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10 PACIFIC GAS AND ELECTRIC COMPANY

11 UNITED STATES BANKRUPTCY COURT
12 NORTHERN DISTRICT OF CALIFORNIA

13 In re

14 PACIFIC GAS AND ELECTRIC
15 COMPANY, a California corporation,

16 Debtor.

17 Federal I.D. No. 94-0742640

18 Case No.: 01-30923 DM

19 Chapter 11 Case

20 [No Hearing Scheduled]

21 **HELLER EHRMAN WHITE & McAULIFFE LLP'S COVER SHEET**
22 **APPLICATION FOR ALLOWANCE AND PAYMENT OF INTERIM**
23 **COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR THE PERIOD**
24 **JANUARY 1, 2002, THROUGH JANUARY 31, 2002**

25 Heller Ehrman White & McAuliffe LLP (the "Firm" or "Heller Ehrman") submits its
26 Cover Sheet Application (the "Application") for Allowance and Payment of Interim
27 Compensation and Reimbursement of Expenses for the Period January 1, 2002, through
28 January 31, 2002 (the "Application Period"). In support of the Application, the Firm
respectfully represents as follows:

1. The Firm is Special Counsel to Pacific Gas and Electric Company, debtor and
debtor-in-possession in the above-referenced bankruptcy case (the "Debtor"). The Firm
hereby applies to the Court for allowance and payment of interim compensation for services
rendered and reimbursement of expenses incurred during the Application Period.

Heller
Ehrman
White &
McAuliffe LLP

HELLER EHRMAN'S COVER SHEET APPLICATION FOR PERIOD
JAN. 1, 2002, THROUGH JAN. 31, 2002
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A001 Add: Rids Ogerman Center

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2. The Firm billed a total of \$598,370.62 in fees¹ and expenses during the Application Period. The total fees represent 1,914.2 hours expended during the Application Period. These fees and expenses break down as follows:

Period	Fees	Expenses	Total
01/01/02 – 01/31/02	\$563,719.20	\$34,547.42	\$598,266.62

3. Accordingly, the Firm seeks allowance of interim compensation in the total amount of \$513,708.74 at this time. This total comprises the following: \$479,161.32 (85% of the fees incurred during the Application Period)² plus \$34,547.42 (100% of the expenses incurred).

4. For the post-petition period, the Firm has been paid to date as follows:³

¹ Under the Court's December 12, 2001, Memorandum Decision Regarding Applications for Interim Compensation of Professionals ("December 12, 2001, Order"), compensation for all services by Heller Ehrman paralegals Nneka Nwosu and Brett Stone was limited to \$40 per hour. The Court's February 27, 2002, Order approving Heller Ehrman's Second Interim Fee Application amended the December 12, 2001, Order to permit Heller Ehrman to be compensated at Ms. Nwosu and Mr. Stone's full billing rates charged to PG&E for tasks other than file management and article routing. (Ms. Nwosu and Mr. Stone's hourly rates are \$113 and \$104, respectively.) The accompanying bills were prepared before entry of the Court's February 27, 2002, Order and reflect a reduced rate of \$40 per hour for all tasks performed by Mr. Stone (no time is recorded by Ms. Nwosu for January 2002). Mr. Stone recorded 40.90 hours during January 2002 on tasks other than file management and article routing. Accordingly, Heller Ehrman seeks \$2,617.60 in addition to what appears on the bills. That amount is derived as follows: 40.90 hours x \$104 (= \$4,253.60), less 40.90 hours x \$40 (= \$1,636.00) = \$2,617.60. The bills attached as Exhibit I have been annotated (with handwritten boxes) to identify the entries for Mr. Stone to be billed at \$104 per hour, rather than \$40 per hour.

Pursuant to the Court's December 12, 2001, Order, as clarified by the Court at the February 26, 2002, hearing on Heller Ehrman's Second Interim Fee Application, Heller Ehrman is entitled to compensation for file management services by each of its paralegals at \$40 per hour or the actual direct cost of each paralegal to Heller Ehrman, whichever is greater. Heller Ehrman has not yet recalculated paralegal fees for January 2002 for file management tasks based on the direct cost of each paralegal to Heller Ehrman. Accordingly, this Cover Sheet Application reflects a paralegal rate of \$40 per hour for all file management tasks. Heller Ehrman will recalculate charges for such services based on direct costs of its paralegals and adjust its January fees accordingly, to be reflected in Heller Ehrman's next Interim Fee Application. In future Cover Sheet Applications, Heller Ehrman will seek compensation for file management services at the greater of \$40 per hour or the actual direct cost to Heller Ehrman of each paralegal performing such services.

² Payment of this amount would result in a "holdback" of \$84,557.88, equal to 15% of the Firm's fees for services rendered during the Application Period.

³ On December 19, 2000, PG&E paid a retainer to Heller Ehrman in the amount of \$350,000. Pursuant to written agreement between the parties dated December 19, 2000, the retainer is not to apply to

(Footnote continued)

Application Period	Amount Applied For	Description	Amount Paid
4/6/01 – 7/31/01 (first post-petition interim fee application period)	\$2,264,794.01	100% of fees and 100% of expenses	\$2,246,327.81 ⁴
8/1/01 – 8/31/01 (Aug. CSA period)	\$ 507,687.35	85% of fees and 100% of expenses	\$ 507,687.35
9/1/01 – 9/30/01 (Sept. CSA period)	\$ 398,784.91	85% of fees and 100% of expenses	\$ 398,814.51 ⁵
10/1/01 – 10/31/01 (Oct. CSA period)	\$ 527,472.52	85% of fees and 100% of expenses	\$ 542,494.90 ⁶
11/1/01 – 11/30/01 (Nov. CSA period)	\$ 514,542.89 ⁷	85% of fees and 100% of expenses	\$ 514,185.92
12/1/01 – 12/31/01 (Dec. CSA period)	\$ 385,123.93	85% of fees and 100% of expenses	\$ 0
Total	\$4,598,405.61 ⁸		\$4,209,510.49

current billings in the ordinary course, but instead is to apply to Heller Ehrman's unpaid fees and expenses in the event that PG&E fails to make payment in the ordinary course. By written agreement dated April 5, 2001, the parties modified that arrangement to authorize Heller Ehrman to apply the retainer to payment of unpaid pre-petition fees and expenses on matters that are subject to an hourly billing arrangement. The foregoing arrangement was approved by this Court in its June 4, 2001, Order Authorizing Debtor to Employ Heller Ehrman as Special Counsel (Apr. 17, 2001); *see also* PG&E's Application to Employ Heller Ehrman as Special Counsel ¶¶ 9-10 (Apr. 17, 2001); Declaration of Marie L. Fiala in Support of Application ¶ 9 (Apr. 8, 2001). As of the date of submission of this Cover Sheet Application, Heller Ehrman has applied \$153,148.07 of the retainer to a portion of its unpaid pre-petition fees and expenses on hourly rate engagements. Heller Ehrman continues to hold a retainer balance of \$196,851.93.

⁴ The amount paid reflects a disallowance of \$18,466.20 in fees. *See* Order Approving Heller Ehrman White & McAuliffe LLP's First Interim Fee Application for Allowance and Payment of Compensation and Reimbursement of Expenses for the Period April 6, 2001, Through July 31, 2001 (Nov. 21, 2001); December 12, 2001 Order at pp. 16-17.

⁵ The September Cover Sheet Application inadvertently understated the request for compensation by \$29.60, which PG&E paid.

⁶ In its October Cover Sheet Application, the Firm inadvertently did not include a request for payment of fees and expenses incurred in Matter No. 13779-0083 (Wayne Roberts v. PG&E), although the bill for that matter was attached to the October Cover Sheet Application. For Matter No. 13779-0083, the fees were \$17,359.80 and the expenses were \$266.52, for a total of \$17,626.32. Accordingly, the Firm's October Cover Sheet Application should have included a request for payment of an additional \$15,023.35 (85% of \$17,359.80 + 100% of \$266.52). PG&E has paid that additional amount.

⁷ After Heller Ehrman filed its November Cover Sheet Application, Heller Ehrman agreed with PG&E to reduce its November fees for Matter No. 13779-0077 by \$420. The revised November 2001 amount applied for therefore is \$514,542.89 – (85% x \$420) = \$514,185.92, which is the amount paid by PG&E.

HELLER EHRMAN'S COVER SHEET APPLICATION FOR PERIOD
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5. To date, the Firm is owed as follows (excluding amounts owed pursuant to this Application):

Application Period	Amount	Description
First post-petition interim fee application period (4/6/01-7/31/01)	\$ 0	
Second post-petition interim fee application period (8/1/01-11/30/01)	\$ 268,569.08	15% monthly fee holdbacks, less disallowance in Court's February 27, 2002, Order for certain paralegal fees (\$19,921.40), less additional reductions by Heller Ehrman reflected in the bills attached to Heller Ehrman's Second Interim Fee Application (\$31,625.80)
December cover sheet application period (12/1/01-12/31/01)	\$ 446,804.33	100% of fees and 100% of expenses
Total Owed to Firm to Date	\$ 715,374.13	

6. With regard to the copies of this Application served on counsel for the Committee, counsel for the Debtor and the Office of the United States Trustee, attached as Exhibit 1 hereto is the name of each professional who performed services in connection with this case during the period covered by this Application and the hourly rate for each such professional; and (b) attached as Exhibit 2 are the detailed time and expense statements for the Application Period that comply with all Northern District of California Bankruptcy Local Rules and Compensation Guidelines and the Guidelines of the Office of the United States Trustee.

⁸ On January 14, 2002, Heller Ehrman filed and served its Second Interim Fee Application requesting compensation for 100% of its fees and 100% of its expenses incurred during the period August 1, 2001, to November 30, 2001. The amount of fees and expenses requested therein equals the sum of: (i) the amounts applied for in each of the Cover Sheet Applications for the period August 1, 2001, to November 30, 2001, as reflected in the "Amount Applied For" column above; (ii) the 15% holdback amounts for those months; and (iii) reductions for certain categories of paralegal time and for other matters as explained in the Fee Application. The total amount of compensation requested in the Fee Application for the period August 1, 2001, to November 30, 2001, was \$2,251,673.88 (\$2,142,087.50 in fees + \$109,586.38 in expenses). The Court approved Heller Ehrman's Fee Application, except for \$19,921.40 in fees based on certain paralegal charges, authorizing compensation to Heller Ehrman of \$2,231,752.48 (\$2,122,166.10 in fees + \$109,586.38 in expenses).

1 7. The Firm has served a copy of this Application (without Exhibits) on the
2 Special Notice List in this case.

3 8. Pursuant to this Court's "ORDER ESTABLISHING INTERIM FEE
4 APPLICATION AND EXPENSE REIMBURSEMENT PROCEDURE" which was entered
5 on or about July 26, 2001, the Debtor is authorized to make the payment requested herein
6 without a further hearing or order of this Court unless an objection to this Application is
7 filed with the Court by the Debtor, the Committee or the United States Trustee and served
8 by the fifteenth day of the month following the service of this Application. If such an
9 objection is filed, Debtor is authorized to pay the amounts, if any, not subject to the
10 objection. The Firm is informed and believes that this Cover Sheet Application was mailed
11 by first class mail, postage prepaid, on or about March 4, 2002.

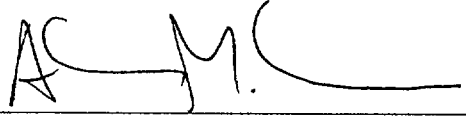
12 9. The interim compensation and reimbursement of expenses sought in this
13 Application is on account and is not final. Upon the conclusion of this case, the Firm will
14 seek fees and reimbursement of the expenses incurred for the totality of the services
15 rendered in the case. Any interim fees or reimbursement of expenses approved by this
16 Court and received by the Firm (along with the Firm's Retainer) will be credited against
17 such final fees and expenses as may be allowed by this Court.

18 10. The Firm represents and warrants that its billing practices comply with all
19 Northern District of California Bankruptcy Local Rules and Compensation Guidelines and
20 the Guidelines of the Office of the United States Trustee. Neither the Firm nor any
21 members of the Firm has any agreement or understanding of any kind or nature to divide,
22 pay over or share any portion of the fees or expenses to be awarded to the Firm with any
23 other person or attorney except as among the members and associates of the Firm.

1 WHEREFORE, the Firm respectfully requests that the Debtor pay compensation to
2 the Firm as requested herein pursuant to and in accordance with the terms of the "ORDER
3 ESTABLISHING INTERIM FEE APPLICATION AND EXPENSE REIMBURSEMENT
4 PROCEDURE."

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6 Dated: March 4, 2002

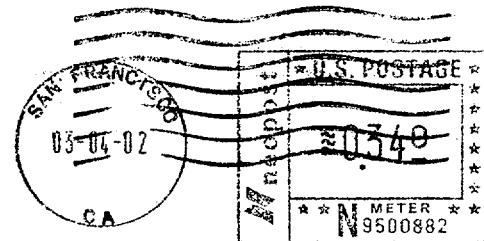
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Ann Whitehead PG&E 2/02

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