurchasing securities that are pari passu or junior to these subordinated notes.
<b>Ranking</b>	Pari passu with each other; subordinate to all debt except after-issued subordinated debt and Chromium long-term subordinated notes, and senior to Chromium long-term notes.

#### **IV. Chromium Long-Term Subordinated Notes**

<b>Issuers</b>	1. ETrans; 2. GTrans; 3. Gen; and 4. Reorganized Debtor.
<b>Amount</b>	Unknown.
<b>Interest Rate</b>	Zero coupon reflecting market rate.
<b>Maturity</b>	10 years from issuance.
<b>Ranking</b>	Subordinate to all other debt, including QUIDS long-term subordinated notes.

#### **V. New Mortgage Bonds**

<b>Issuer</b>	Reorganized Debtor
<b>Amount</b>	\$345,000,000
<b>Interest Rate and Maturity</b>	Identical to currently outstanding Mortgage Bonds.
<b>Redemption Rights</b>	Identical to currently outstanding Mortgage Bonds.
<b>Ranking</b>	All bonds of all series are pari passu with one another; generally senior to all other debt.
<b>Collateral</b>	Subject to listed exceptions, secured by a first lien on all fixed and personal property, shares of stock deposited with the trustee and choses in action, including after-acquired property (subject to liens existing at acquisition).
<b>Exceptions to Collateral</b>	The amended and restated Mortgage would expressly exclude from the collateral "excepted property" – cash and securities not paid, deposited or held under the indenture, contracts and other agreements, contract rights, bills, notes and other instruments, accounts receivable, claims and judgments, governmental and other licenses and permits etc., intellectual property rights and other general intangibles, vehicles and other movable equipment, goods, materials and inventory held for sale in the ordinary course or consumable, products produced, furniture and fixtures, computers, data processing and telecommunications facilities used primarily for administrative or clerical purposes or not otherwise used in the Reorganized Debtor's core business, and mineral rights.

**Negative Lien Covenant**

The Reorganized Debtor would not create or permit any debt, lien or charge which would be prior to the lien of the indenture upon the mortgaged property or upon the income derived therefrom except for:

- Mortgages, pledges, liens, charges, security interests or encumbrances ("Liens") on the assets of the Reorganized Debtor in existence on the date of the indenture (including all Liens contemplated by the Plan of Reorganization) and to the extent the Reorganized Debtor merges into, another entity, Liens on the assets of such entity on the date of merger;
- Liens on property pledged to ensure the payment of principal and interest on debt issued to finance or refinance some or all of the undercollection reflected in the Reorganized Debtor's TRA or comparable account or Liens otherwise created in connection with the issuance of tax-exempt debt securities;
- pledges or deposits by the Reorganized Debtor under worker's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits, etc.; Liens imposed by law or; Liens for property taxes; minor restrictions as to the use of real properties or Liens incidental to the conduct of the business of the Reorganized Debtor;
- Liens constituting purchase money security interests and Liens related to construction and acquisition of property;
- Liens incurred in connection with sale-leaseback transactions by the Reorganized Debtor.

Notwithstanding the above, the Reorganized Debtor may create, assume or guarantee secured debt which would otherwise be subject to the foregoing restrictions, provided that, after giving effect thereto, the aggregate amount of all secured debt then outstanding (not including secured debt permitted under the foregoing exceptions) at such time does not exceed 10% of the consolidated net tangible assets (as defined in the Mortgage) of the Reorganized Debtor.

**Payment of Dividends**

As restricted by applicable law.

**Events of Default**

- Nonpayment of interest when due after 30-day grace period.
- Nonpayment of principal or premium at maturity.
- Breach of covenant or warranty in the indenture and continuation of such breach for 60 days after notice given to the company.



- Occurrence of event or condition which results in acceleration of bond, debenture, note or other evidence of money borrowed or guaranteed by the Reorganized Debtor or any significant subsidiary with an aggregate outstanding principal amount of more than \$25,000,000, and such indebtedness is not discharged or acceleration is not rescinded within 30 days after notice to the Reorganized Debtor.
- Entry of decree or order for relief in an involuntary case under federal or state bankruptcy law or similar laws or adjudging the company or any significant subsidiary to be bankrupt or insolvent or appointing custodian, receiver, etc., which decree or order remains in effect for 60 days.
- Commencing a voluntary case under federal or state bankruptcy law or other similar law; making an assignment for the benefit of creditors; admission in writing of inability to pay debts when due or taking of corporate action in furtherance thereof.

#### **Amendments**

- Ministerial amendments may be adopted without bondholder consent.
- Modification and amendments may be made by the Reorganized Debtor and the trustee with the consent of a majority in principal amount of each series affected.
- Amendments to certain specified economic terms of any series of notes (i.e., maturity date, percentage of outstanding bonds required to approve certain matters, conversion rights, creation of prior lien) may be adopted only with the consent of each bondholder.

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