

50-275/323

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8 Independent Auditor, Accountant,  
9 Tax Advisor and Consultant to  
10 Debtor and Debtor in Possession  
11 Pacific Gas and Electric Company

12  
13 UNITED STATES BANKRUPTCY COURT

14  
15 NORTHERN DISTRICT OF CALIFORNIA, SAN FRANCISCO DIVISION

16 In re  
17  
18 PACIFIC GAS AND ELECTRIC  
19 COMPANY, a California Corporation,  
20 Debtor.  
21 Federal I.D. No. 94-0742640

22 Case No. 01-30923 DM  
23 Chapter 11

24 DELOITTE & TOUCHE LLP'S COVER  
25 SHEET APPLICATION FOR  
26 ALLOWANCE AND PAYMENT OF  
27 INTERIM COMPENSATION AND  
28 REIMBURSEMENT OF EXPENSES  
(AUGUST 1, 2003, TO AUGUST 31, 2003)

[No Hearing Scheduled]

Deloitte & Touche LLP (the "Firm") submits this Cover Sheet Application for Allowance and Payment of Interim Compensation and Reimbursement of Expenses ("Application") for August 1, 2003, to August 31, 2003 ("Application Period"). In support of the Application, the Firm respectfully represents as follows:

1. The Firm is Independent Auditor, Accountant, Tax Advisor, and Consultant to Debtor Pacific Gas & Electric Company ("Debtor"). On July 10, 2001, the Firm's retention in this capacity was approved *nunc pro tunc*, effective April 6, 2001. Subsequent orders, dated April 11, 2002 and February 10, 2003, approved the Firm's employment to audit financial statements being prepared for four entities that would succeed to Debtor's business assets upon confirmation of Debtor's first proposed reorganization plan ("Supplemental Services"). By this

BKRPO1

Application, the Firm is applying to the Court for allowance and payment of (a) interim compensation for services rendered during the Application Period, and (b) reimbursement of expenses incurred during the Application Period.

2. The Firm (a) logged \$33,963 (net of a voluntary discount of \$4,702.50) in hourly fees representing 119.0 hours expended during the Application Period and (b) incurred \$31.31 in expenses ("Expenses") during the Application Period. These hourly fees and Expenses are shown as follows:

Period	Fees	Expenses	Totals
8/1/03 to 8/31/03	\$33,963.00 <sup>1</sup>	\$31.31	\$33,994.31

3. The Firm seeks payment of a total of \$28,899.86 at this time.<sup>2</sup> This is the sum of (i) 85% of the hourly fees for services rendered from August 1, 2003, through August 31, 2003 and (ii) 100 % of the Expenses incurred from August 1, 2003, through August 31, 2003.

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

Application Period	Amount Applied For	Description	Amount Paid
First (4/7/01 to 2/28/02)	\$62,333.90 <sup>3</sup>	\$62,263.50 in hourly fees and \$70.40 in expenses, less \$22,346.50, which was withdrawn from the Firm's request in its June 25, 2002, reply to the United State's Trustee's objection to the Firm's First Interim Application	\$39,987.40 <sup>4</sup>
Second (10/1/01 to 3/31/02) <sup>5</sup>	\$1,643,315.50	\$1,643,315.50 in hourly fees, less \$4,500 disallowed by the court at	\$1,638,815.50

<sup>1</sup> The amount requested includes \$15,633.00 for time expended in preparing fee applications and \$18,330.00 (net of a voluntary discount of \$4,702.50) for time expended performing additional procedures related to non-recurring journal entries recorded by the Debtor in June 2003.

<sup>2</sup> Payment of this amount would result in a fees "holdback" of \$5,094.45.

<sup>3</sup> The relevant cover sheet application requested a total of \$62,573.90 in fees and costs, but the Firm later reduced the amount requested to \$62,333.90 due to a \$240 error in the initial billing.

<sup>4</sup> Debtor initially paid the Firm \$54,331.45 on account of its first cover sheet application, but the \$240 and \$22,346.50 reductions, discussed above, were later netted against other amounts owing to the Firm, reducing the amount paid for the first application period to \$39,987.40.

		the July 2, 2002, hearing on the Firm's First Interim Application	
Third (4/1/02 to 4/30/02)	\$232,523.00	\$232,523 in hourly fees	\$232,523.00
Fourth (5/1/02 to 5/31/02)	\$147,016.50	\$147,016.50 in hourly fees	\$147,016.50
Fifth (6/1/02 to 6/30/02)	\$115,006.00	\$115,006 in hourly fees	\$115,006.00
Sixth (7/1/02 to 7/31/02)	\$128,834.50	\$128,834.50 in hourly fees less \$3,064.50, which was withdrawn from the Firm's request in its November 22, 2002 Memorandum re Supplemental Time Diaries, Etc.	\$125,770.00
Seventh (8/1/02 to 8/31/02)	\$156,475.00	\$156,475 in hourly fees	\$156,475.00
Eighth (9/1/02 to 9/30/02)	\$127,836.006	\$127,836 in hourly fees	\$127,836.00
Ninth (10/1/02 to 10/31/02)	\$426,408.75	\$426,408.75 in hourly fees	\$426,408.75
Tenth (11/1/02 to 11/30/02)	\$183,805.19	\$170,783.25 in hourly fees and \$13,021.94 in expenses	\$183,805.19
Eleventh (12/1/02 to 12/31/02)	\$91,393.03	\$91,221.00 in hourly fees and \$172.03 in expenses	\$91,393.03
Twelfth (1/1/03 to 1/31/03)	\$344,214.80	\$343,873.50 in hourly fees and \$341.30 in expenses	\$344,214.80
Thirteenth (2/1/03 to 2/28/03)	\$103,782.58	\$103,442.00 in hourly fees and \$340.58 in expenses	\$103,782.58
Fourteenth (3/1/03 to 3/31/03)	\$162,406.16	\$141,608.50 in hourly fees <sup>7</sup> and \$1070.66 in expenses	\$142,679.16

(Footnote Continued from Previous Page.)

<sup>5</sup> The Application Periods for the Firm's first two "cover sheet" applications overlapped because the Firm did not seek compensation for any of the Supplemental Services until after the court's April 11, 2002, "nunc pro tunc" order specifically authorizing that work.

<sup>6</sup> The relevant cover sheet application requested a total of \$130,353.50 in fees, but the Firm and Debtor later agreed that the amount would be reduced by \$2,517.50.

Fifteenth (4/1/03 to 4/30/03)	\$309,688.32	85% of \$305,721.50 in hourly fees and 100% of \$3,966.82 in expenses	\$263,830.10
Sixteenth (5/1/03 to 5/31/03)	\$260,644.24	85% of \$258,002.00 in hourly fees and 100% of \$2,642.24 in expenses	\$221,943.94
Seventeenth (6/1/03 to 6/30/03)	\$123,909.00	85% of \$123,120.00 in hourly fees and 100% of \$789.00 in expenses	\$105,441.00

The Firm has also received (1) \$855,000 as the Firm's base fee for auditing and reporting on Debtor's consolidated financial statements and reviewing interim financial information for the 2001 fiscal year and (2) \$1,132,000 as the base fee for auditing and reporting on Debtor's consolidated financial statements and reviewing interim financial information for the 2002 fiscal year. (The July 10, 2001, order approving the Firm's employment, together with the November 5, 2002, order approving the 2002 base audit fee, authorized Debtor to pay these fees upon receipt of invoices from the Firm.) Including the 2001 and 2002 Base Audit Fees, the total paid to the Firm to date is \$6,453,927.95.

5. To date, the Firm is owed as follows (excluding amounts owed pursuant to this Application):

Application Period	Amount	Description
Fifteenth (4/1/03 to 4/30/03)	\$45,858.22	15% holdback of fees requested by the Firm's fifteenth "cover sheet" application filed on May 30, 2003
Sixteenth (5/1/03 to 5/31/03)	\$38,700.30	15% holdback of fees requested by the Firm's sixteenth "cover sheet" application filed on June 27, 2003
Seventeenth (6/1/03 to 6/30/03)	\$18,468.00	15% holdback of fees requested by the Firm's seventeenth

(Footnote Continued from Previous Page.)

<sup>7</sup> The relevant cover sheet application requested a total of \$161,335.50 in hourly fees, all of which was approved by the court in its July 7, 2003, Order Awarding Interim Compensation to Deloitte & Touche LLP. However, the Firm and Debtor have since agreed that Debtor need not pay \$19,727.00 of the amount awarded.

		"cover sheet" application filed on July 31, 2003
Eighteenth (7/1/03 to 7/31/03)	\$91,607.20	Fees and expenses requested by the Firm's eighteenth "cover sheet" application filed on August 28, 2003
Total Owed to the Firm to Date	\$194,633.72 <sup>8</sup>	

6. Attached as Exhibits 1 and 2, respectively, to the copies of this Application served on counsel for the Official Committee of Unsecured Creditors, counsel for Debtor, and the Office of the United States Trustee are (i) a list of the names and hourly billing rates of each professional who performed services for which compensation is sought by this Application and (ii) 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.

7. The Firm has served a copy of this Application on each person shown on the Special Notice List for this case. (Only the parties referred to in paragraph 6 received Exhibits 1 and 2; the copies served on other parties did not include the exhibits.)

8. Pursuant to this Court's Second Amended Order Establishing Interim Fee Application and Expense Reimbursement Procedure, filed on March 18, 2002, the Debtor will be authorized to make the payment requested herein without further hearing or order unless an objection to this Application is filed with the court by the Debtor, the Committee, or the United States Trustee and served by the fifteenth day of the month following the service of this Application. If such an objection is filed, Debtor will be authorized to pay the amounts, if any, not subject to the

<sup>8</sup> The \$194,633.72 does not include any fees incurred but not yet paid for the Firm's 2003 audit of Debtor's consolidated financial statements and review of interim financial information. Also, for the reason explained in footnote 7, the table in paragraph 5 does not include \$19,727 that was listed on the first line of the table in the Firm's last two "cover sheet" applications, even though such amount has not been paid to the Firm.

1 objection. The Firm is informed and believes that this Application was mailed to all persons  
2 shown on the Special Notice List by first class mail, postage prepaid, on September 29, 2003.

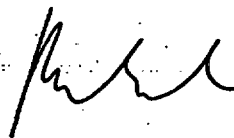
3 9. The interim compensation and reimbursement sought by this Application is on  
4 account and not final. At the conclusion of this case, the Firm will seek fees and reimbursement  
5 of expenses incurred for the totality of its employment in this case. Any interim fees or  
6 reimbursement of expenses approved by the court and received by the Firm (along with any  
7 retainer paid to the Firm) will be credited against such final fees and expenses as may be allowed  
8 by the court.

9 10. The Firm represents and warrants that to the best of its knowledge its billing  
10 practices comply with all Northern District of California Bankruptcy Local Rules and  
11 Compensation Guidelines and the Guidelines of the Office of the United States Trustee. The  
12 Firm has no agreement to share any portion of the fees or expenses awarded to the Firm for this  
13 engagement with any non-affiliated person or entity.

14 WHEREFORE, the Firm respectfully requests that Debtor pay compensation to the Firm  
15 as requested herein pursuant to and in accordance with the terms of the Second Amended Order  
16 Establishing Interim Fee Application and Expense Reimbursement Procedure.

17 Dated: September 29, 2003

18 DELOITTE & TOUCHE LLP

19 

20  
21 By \_\_\_\_\_  
22 Mark A. Edmunds, Partner  
23 Independent Auditor, Accountant, Tax  
24 Advisor and Consultant to Debtor Pacific Gas  
25 and Electric Company  
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**DELOITTE & TOUCHE LLP  
EXHIBIT 1**

<b>Employee</b>	<b>Rate</b>
Neville Morcom	600
Greg Seelagy	575
David Kral	450
Frank Balestreri	415
Darrow Becker	415
Eric Techel	340
Shawn Mattar	300
Miriam Chiappetta	270

**DELOITTE & TOUCHE LLP  
SUMMARY OF FEES  
EXHIBIT 2**

	<u>Hours</u>	<u>Rate</u>	<u>Total</u>		<u>85% Subsequent to 7/31/2001</u>	<u>Holdback on 85%</u>	<u>Expenses</u>	<u>Total</u>
Neville Morcom	1.0	600	600.00	85%	510.00			
Greg Seelagy	2.7	575	1,552.50	85%	1,319.63			
David Kral	3.0	450	1,350.00	85%	1,147.50			
Frank Balestreri	10.0	415	4,150.00	85%	3,527.50			
Danrow Becker	10.0	415	4,150.00	85%	3,527.50			
Eric Techel	19.0	340	6,460.00	85%	5,491.00			
Shawn Mattar	20.4	300	6,120.00	85%	5,202.00			
Miriam Chiappetta	52.9	270	14,283.00	85%	12,140.55			
Voluntary Discount			(4,702.50)	85%	(3,997.13)			
Postage Expenses							31.31	
Total hours and fees	<u>119.0</u>		<u>\$ 33,963.00</u>		<u>\$ 28,868.55</u>	<u>\$ 28,868.55</u>	<u>\$ 5,094.45</u>	<u>\$ 31.31</u>
Holdback					<u>\$ 5,094.45</u>			



Delayed Revenue Procedures  
Professional Hours for FRANK BALESTRERI

DATE	TIME	RATE	TOTAL	TASK CODE	TASK DESCRIPTION
8/5/2003	1.2	415.00	\$ 498.00	Delayed Revenue Procedures	Review of data prepared by S Mattar
8/5/2003	0.3	415.00	\$ 124.50	Delayed Revenue Procedures	Preparation of overall memo to support the proposed adjustment
8/6/2003	1.9	415.00	\$ 788.50	Delayed Revenue Procedures	Review of memo documenting procedures prepared by S Mattar
8/6/2003	1.6	415.00	\$ 664.00	Delayed Revenue Procedures	Preparation of overall memo to support the proposed adjustment
8/7/2003	1.0	415.00	\$ 415.00	Delayed Revenue Procedures	Review of data prepared by S Mattar
8/7/2003	0.8	415.00	\$ 332.00	Delayed Revenue Procedures	Preparation of overall memo to support the proposed adjustment
8/7/2003	1.2	415.00	\$ 498.00	Delayed Revenue Procedures	Review of updated memo prepared by S Mattar
8/8/2003	0.3	415.00	\$ 124.50	Delayed Revenue Procedures	Discussion with S Mattar regarding the procedures performed
8/8/2003	0.8	415.00	\$ 249.00	Delayed Revenue Procedures	Final review of S Mattar memo
8/8/2003	1.1	415.00	\$ 456.50	Delayed Revenue Procedures	Preparation of overall memo to support the proposed adjustment
	<u>10.0</u>		<u>\$ 4,150.00</u>		

Delayed Revenue Procedures  
Professional Hours for DARROW BECKER

DATE	TIME	RATE	TOTAL	TASK CODE	TASK DESCRIPTION
8/1/2003	1.9	415.00	\$ 788.50	Delayed Revenue Procedures	Review of additional documentation provided by the client
8/1/2003	1.4	415.00	\$ 581.00	Delayed Revenue Procedures	Meeting with PG&E management to discuss the results of our test model and next steps
8/1/2003	0.7	415.00	\$ 290.50	Delayed Revenue Procedures	Meeting with PG&E to discuss origin of test data
8/4/2003	3.0	415.00	\$ 1,245.00	Delayed Revenue Procedures	Documentation of internal memorandum on understanding of delayed billings
8/6/2003	1.0	415.00	\$ 415.00	Delayed Revenue Procedures	Meeting with PG&E management to discuss electric usage
8/7/2003	0.8	415.00	\$ 332.00	Delayed Revenue Procedures	Review of unbilled amounts and impact on overall usage analysis
8/7/2003	1.2	415.00	\$ 498.00	Delayed Revenue Procedures	Analysis of error vs estimate
	<u>10.0</u>		<u>\$ 4,160.00</u>		

Successor Company Audits  
Professional Hours for MIRIAM CHIAPPETTA

DATE	TIME	RATE	TOTAL	TASK CODE	TASK DESCRIPTION
8/6/2003	0.8	270.00	216.00	Preparation of Fee Application	Compile time diaries and begin worksheet preparation for bankruptcy court
8/6/2003	3.5	270.00	945.00	Preparation of Fee Application	Work on reconciliation of delayed revenue procedures and working with individuals to obtain time diaries
8/6/2003	2.6	270.00	702.00	Preparation of Fee Application	Reconciliation of time diaries to internal billing runs
8/7/2003	0.3	270.00	81.00	Preparation of Fee Application	Assist J Camperlingo on preparation of time diaries
8/7/2003	1.5	270.00	405.00	Preparation of Fee Application	Add Seelagy time to workbook, compile time records for J Adams and include in filing workbook
8/7/2003	3.0	270.00	810.00	Preparation of Fee Application	Prepare draft of coversheet application, including drafting new text related to deferred revenue procedures
8/7/2003	0.6	270.00	162.00	Preparation of Fee Application	Add expenses and update files
8/12/2003	3.7	270.00	999.00	Preparation of Fee Application	Work on billing summary for deferred revenue procedures, including assemble time and draft billing
8/13/2003	3.0	270.00	810.00	Preparation of Fee Application	Commence work on fifth interim application
8/13/2003	1.2	270.00	324.00	Preparation of Fee Application	Incorporate attorney comments and draft cover letter for utility
8/14/2003	3.3	270.00	891.00	Preparation of Fee Application	Combine time for aggregated filing
8/15/2003	4.7	270.00	1,269.00	Preparation of Fee Application	Conversion of data files to bar delimited for submission to bankruptcy court
8/19/2003	5.5	270.00	1,485.00	Preparation of Fee Application	Work on fee application and exhibits, including draft actual application and reconcile time diaries
8/19/2003	3.7	270.00	999.00	Preparation of Fee Application	Additional work on fee application and exhibits
8/21/2003	4.8	270.00	1,296.00	Preparation of Fee Application	Final changes, prepare Exhibit 4, and print time diaries and final copies for review by D Kral.
8/26/2003	1.0	270.00	270.00	Preparation of Fee Application	Send final files, and correspondence with R Waltrip to serve files
8/27/2003	1.7	270.00	459.00	Preparation of Fee Application	Incorporate management comments and send finalized copy
8/27/2003	0.8	270.00	216.00	Preparation of Fee Application	Assist R Waltrip with preparing the cover sheet application for filing
8/28/2003	0.8	270.00	216.00	Preparation of Fee Application	Finalize and submit electronic files for filing
8/28/2003	6.4	270.00	1,728.00	Preparation of Fee Application	Data conversion for fifth interim application
<u>52.9</u>			<u>\$ 14,283.00</u>		

Preparation of Fee Application  
Professional Hours for DAVID KRAL

DATE	TIME	RATE	TOTAL	TASK CODE	TASK DESCRIPTION
8/7/2003	0.9	450.00	\$ 405.00	Preparation of Fee Application	Review of fee application draft
8/12/2003	1.5	450.00	\$ 675.00	Preparation of Fee Application	Review of interim application draft
8/25/2003	0.6	450.00	\$ 270.00	Preparation of Fee Application	Review of interim application draft
	<u>3.0</u>		<u>\$ 1,350.00</u>		

Delayed Revenue Procedures  
Professional Hours for SHAWN MATTAR

DATE	TIME	RATE	TOTAL	TASK CODE	TASK DESCRIPTION
8/1/2003	2.8	300.00	\$ 840.00	Delayed Revenue Procedures	Reporting of test model
8/3/2003	3.2	300.00	\$ 960.00	Delayed Revenue Procedures	Update model to incorporate events prior to 2003
8/3/2003	2.2	300.00	\$ 660.00	Delayed Revenue Procedures	Testing and bug fixes for additional requirements
8/3/2003	3.9	300.00	\$ 1,170.00	Delayed Revenue Procedures	Additional reporting of test model
8/4/2003	0.9	300.00	\$ 270.00	Delayed Revenue Procedures	Finalizing reporting of test model
8/7/2003	7.4	300.00	\$ 2,220.00	Delayed Revenue Procedures	Final memo of procedures performed
	<u>20.4</u>		<u>\$ 6,120.00</u>		

Delayed Revenue Procedures  
Professional Hours for NEVILLE MORCOM

DATE	TIME	RATE	TOTAL	TASK CODE	TASK DESCRIPTION
8/8/2003	1.0	600.00	\$ 600.00	Delayed Revenue Procedures	Internal discussion with Seelagy regarding outstanding issues
	<u>1.0</u>		<u>\$ 600.00</u>		

Delayed Revenue Procedures  
Professional Hours for GREG SEELAGY

DATE	TIME	RATE	TOTAL	TASK CODE	TASK DESCRIPTION
8/1/2003	0.9	575.00	\$ 517.50	Delayed Revenue Procedures	Meeting and preparation for meeting with Utility controller and accounting management
8/1/2003	1.1	575.00	\$ 632.50	Delayed Revenue Procedures	Data analysis and workpaper review
8/3/2003	0.7	575.00	\$ 402.50	Delayed Revenue Procedures	Review Company's final draft of adjustment and provide comments via e-mail
	<u>2.7</u>		<u>\$ 1,552.50</u>		

Delayed Revenue Procedures  
Professional Hours for ERIC TECHEL

DATE	TIME	RATE	TOTAL	TASK CODE	TASK DESCRIPTION
8/1/2003	1.2	340.00	\$ 408.00	Delayed Revenue Procedures	Review of additional documentation provided by the client
8/1/2003	1.3	340.00	\$ 442.00	Delayed Revenue Procedures	Meeting with PG&E management to discuss the results of our test model and next steps
8/1/2003	0.5	340.00	\$ 170.00	Delayed Revenue Procedures	Meeting with PG&E to discuss origin of test data
8/4/2003	1.5	340.00	\$ 510.00	Delayed Revenue Procedures	Documentation of internal memorandum on understanding of delayed billings
8/5/2003	1.0	340.00	\$ 340.00	Delayed Revenue Procedures	Reconciliation of D&T and PG&E models
8/6/2003	1.4	340.00	\$ 476.00	Delayed Revenue Procedures	Meeting with PG&E management to discuss electric usage
8/6/2003	3.6	340.00	\$ 1,224.00	Delayed Revenue Procedures	Detailed testing procedures surrounding electric usage
8/7/2003	1.7	340.00	\$ 578.00	Delayed Revenue Procedures	Review of unbilled amounts and impact on overall usage analysis
8/7/2003	1.2	340.00	\$ 408.00	Delayed Revenue Procedures	Analysis of error vs estimate
8/7/2003	2.1	340.00	\$ 714.00	Delayed Revenue Procedures	Documentation and analysis of collectableness of amounts
8/8/2003	3.5	340.00	\$ 1,190.00	Delayed Revenue Procedures	Discuss supporting adjustments and analysis of impact on previous periods
	<u>19.0</u>		<u>\$ 6,460.00</u>		