

JAMES L. LOPES (No. 63678)
WILLIAM J. LAFFERTY (No. 120814)
HOWARD, RICE, NEMEROVSKI, CANADY,
FALK & RABKIN
A Professional Corporation
Three Embarcadero Center, 7th Floor
San Francisco, California 94111-4024
Telephone: 415/434-1600
Facsimile: 415/217-5910

Attorneys for Debtor and Debtor in Possession
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

Case No. 01-30923 DM

Chapter 11 Case

Date: May 16, 2003
Time: 1:30 p.m.
Place: 235 Pine Street, 22nd Floor
San Francisco, California

DECLARATION OF SUNITA JONES IN SUPPORT OF MOTION OF
PACIFIC GAS AND ELECTRIC COMPANY FOR ORDER AUTHORIZING
DEBTOR TO PAY CERTAIN REFUND OBLIGATIONS

I, Sunita Jones, declare as follows:

1. I am a rates analyst in the Electric Transmission Rates department of Pacific Gas and Electric Company ("PG&E"), a position I have held since June 2000. I make this Declaration based upon my personal knowledge of PG&E's general operations and upon my review of PG&E's records concerning the matters stated herein. If called as a witness, I could and would testify competently to the facts stated herein.

2. PG&E is seeking an order authorizing PG&E to pay two categories of refund obligations ordered by the Federal Energy Regulatory Commission ("FERC").

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3. The California Independent system Operator Corporation ("ISO") imposes certain charges on PG&E and other utilities operating in California. PG&E and the other utilities generally pass on these charges to their customers by adjusting rates. FERC imposes very strict guidelines as to how the utilities can pass on these costs and which of their customers must bear the resulting increased rates. FERC typically issues preliminary indications on applications by utilities to change their rates, which preliminary indications are subject to later review and, where necessary, customer refunds. To settle disputes, FERC conducts extensive hearings and issues binding orders. Each of the refunds that PG&E now seeks authority to make results from a FERC order or a settlement agreement approved by FERC that modified a FERC preliminary indication. Because such orders and agreements are retroactive, it is common for the utility to make adjustments and effect refunds for past charges after they have been litigated or settled at FERC.

4. PG&E's customers are divided into two general categories; Existing Transmission Contract ("ETC") customers and TO Tariff customers. The ETC customers are those customers who entered into long-term transmission contracts with PG&E before the creation of the ISO. ETC Customers are primarily municipal utilities and are not the subject of this Motion.

5. TO Tariff customers take their electric transmission service pursuant to the current TO Tariff, which expressly allows for the pass-through of certain ISO costs. As such, TO Tariff customers are obligated to reimburse PG&E for applicable charges imposed under the ISO Tariff and pay the transmission service rates under PG&E's TO Tariff. TO Tariff customers can be divided into two general groups: wholesale customers and retail customers.

6. The refunds that PG&E is seeking authority to make reflect charges imposed by the ISO or changes to various rates or rate structures under PG&E's TO Tariff.

7. On January 28, 2003, FERC approved a settlement of PG&E's first and second Transmission Owner Tariff Rate Cases. The Settlement effectively reduced the TO1 and TO2 transmission rates retroactively, and FERC has ordered PG&E to make the

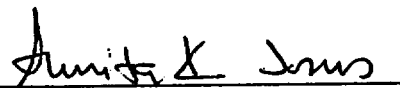
1 resulting refunds to its TO Tariff customers.

2 8. Due to the retail rate freeze put in place by California Assembly Bill ("AB")
3 1890, however, nearly all of PG&E's retail customers paid frozen rates during the TO1/TO2
4 time period. To account for the FERC-ordered refund for this period, therefore, PG&E must
5 make an adjustment of approximately \$30 million to the Transmission Revenue Account
6 ("TRA"), which is an account approved and reviewed by the California Public Utilities
7 Commission.

8 9. A small subset of the TO Tariff retail customers, made up of a small
9 number of customers who are exempt from paying Competition Transition Charges
10 ("CTCs")("CTC-Exempt Customers"), are owed refunds of approximately \$50,000 under
11 the FERC orders.

12 10. In addition, TO Tariff wholesale customers, as a result of this settlement,
13 will receive approximately \$725,000 in refunds.

14 I declare under penalty of perjury under the laws of the United States of America,
15 that the foregoing is true and correct. Executed this 23rd day of April, 2003 at San
16 Francisco, California.

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