

50-275/323

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PACIFIC GAS AND ELECTRIC COMPANY

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re

PACIFIC GAS AND ELECTRIC
COMPANY, a California corporation,

Debtor.

Federal I.D. No. 94-0742640

No. 01 30923 DM

Chapter 11 Case

[NO HEARING REQUIRED]

SUPPLEMENTAL DECLARATION OF RAYMOND X. WELCH IN SUPPORT OF
[PROPOSED] AMENDMENT TO ORDER GRANTING DEBTOR'S MOTION FOR (1)
AUTHORITY TO COMPROMISE CLAIMS DUE ESTATE BY SEMPRA ENERGY
TRADING CORPORATION AND SEMPRA ENERGY CORPORATION; (2)
AUTHORITY TO ENTER INTO MASTER GAS AGREEMENT; AND (3) APPROVAL
OF PROVISIONS OF MASTER GAS AGREEMENT MODIFYING AUTOMATIC STAY

A001 Add: Rds Dgc Mail Center

1 I, Raymond X. Welch, declare that:

2 1. I have been employed by Pacific Gas and Electric Company, the debtor and
3 debtor in possession in the above-referenced Chapter 11 bankruptcy case ("PG&E" or
4 "Debtor"), for the past ten years. My current position is that of Gas Portfolio Manager, in
5 PG&E's Gas Procurement Department, a position I have held for the past eight years. The
6 Gas Procurement Department buys natural gas for delivery to PG&E's core customers—
7 primarily residential and small business gas users. I make this declaration from personal
8 knowledge and could, if called as a witness, competently testify to the matters set forth
9 herein.

10 2. I make this supplemental declaration in support of the Proposed Amendment
11 to the Order Granting PG&E's Motion for (1) Authority to Compromise Claims Due Estate
12 by Sempra Energy Trading Corporation ("SET") and Sempra Energy Corporation ("Sempra
13 Corp.") (collectively "Sempra"); (2) Authority to Enter into Master Gas Agreement; and (3)
14 Approval of Provisions of Master Gas Agreement Modifying Automatic Stay (the
15 "Motion"). In my capacity as Gas Portfolio Manager, I am personally responsible for the
16 procurement of gas supplies by PG&E. More particularly, I am also familiar with the
17 history of PG&E's relationship with SET with which PG&E proposes to contract.

18 3. I am informed and believe that at the hearing of the above-referenced Motion,
19 the Court declined to make a finding that SET is extending credit to PG&E under the terms
20 of the New Master Gas Agreement in good faith within the meaning of Section 364(e) of the
21 Bankruptcy Code, without prejudice to the parties' ability to provide an appropriate
22 evidentiary basis for the Court upon which such a finding could be made.

23 4. I have reviewed the Declaration of Stefanie Katz of Sempra, a true and correct
24 copy of which is attached hereto as Exhibit A.

25 5. Paragraphs 3 through 5 inclusive of Ms. Katz's declaration state, in effect,
26 that SET is an established trading counterparty and the proposed credit extension terms are
27 commercially reasonable and consistent with the terms of the previous Master Gas
28 Agreement between SET and PG&E. I believe the said statements in Ms. Katz' Declaration

1 to be true and correct.

2 6. Furthermore, I have been informed and believe that all material terms of the
3 proposed extension of credit to be included in the New Master Gas Agreement have been
4 disclosed to this Court and to all interested parties.

5 I declare under penalty of perjury under the laws of the State of California that
6 the foregoing is true and correct, and that this declaration was executed this 21 day of
7 December, 2001, in San Francisco, California.

8 By: Raymond X. Welch
9 RAYMOND X. WELCH

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13 HOWARD
14 RICE
NEMEROVSKI
CANADY
FALK
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SEMPRA ENERGY TRADING CORP.

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

In re

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation,

Debtor.

Federal I.D. No. 94-0742640

Case No. 01-30923 DM

Chapter 11

DECLARATION OF STEFANIE KATZ IN
SUPPORT OF [PROPOSED] AMENDED
ORDER GRANTING DEBTOR'S
MOTION FOR (1) AUTHORITY TO
COMPROMISE CLAIMS DUE ESTATE
BY SEMPRA ENERGY TRADING
CORPORATION AND SEMPRA
ENERGY CORPORATION; (2)
AUTHORITY TO ENTER INTO MASTER
GAS AGREEMENT; AND (3) APPROVAL
OF PROVISIONS OF MASTER GAS
AGREEMENT MODIFYING
AUTOMATIC STAY

[NO HEARING REQUIRED]

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

Judge: The Hon. Dennis Montali

I, Stefanie Katz, declare:

1. I am Vice President of Sempra Energy Trading Corp. ("SET").

2. I am advised that a hearing before this Court was held yesterday on the Motion of Debtor for (1) Authority to Compromise Claims Due Estate by Sempra Energy Trading Corp. and Sempra Energy Corporation; (2) Authority to Enter Into Master Gas Agreement; and (3) Approval of Provisions of Master Gas Agreement Modifying Automatic Stay (the "Motion"). At the hearing, I understand that the Court declined to make a finding that SET is extending credit to the Debtor pursuant to the terms of the New Master Gas Agreement in good faith within the meaning of Section 364(e) of the Bankruptcy Code. I further understand that the Court's decision was without prejudice to the parties' ability to provide an appropriate evidentiary basis to the Court upon which such a finding could be made. I, therefore, make this declaration in support of the [Proposed] Amended Order Granting the Motion in order to provide the Court with the requisite evidentiary basis. I have personal knowledge of the facts set forth herein and, if called upon to testify, I would and I could competently testify thereto.

3. SET is an established trading counterparty in the energy trading industry.

4. The extension of credit terms proposed in the New Master Gas Agreement, including with reference to the \$10 million line of credit to be supplied by SET to the Debtor, is commercially reasonable.

5. The extension of these credit terms is consistent with the terms of the Master Gas Agreement which the parties had entered into prior to the commencement of this bankruptcy case.

6. Finally, I am advised that all material terms of the proposed extension of credit to be included in the New Master Gas Agreement have been disclosed to this Court and to all interested parties.

I declare under the penalties of perjury under the laws of the United States that the foregoing is true and correct. Executed this 20th day of December 2001, at Stamford, Connecticut.


Stefanie Katz