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POWER EXCHANGE CORPORATION

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

In re	)	CASE NO. 01-30923 DM
PACIFIC GAS AND ELECTRIC	)	Chapter 11 Case
COMPANY, a California corporation,	)	
Debtor.	)	Date: September 29, 2003
	)	Time: 1:30 p.m.
	)	Place: 235 Pine Street, 22nd Floor
	)	San Francisco, California
Federal I.D. No. 94-0742640	)	Judge: Hon. Dennis J. Montali

**(REORGANIZED) CALIFORNIA POWER EXCHANGE CORPORATION'S LIMITED  
OBJECTION TO MOTION FOR ORDER AUTHORIZING PACIFIC GAS AND ELECTRIC  
COMPANY TO COMPROMISE CLAIMS AGAINST EL PASO NATURAL GAS  
COMPANY ET ALIA AND TO ENTER INTO AGREEMENTS RESOLVING ALL CLAIMS**

(Reorganized) California Power Exchange Corporation ("CalPX") objects to Pacific Gas and Electric Company's (the "Debtor's") Motion for Order Authorizing Pacific Gas and Electric Company to Compromise Claims Against El Paso Natural Gas Company Et Alia and to Enter into Agreements Resolving All Claims (the "Motion") on the following limited basis:

1. The Motion provides, among other things, that Claim No. 8837 filed against the Debtor by El Paso Merchant Energy, L.P. in the face amount of \$57,493,499.83 shall be released as part of the proposed settlement. As described in the Motion, Claim No. 8837 represents "the amount

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1 PG&E allegedly owes [El Paso] for sales of power to PG&E through the California ISO and *the*  
2 *California PX* (Claim No. 0008837)." Motion, p. 7 (emphasis added).

3 2. CalPX has filed Claim No. 13282, amending Claim No. 7411, against the Debtor in  
4 the amount of \$1,778,979,543.96 (the "CalPX Claim"). In accordance with the tariff for CalPX  
5 approved by the Federal Energy Regulatory Commission ("FERC"), the CalPX Claim includes all  
6 amounts owed by the Debtor to CalPX on account of the Debtor's unpaid prepetition purchases in  
7 CalPX's electricity markets from other participants in CalPX's markets, including El Paso Merchant  
8 Energy, L.P. Due to ongoing refund proceedings before FERC, the amount of the CalPX Claim may  
9 be subject to adjustment by FERC.

10 3. CalPX objects to the Motion only to the extent that the Motion, particularly the  
11 release of Claim No. 8837, attempts to reduce the amount of or otherwise impact the CalPX Claim.  
12 Provided the Debtor clarifies that the proposed release of Claim No. 8837 does not in any way  
13 impact or prejudice the CalPX Claim, CalPX has no objection to the Motion. If the Debtor contends  
14 that the release of Claim No. 8837 *does* impact the CalPX Claim, then CalPX objects to the Motion  
15 on the grounds that only FERC may determine the amount of the CalPX Claim.

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18 Dated: September 24, 2003

KAYE SCHOLER LLP

19  
20 By: Steven F. Werth  
21 Steven F. Werth  
22 Attorneys for the (Reorganized) CALIFORNIA  
23 POWER EXCHANGE CORPORATION  
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KAYE SCHOLER LLP

PROOF OF SERVICE

STATE OF CALIFORNIA )  
COUNTY OF LOS ANGELES ) ss.

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action. My business address is 1999 Avenue of the Stars, Suite 1700, Los Angeles, California 90067-6048.

On September 24, 2003, I served the foregoing document described as (REORGANIZED) CALIFORNIA POWER EXCHANGE CORPORATION'S LIMITED OBJECTION TO MOTION FOR ORDER AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY TO COMPROMISE CLAIMS AGAINST EL PASO NATURAL GAS COMPANY ET ALIA AND TO ENTER INTO AGREEMENTS RESOLVING ALL CLAIMS on the interested parties in this action by placing a true copy thereof enclosed in a sealed envelope addressed as follows:

[SEE ATTACHED SERVICE LIST]

☒ (BY MAIL) In accordance with the regular mail collection and processing practices of this business office, with which I am familiar, by means of which mail is deposited with the United States Postal Service at Los Angeles, California that same day in the ordinary course of business, I deposited such sealed envelope for collection and mailing on this same date following ordinary business practices.

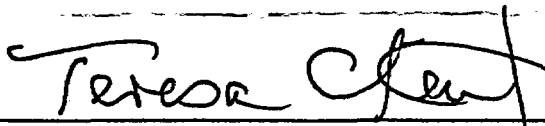
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☒ I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made.

I declare under penalty of perjury under the laws of the State of California and the United States of America that the above is true and correct.

Executed on September 24, 2003, at Los Angeles, California.

TERESA C. KENT  
Name

  
Signature

**SPECIAL NOTICE LIST**  
**As of September 17, 2003**

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