

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

Date: December 19, 2001

Time: 9:30 a.m.

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

[PROPOSED] 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

App Add: Rids Ogc Mail Center

ORDER GRANTING MOTION FOR AUTHORITY TO COMPROMISE CLAIMS DUE ESTATE BY SEMPRA

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The Court, having considered the Motion of Pacific Gas and Electric Company ("PG&E" or the "Debtor") for (1) Authority to Compromise Claims Due Estate by Sempra Energy Trading Corporation ("SET") and Sempra Energy Corporation ("Sempra Corp.") (collectively "Sempra"); (2) Authority to Enter into Master Gas Agreement with SET; and (3) Approval of Provisions of Master Gas Agreement Modifying Automatic Stay ("Motion") and Memorandum of Points and Authorities in Support Thereof filed herein by PG&E; the Declarations of David W. Anderson and Raymond X. Welch in support thereof; and finding that (i) the Settlement Agreement and General Release between PG&E and Sempra (the "Agreement"), a true and correct copy of which is attached hereto as Exhibit A, is fair, reasonable, and in the best interests of PG&E's Chapter 11 estate; and (ii) entry by PG&E into a new Master Gas Agreement with SET providing for natural gas purchases as set forth in Exhibit 9 to the Agreement is based upon sound business justifications and is fair, reasonable, and in the best interests of PG&E's Chapter 11 estate; and good cause appearing therefor,

IT IS HEREBY ORDERED that:

1. The Motion is granted.
2. PG&E is authorized to enter into the Agreement, a copy of which is attached hereto as Exhibit A, and the Agreement is hereby approved;
3. PG&E and Sempra shall be bound by all of the terms of the Agreement and all terms and conditions stated therein;
4. PG&E and Sempra are authorized and directed to take such actions as are reasonably necessary to perform their respective obligations under the Agreement;
5. PG&E is authorized, pursuant to Sections 363 and 364 of the Bankruptcy Code, to enter into a further agreement with SET providing for natural gas purchases from SET as set forth in Paragraph 6 and Exhibit 9 of the Agreement (the "New Master Gas Agreement"), the obligations and indebtedness incurred thereunder by PG&E, including obtaining unsecured credit, to constitute an administrative expense under Section 503 of the Bankruptcy Code;

1 6. The New Master Gas Agreement may include provisions which state that in
2 the event that PG&E's bankruptcy case is converted to a case under Chapter 7 of the
3 Bankruptcy Code or a Trustee is appointed in PG&E's pending bankruptcy case, SET may
4 deem such event to be a default under the New Master Gas Agreement, and in the event of
5 such a default the automatic stay provisions of the Bankruptcy Code are permanently
6 vacated solely for the purposes of (i) permitting SET to immediately close out, liquidate and
7 terminate, exercise its right of setoff, and exercise its other remedies under the New Master
8 Gas Agreement, without the need to obtain further approval of this Court; and (ii) providing
9 that SET's rights to close out, liquidate and terminate and to exercise its right of setoff and
10 other rights under the New Master Gas Agreement shall not be stayed, avoided, or otherwise
11 limited by order of the Bankruptcy Court;

12 7. With respect to any default by PG&E claimed by SET under the New Master
13 Gas Agreement, other than those set forth in paragraph 6 herein, SET shall have the right to
14 seek payment of amounts due thereunder as an administrative expense in this case by filing a
15 request with this Court on five (5) days' notice to PG&E, and PG&E shall pay SET all such
16 amounts within three (3) business days of the entry of any order of this Court determining
17 that PG&E owes such amounts to SET; and
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1 8. SET is extending credit to PG&E pursuant to the terms of the New Master
2 Gas Agreement in good faith within the meaning of Section 364(e) of the Bankruptcy Code.

3
4 Dated: December __, 2001.

5 HONORABLE DENNIS MONTALI
6 UNITED STATES BANKRUPTCY JUDGE

7 APPROVED AS TO FORM:

8 DATED: November 19th, 2001.

9 HOWARD, RICE, NEMEROVSKI, CANADY,
10 FALK & RABKIN
A Professional Corporation

11
12 By: 

CEIDE ZAPPARONI

13 Attorneys for Debtor and Debtor in Possession
14 PACIFIC GAS AND ELECTRIC COMPANY

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ORDER GRANTING MOTION FOR AUTHORITY TO COMPROMISE CLAIMS DUE ESTATE BY SEMPRA

Exhibits are not attached to the service copies of this document. You may obtain copies of the Exhibits in one of the following ways: through the "Pacific Gas & Electric Company Chapter 11 Case" link accessible through the Bankruptcy Court's website (www.canb.uscourts.gov), or by written request to Howard, Rice, Nemerovski, Canady, Falk & Rabkin, Attn: Nathaniel Hunt, Three Embarcadero Center, 7th Floor, San Francisco, California 94111-4065