

1 UNITED STATES BANKRUPTCY COURT
2 NORTHERN DISTRICT OF CALIFORNIA
3 SAN FRANCISCO DIVISION

4
5 In re
6 PACIFIC GAS AND ELECTRIC COMPANY,
7 a California corporation,
8 Debtor.
9 Federal I.D. No. 94-0742640

Case No. 01-30923 DM
Chapter 11 Case
[No Hearing Requested]

10
11 CALIFORNIA PUBLIC UTILITIES COMMISSION'S AND OFFICIAL COMMITTEE OF
12 UNSECURED CREDITORS' THIRD AMENDED PLAN OF REORGANIZATION UNDER
13 CHAPTER 11 OF THE BANKRUPTCY CODE FOR
14 PACIFIC GAS AND ELECTRIC COMPANY
15 [Dated December 5, 2002]

16 Counsel for the California Public Utilities
17 Commission:

18 Gary M. Cohen
19 Arocles Aguilar
20 Michael M. Edson
21 CALIFORNIA PUBLIC UTILITIES
22 COMMISSION
23 505 Van Ness Avenue
24 San Francisco, California 94111
25 (415) 703-2782

Counsel for the Official Committee of
Unsecured Creditors:

Paul S. Aronzon
Robert J. Moore
MILBANK, TWEED, HADLEY &
McCLOY LLP
601 South Figueroa Street, Suite 3000
Los Angeles, California 90017
(213) 892-4000

26 Alan W. Kornberg
27 Brian S. Hermann
28 Marc F Skapof
PAUL, WEISS, RIFKIND, WHARTON
& GARRISON
1285 Avenue of the Americas
New York, New York 10019-6064
(212) 373-3000

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TABLE OF CONTENTS

		Page
1		
2	ARTICLE I DEFINITIONS AND CONSTRUCTION OF TERMS	1
3	1.1 Definitions.....	1
4	1.2 Interpretation; Application of Definitions and Rules of Construction	27
5	ARTICLE II TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS, PROFESSIONAL COMPENSATION AND REIMBURSEMENT CLAIMS, AND PRIORITY TAX CLAIMS	28
6	2.1 Administrative Expense Claims	28
7	2.2 Professional Compensation and Reimbursement Claims	28
8	2.3 Priority Tax Claims	29
9	ARTICLE III CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS.....	29
10	ARTICLE IV TREATMENT OF CLAIMS AND EQUITY INTERESTS	31
11	4.1 Payment of Interest.....	31
12	4.2 Timing of Payments and Distributions.	32
13	4.3 Class 1 - Other Priority Claims	33
14	4.4 Class 2 - Other Secured Claims.....	34
15	4.5 Class 3 - Secured Claims Relating to First and Refunding Mortgage Bonds.....	34
16	4.6 Class 4a - Mortgage Backed PC Bond Claims.....	35
17	4.7 Class 4b - MBIA Insured PC Bond Claims.	36
18	4.8 Class 4c - MBIA Claims.	36
19	4.9 Class 4d - Letter of Credit Backed PC Bond Claims.	37
20	4.10 Class 4e—Letter of Credit Bank Claims.	38
21	4.11 Class 4f - Prior Bond Claims.	46
22	4.12 Class 4g - Treasury PC Bond Claims.	47
23	4.13 Class 5 - General Unsecured Claims.	48
24	4.14 Class 6 - ISO, PX and Generator Claims.....	48
25	4.15 Class 7 - ESP Claims.	48
26	4.16 Class 8 – Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims.....	48
27	4.17 [Intentionally Left Blank].	51
28	4.18 Class 10 - Convenience Claims.....	51
	4.19 Class 11 - QUIDS Claims.	52
	4.20 Class 12- Workers’ Compensation Claims.	52
	4.21 Class 13 - Preferred Stock Equity Interests.	52
	4.22 Class 14 - Common Stock Equity Interests.	53
	ARTICLE V PROVISIONS REGARDING VOTING AND DISTRIBUTIONS UNDER THE PLAN AND TREATMENT OF DISPUTED, CONTINGENT AND UNLIQUIDATED ADMINISTRATIVE EXPENSE CLAIMS, CLAIMS AND EQUITY INTERESTS	53
	5.1 Voting of Claims and Equity Interests	53
	5.2 Elimination of Vacant Classes	54
	5.3 Nonconsensual Confirmation.....	54
	5.4 Method of Distributions Under the Plan.....	54
	5.5 Objections to and Resolution of Administrative Expense Claims and Claims	57
	5.6 Payment of the Trustees’, Issuer’s and Certain Bank Fees.....	58
	5.7 Cancellation of Existing Securities and Agreements	59

1 ARTICLE VI EXECUTORY CONTRACTS AND UNEXPIRED LEASES..... 59

2 6.1 Assumption and Rejection of Executory Contracts and Unexpired Leases 59

3 6.2 Schedules of Rejected Executory Contracts and Unexpired Leases;
4 Inclusiveness 60

5 6.3 Approval of Assumption or Rejection of Executory Contracts and
6 Unexpired Leases 61

7 6.4 Cure of Defaults 61

8 6.5 Bar Date for Filing Proofs of Claim Relating to Executory Contracts and
9 Unexpired Leases Rejected Pursuant to, or Omitted from, the Plan 62

10 6.6 Assumed Indemnification Obligations. 62

11 6.7 Compensation and Benefit Programs. 62

12 6.8 Retiree Benefits. 63

13 6.9 Settlement and Stanislaus Commitments/Natural Gas 63

14 ARTICLE VII IMPLEMENTATION OF THE PLAN..... 64

15 7.1 Issuance of Securities 64

16 7.2 Reorganization Agreement.. 65

17 7.3 Settlement of Litigation. 65

18 7.4 Regulatory Asset. 66

19 7.5 Corporate Governance. 66

20 7.6 Regulatory Approvals..... 67

21 7.7 Working Capital Facility..... 67

22 7.8 Regulatory Issues..... 68

23 ARTICLE VIII CONFIRMATION AND EFFECTIVENESS OF THE PLAN..... 68

24 8.1 Conditions Precedent to Confirmation 68

25 8.2 Conditions Precedent to Effectiveness 68

26 8.3 Effect of Failure of Conditions..... 69

27 8.4 Waiver of Conditions..... 70

28 ARTICLE IX EFFECT OF CONFIRMATION OF PLAN..... 70

 9.1 Term of Bankruptcy Injunction or Stays 70

 9.2 Revesting of Assets 70

 9.3 Operations Following Effective Date 70

 9.4 Claims Extinguished..... 71

 9.5 Discharge of Debtor 71

 9.6 Injunction 71

ARTICLE X RETENTION OF JURISDICTION..... 72

ARTICLE XI MISCELLANEOUS PROVISIONS 73

 11.1 Effectuating Documents and Further Transactions 73

 11.2 Corporate Action 74

 11.3 Exemption from Transfer Taxes..... 74

 11.4 Releases by Debtor 74

 11.5 Limited Release by Releasees 75

 11.6 Exculpation 75

 11.7 Termination of Committee..... 76

 11.8 Fees and Expenses..... 76

 11.9 Payment of Statutory Fees 77

 11.10 Amendment or Modification of the Plan 77

 11.11 Severability 77

 11.12 Revocation or Withdrawal of the Plan..... 78

 11.13 Binding Effect 78

 11.14 Notices 78

 11.15 Governing Law..... 79

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

11.16 Withholding and Reporting Requirements 80
11.17 Proponents' Plan Supplement. : 80
11.18 Exhibits/Schedules..... 80
11.19 Subrogation Rights 80

1 The California Public Utilities Commission (the “Commission”) and the
2 Committee (as defined below) (collectively, the “Proponents”) propose the following this
3 amended plan of reorganization for Pacific Gas and Electric Company, a California corporation
4 (the “Debtor”), pursuant to section 1121 of title 11 of the United States Code, 11 U.S.C. §§ 101
5 *et seq.* (as amended from time to time, the “Bankruptcy Code”), and the Bankruptcy Court’s
6 Orders terminating the Debtor’s exclusive right to file a plan, dated March 11, 2002 with respect
7 to the Commission, and July 9, 2002, with respect to the Committee:¹

8 **ARTICLE I**

9 **DEFINITIONS AND CONSTRUCTION OF TERMS**

10 1.1 Definitions. As used herein, the following terms have the respective
11 meanings specified below:

12 92A Bonds means those certain California Pollution Control Financing Authority,
13 6 5/8% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1992 Series A
14 issued by the Issuer in the aggregate principal amount of \$35,000,000.

15 92B Bonds means those certain California Pollution Control Financing Authority,
16 6.35% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1992 Series B
17 issued by the Issuer in the aggregate principal amount of \$50,000,000.

18 93A Bonds means those certain California Pollution Control Financing Authority,
19 5 7/8% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1993 Series A
20 issued by the Issuer in the aggregate principal amount of \$60,000,000.

21 93B Bonds means those certain California Pollution Control Financing Authority,
22 5.85% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1993 Series B
23 issued by the Issuer in the aggregate principal amount of \$200,000,000.

24
25 _____
26 ¹ In submitting this Plan and its accompanying Disclosure Statement, the Commission does not
27 waive any objections or defenses that the Commission or the State of California (as defined
28 below) may have to this Court’s jurisdiction over the Commission or the State of California
based upon the Eleventh Amendment to the United States Constitution or related principles
of sovereign immunity or otherwise, all of which are hereby reserved.

1 96B Bonds means those certain California Pollution Control Financing Authority,
2 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series B
3 issued by the Issuer in the aggregate principal amount of \$160,000,000.

4 96C Bonds means those certain California Pollution Control Financing Authority,
5 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series C
6 issued by the Issuer in the aggregate principal amount of \$200,000,000.

7 96D Bonds means those certain California Pollution Control Financing Authority,
8 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series D
9 issued by the Issuer in the aggregate principal amount of \$100,000,000.

10 96E Bonds means those certain California Pollution Control Financing Authority,
11 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series E
12 issued by the Issuer in the aggregate principal amount of \$165,000,000.

13 96F Bonds means those certain California Pollution Control Financing Authority,
14 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series F
15 issued by the Issuer in the aggregate principal amount of \$100,000,000.

16 96G Bonds means those certain California Pollution Control Financing Authority,
17 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series G
18 issued by the Issuer in the aggregate principal amount of \$62,870,000.

19 97A Bonds means those certain California Pollution Control Financing Authority,
20 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series A
21 issued by the Issuer in the aggregate principal amount of \$45,000,000.

22 97B Bonds means those certain California Pollution Control Financing Authority,
23 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series B
24 issued by the Issuer in the aggregate principal amount of \$148,550,000.

25 97C Bonds means those certain California Pollution Control Financing Authority,
26 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series C
27 issued by the Issuer in the aggregate principal amount of \$148,550,000.

28

1 97D Bonds means those certain California Pollution Control Financing Authority,
2 Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series D
3 issued by the Issuer in the aggregate principal amount of \$17,900,000.

4 Administrative Expense Claims means all Claims against the Debtor constituting
5 a cost or expense of administration of the Chapter 11 Case under sections 503(b) and 507(a)(1)
6 of the Bankruptcy Code, including, without limitation, all actual and necessary costs and
7 expenses of preserving the Debtor's estate, all actual and necessary costs and expenses of
8 operating the business of the Debtor-in-Possession, any indebtedness or obligations incurred or
9 assumed by the Debtor-in-Possession in connection with the conduct of its business, all cure
10 amounts owed in respect of executory contracts and unexpired leases assumed by the Debtor-in-
11 Possession, all Professional Compensation and Reimbursement Claims, and any fees or charges
12 assessed against the Debtor's estate under section 1930 of chapter 123 of title 28 of the United
13 States Code.

14 Affiliate has the meaning set forth in section 101(2) of the Bankruptcy Code.

15 Allowed means, with reference to any Claim against or Equity Interest in the
16 Debtor, (a) any Claim which has been listed by the Debtor in the Debtor's Bankruptcy
17 Schedules, as such Schedules may be amended by the Debtor from time to time in accordance
18 with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and for
19 which no contrary proof of claim or objection to claim has been filed, (b) any Claim or Equity
20 Interest allowed hereunder, (c) any Claim or Equity Interest which is not Disputed, (d) any Claim
21 or Equity Interest that is compromised, settled or otherwise resolved pursuant to a Final Order of
22 the Bankruptcy Court or under the Plan, or (e) any Claim or Equity Interest which, if Disputed,
23 has been Allowed by Final Order; provided, however, that Claims allowed solely for the purpose
24 of voting to accept or reject this Plan or PG&E's Plan pursuant to an order of the Bankruptcy
25 Court shall not be considered "Allowed Claims" hereunder. Unless otherwise specified herein or
26 by order of the Bankruptcy Court, "Allowed Administrative Expense Claim" or "Allowed
27 Claim" shall not, for any purpose under the Plan, include interest on such Administrative
28 Expense Claim or Claim, as the case may be, from and after the Petition Date.

1 Assumed Corporate Indemnities means all obligations of the Debtor, pursuant to
2 the Debtor's articles of incorporation or bylaws, applicable state law or specific agreement, or
3 any combination of the foregoing, to defend or indemnify, or to reimburse or limit the liability
4 of, its present and any former officers, directors and/or employees who were officers, directors
5 and/or employees, respectively, on or after the Petition Date, solely in their capacities as officers,
6 directors and/or employees of the Debtor, against or with respect to any claims or obligations.

7 Assumed Indemnification Claims mean all Claims, if any, as to which the
8 claimant asserts rights based only upon the Assumed Corporate Indemnities.

9 Ballot means the form distributed to each holder of an Impaired Claim or Equity
10 Interest on which such holder shall indicate, among other things, acceptance or rejection of the
11 Plan and such holder's preference as between this Plan and PG&E's Plan.

12 Bank means, with respect to each Reimbursement Agreement, those certain
13 banking or other financial institutions that are signatories thereto (other than the Letter of Credit
14 Issuing Bank) and their respective successors and assigns.

15 Bankruptcy Code has the meaning set forth in the introduction to the Plan.

16 Bankruptcy Court means the United States Bankruptcy Court for the Northern
17 District of California having jurisdiction over the Chapter 11 Case.

18 Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure as
19 promulgated by the United States Supreme Court under section 2075 of title 28 of the United
20 States Code and any Local Rules of the Bankruptcy Court.

21 Bond Loan means, with respect to each series of PC Bonds, the loan of the
22 proceeds from the sale of such series of PC Bonds made by the Issuer to the Debtor pursuant to
23 the terms of the respective Loan Agreement.

24 Bond Trustee means, with respect to the PC Bonds, Bankers Trust Company, a
25 state banking corporation organized under the laws of the State of New York, as trustee, or U.S.
26 Bank Trust National Association, as trustee, under the Indenture pursuant to which such PC
27 Bonds were issued, as applicable, and their successors and assigns or any successor trustee under
28 such Indentures appointed in accordance with the terms thereof.

1 Business Day means any day other than a Saturday, Sunday or any other day on
2 which commercial banks in San Francisco, California or New York, New York are required or
3 authorized to close by law or executive order.

4 Cash means legal tender of the United States of America.

5 Cause of Action means, without limitation, any and all actions, causes of action,
6 liabilities, obligations, rights, suits, damages, judgments, claims and demands whatsoever,
7 whether known or unknown, existing or hereafter arising, in law, equity or otherwise, based in
8 whole or in part upon any act or omission or other event occurring prior to the Petition Date or
9 during the course of the Chapter 11 Case, including through the Effective Date.

10 Chapter 11 Case means the case under chapter 11 of the Bankruptcy Code
11 commenced by the Debtor in the Bankruptcy Court on April 6, 2001 and filed under Chapter 11,
12 Case No. 01-30923-DM.

13 Chromium Litigation means Causes of Action against the Debtor relating to
14 alleged chromium contamination, including, but not limited to, the following sixteen (16) civil
15 actions pending in California courts: (i) Aguayo v. Pacific Gas and Electric Company, filed
16 March 15, 1995 in Los Angeles County Superior Court, (ii) Aguilar v. Pacific Gas and Electric
17 Company, filed October 4, 1996 in Los Angeles County Superior Court, (iii) Acosta, et al. v.
18 Betz Laboratories, Inc. et al., filed November 27, 1996 in Los Angeles County Superior Court,
19 (iv) Adams v. Pacific Gas and Electric Company and Betz Chemical Company, filed July 25,
20 2000 in Los Angeles County Superior Court, (v) Baldonado v. Pacific Gas and Electric
21 Company, filed October 25, 2000 in Los Angeles Superior Court, (vi) Gale v. Pacific Gas and
22 Electric Company, filed January 30, 2001 in Los Angeles County Superior Court, (vii) Monice v.
23 Pacific Gas & Electric Company, filed March 15, 2001 in San Bernardino County Superior
24 Court, (viii) Fordyce v. Pacific Gas & Electric Company, filed March 16, 2001 in San
25 Bernardino County Superior Court, (ix) Puckett v. Pacific Gas & Electric Company, filed
26 March 30, 2001 in Los Angeles County Superior Court, (x) Alderson, et al. v. PG&E
27 Corporation, Pacific Gas and Electric Company, Betz Chemical Company, et al., filed April 11,
28 2001 in Los Angeles County Superior Court, (xi) Bowers et al. v. Pacific Gas and Electric

1 Company, et al., filed April 20, 2001 in Los Angeles County Superior Court, (xii) Boyd et al. v.
2 Pacific Gas and Electric Company, et al., filed May 2, 2001 in Los Angeles County Superior
3 Court, (xiii) Martinez et al. v. Pacific Gas and Electric Company, filed June 29, 2001 in
4 Los Angeles County Superior Court, (xiv) Kearny v. Pacific Gas and Electric Company, filed
5 November 15, 2001 in Los Angeles County Superior Court, (xv) Miller v. Pacific Gas and
6 Electric Company, filed November 21, 2001 in Los Angeles County Superior Court, and (xvi)
7 Lytle v. Pacific Gas and Electric Company, filed March 22, 2002 in Yolo County Superior
8 Court.

9 Chromium Litigation Claims means all Claims against the Debtor arising from the
10 Chromium Litigation for damages or other obligations, including Punitive Damages; provided,
11 however, that Chromium Litigation Claims shall not include (a) any Claims, settled, liquidated or
12 determined by Final Order or a binding award, agreement or settlement prior to the Petition Date
13 for amounts payable by the Debtor for damages or other obligations in a fixed dollar amount
14 payable in a lump sum or by a series of payments (which Claims are classified as General
15 Unsecured Claims), (b) Environmental Claims, (c) Fire Suppression Claims, (d) Pending
16 Litigation Claims, or (e) FERC License Claims.

17 Claim has the meaning set forth in section 101(5) of the Bankruptcy Code,
18 provided, however, that any claim based on allocations under Commission Electric Rule 20,
19 Section A, relating to undergrounding of electric distribution facilities, shall not be a Claim for
20 purposes of this Plan and shall pass through the Plan unaffected.

21 Class means a category of holders of Claims against or Equity Interests in the
22 Debtor as set forth in Articles III and IV of the Plan.

23 Clerk means the Clerk of the Bankruptcy Court.

24 Collateral means any property or interest in property of the estate of the Debtor
25 subject to a Lien to secure the payment or performance of a Claim, which Lien is not subject to
26 avoidance or otherwise invalid under the Bankruptcy Code or applicable state law.

27 Commercial Paper means short-term promissory notes of the Debtor bearing
28 various interest rates based on the three (3) month London InterBank Offered Rate and issued

1 under commercial paper dealer agreements between the Debtor and (i) Goldman Sachs & Co.,
2 dated May 30, 1997, (ii) Bank of America, N.A., dated February 7, 1985, (iii) Salomon Smith
3 Barney, Inc., dated November 10, 2000, and (iv) Merrill Lynch, Pierce, Fenner & Smith
4 Incorporated (oral agreement).

5 Commercial Paper Claim means all Claims against the Debtor arising from
6 Commercial Paper.

7 Commission has the meaning set forth in the introduction to the Plan.

8 Committee means the official Committee of Unsecured Creditors appointed in the
9 Chapter 11 Case by the United States Trustee pursuant to section 1102 of the Bankruptcy Code,
10 as reconstituted from time to time. As of the date hereof, the Committee is comprised of Reliant
11 Energy, Inc., Dynegy Power Marketing, Inc., P-E Berkeley, Inc., GWF Power Systems
12 Company, Inc., Bank of America, N.A., Morgan Guaranty, Merrill Lynch, Pierce, Fenner &
13 Smith, Incorporated, Davey Tree Expert Co., the City of Palo Alto, California, the State of
14 Tennessee and Pacific Investment Management Company LLC.

15 Committee Support Agreement means that certain Support Agreement, dated
16 September 19, 2001, entered into by and among the Committee, the Debtor and the Parent, as
17 amended from time to time.

18 Common Stock means shares of the Debtor's common stock, par value \$5.00 per
19 share.

20 Common Stock Equity Interests means any right relating to the three hundred
21 twenty-six million, nine hundred twenty-six thousand, six hundred sixty-seven (326,926,667)
22 issued and outstanding shares of Common Stock as of the date hereof, all of which are held
23 directly or indirectly by the Parent.

24 Confirmation Date means the date on which the Clerk of the Bankruptcy Court
25 enters the Confirmation Order on the Bankruptcy Court's docket.

26 Confirmation Hearing means the hearing held by the Bankruptcy Court to
27 consider confirmation of the Plan pursuant to section 1128 of the Bankruptcy Code, as such
28 hearing may be adjourned or continued from time to time.

1 Confirmation Order means the order of the Bankruptcy Court confirming the Plan
2 pursuant to section 1129 of the Bankruptcy Code, which order shall be in form and substance
3 reasonably satisfactory to the Proponents.

4 Convenience Claims means all Claims against the Debtor held by a vendor,
5 supplier or service provider or arising from the rejection of executory contracts or unexpired
6 leases under section 365 of the Bankruptcy Code (a) in the Allowed amount of \$100,000 or less,
7 or (b) consensually reduced to an Allowed amount of \$100,000 by the holder of the Claim.

8 CPU Code means the California Public Utilities Code.

9 Debtor has the meaning set forth in the introduction to the Plan.

10 Debtor-in-Possession means the Debtor in its capacity as debtor-in-possession in
11 the Chapter 11 Case pursuant to sections 1101, 1107(a) and 1108 of the Bankruptcy Code.

12 Debtor's Articles of Incorporation means the Debtor's Restated Articles of
13 Incorporation, effective as of May 6, 1998.

14 Debtor's Bankruptcy Schedules means the schedules of assets and liabilities,
15 schedule of current income and expenditures, schedule of executory contracts and unexpired
16 leases, and statement of financial affairs filed in this Chapter 11 Case by the Debtor pursuant to
17 section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as amended from time to time.

18 Debtor's Bylaws means the Debtor's Bylaws, as amended as of February 21,
19 2001.

20 Disbursing Agent means any Entity in its capacity as a disbursing agent under
21 Section 5.4 of the Plan.

22 Disclosure Statement means the Disclosure Statement for the Commission's Plan
23 of Reorganization under Chapter 11 of the Bankruptcy Code for the Debtor, dated May 17, 2002,
24 including, without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy
25 Court pursuant to the Disclosure Statement Order, and as amended, modified and/or
26 supplemented from time to time.

27 Disclosure Statement Order means the order(s) of the Bankruptcy Court entered
28 pursuant to section 1125 of the Bankruptcy Code approving the Disclosure Statement.

1 Disputed Claim means, (a) with reference to any Claim against the Debtor, proof
2 of which was timely and properly filed, or in the case of an Administrative Expense Claim, any
3 Claim or Administrative Expense Claim, as the case may be, which is disputed under the Plan or
4 as to which the Debtor has interposed a timely objection and/or request for estimation in
5 accordance with section 502(c) of the Bankruptcy Code and/or Bankruptcy Rule 3018, which
6 objection and/or request for estimation has not been withdrawn or determined by a Final Order,
7 and (b) any Claim against the Debtor, proof of which was required to be filed by order of the
8 Bankruptcy Court or pursuant to applicable law, but as to which a proof of claim was not timely
9 or properly filed. A Claim that is Disputed by the Debtor as to its amount only shall be deemed
10 Allowed in the amount the Debtor admits owing, if any, and Disputed as to the excess.

11 Disputed Claim Amount means the disputed portion of the amount set forth in the
12 proof of claim relating to a Disputed Claim or, if an amount is estimated in respect of a Disputed
13 Claim in accordance with section 502(c) of the Bankruptcy Code and/or Bankruptcy Rule 3018,
14 the amount so estimated pursuant to an order of the Bankruptcy Court.

15 Distribution Record Date means the close of business two (2) Business Days prior
16 to the Effective Date.

17 Effective Date means the second (2nd) Business Day after the date on which the
18 conditions specified in Section 8.2 hereof have been satisfied or waived.

19 Entity has the meaning set forth in section 101(15) of the Bankruptcy Code.

20 Environmental, Fire Suppression, Pending Litigation, Tort and FERC License
21 Claims means all Environmental Claims, Fire Suppression Claims, Pending Litigation Claims,
22 Tort Claims and FERC License Claims.

23 Environmental Claims means all Claims against the Debtor arising from any
24 accusation, allegation, notice of violation, action, claim, environmental Lien, demand, abatement
25 or other order, restriction or direction (conditional or otherwise) by any Governmental Entity or
26 any other Person for personal injury (including, but not limited to, sickness, disease or death),
27 tangible or intangible property damage, Punitive Damages, damage to the environment,
28 nuisance, pollution, contamination or other adverse effect on the environment or costs (to the

1 extent recoverable under applicable non-bankruptcy law) of any Governmental Entity related
2 thereto, in each case resulting from or based upon (a) the existence, or the continuation of the
3 existence, of a release of (including, but not limited to, sudden or non-sudden accidental or non-
4 accidental releases), or exposure to, any hazardous or deleterious material, substance, waste,
5 pollutant or contaminant, odor or audible noise in, into or onto the environment (including, but
6 not limited to, the air, soil, surface water or groundwater) at, in, by, from or related to any
7 property (including any vessels or facilities of the Debtor) presently or formerly owned, operated
8 or leased by the Debtor or any activities or operations thereon, (b) the transportation, storage,
9 treatment or disposal of any hazardous or deleterious material, substance, waste, pollutant or
10 contaminant in connection with any property presently or formerly owned, operated or leased by
11 the Debtor or its operations or facilities, or (c) the violation or alleged violation, of any
12 environmental law, order or environmental permit or license of or from any Governmental Entity
13 relating to environmental matters connected with any property presently or formerly owned,
14 operated or leased by the Debtor, provided, however, that Environmental Claims shall not
15 include (i) any Claims fully settled, liquidated or determined by a Final Order or a binding
16 award, agreement or settlement prior to the Petition Date for amounts payable by the Debtor for
17 damages or other obligations in a fixed dollar amount payable in a lump sum or by a series of
18 payments (which Claims are classified as General Unsecured Claims), (ii) Tort Claims, (iii) Fire
19 Suppression Claims, (iv) Pending Litigation Claims, or (v) FERC License Claims.

20 Environmental Order has the meaning set forth in Section 4.16(b) hereof.

21 Equity Interest means any share of Common Stock, Preferred Stock or other
22 instrument evidencing an ownership interest in the Debtor, whether or not transferable, and any
23 option, warrant or other right, contractual or otherwise, to acquire any such interest.

24 ERISA means the Employee Retirement Income Security Act of 1974, as
25 amended.

26 ESP means energy service provider.

27 ESP Claims means all Claims against the Debtor arising from PX energy credits
28 payable by the Debtor to ESPs.

1 Existing Tax Sharing Agreement means that agreement, dated as of January 1,
2 1997, for the allocation of income tax liability between the Debtor and the Parent.

3 Exit Facility has the meaning set forth in Section 7.6 hereof.

4 Federal Judgment Rate means the interest rate allowed pursuant to section 1961 of
5 title 28 of the United States Code, as amended, as published by the Board of Governors of the
6 Federal Reserve System for the calendar week that preceded the Petition Date.

7 Fed. Rules Civ. Pro. means the Federal Rules of Civil Procedure.

8 FERC means the Federal Energy Regulatory Commission.

9 FERC License Claims means all Claims against the Debtor held by a
10 Governmental Entity arising from or under FERC licenses, including, but not limited to, Belden
11 FERC License 2015 (including fish stocking requirements set forth therein).

12 Final Order means an order or decree of the Bankruptcy Court, or any other court
13 of competent jurisdiction, as to which the time to appeal, petition for certiorari, or move for
14 reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other
15 proceedings for reargument or rehearing shall then be pending or as to which any right to appeal,
16 petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance
17 satisfactory to the Debtor and the Proponents or, in the event that an appeal, writ of certiorari, or
18 reargument or rehearing thereof has been sought, such order or decree of the Bankruptcy Court
19 or other court of competent jurisdiction shall have been determined by the highest court to which
20 such order or decree was appealed, or certiorari, reargument or rehearing shall have been denied
21 and the time to take any further appeal, petition for certiorari or move for reargument or
22 rehearing shall have expired; provided, however, that the possibility that a motion under Rule 59
23 or Rule 60 of the Fed. Rules Civ. Pro., or any analogous rule under the Bankruptcy Rules or
24 applicable state court rules of civil procedure, may be filed with respect to such order or decree
25 shall not prevent such order or decree from being a Final Order.

26 Fire Suppression Claims means all Claims against the Debtor by any
27 Governmental Entity for damages and costs resulting from a fire that may be recovered under
28 either state or federal law, including, but not limited to, Claims for damages to property, the cost

1 of restoring all property damaged as a result of the fire, the cost of compensating all other losses
2 resulting from damage to property arising from a fire, and costs incurred in fighting a fire,
3 including all investigative, administrative, accounting, collection, and other costs; provided,
4 however, that the foregoing “including, but not limited to” description of the types of damages
5 and costs that are included in this definition are for illustrative purposes only and do not
6 constitute an acknowledgment or admission by the Debtor that any such damages or costs are in
7 fact recoverable under state or federal law.

8 First and Refunding Mortgage Bonds means (i) 6.250% First and Refunding
9 Mortgage Bonds Series 93C due August 1, 2003, (ii) 6.25% First and Refunding Mortgage
10 Bonds Series 93G due March 1, 2004, (iii) 5.875% First and Refunding Mortgage Bonds Series
11 93E due October 1, 2005, (iv) variable rate First and Refunding Mortgage Bonds Series 81B due
12 August 1, 2011, (v) 8.800% First and Refunding Mortgage Bonds Series 91A due May 1, 2024,
13 (vi) 8.375% First and Refunding Mortgage Bonds Series 92B due May 1, 2025, (vii) 8.250%
14 First and Refunding Mortgage Bonds Series 92D due November 1, 2022, (viii) 7.25% First and
15 Refunding Mortgage Bonds Series 93A due March 1, 2026, (ix) 7.250% First and Refunding
16 Mortgage Bonds Series 93D due August 1, 2026, (x) 6.750% First and Refunding Mortgage
17 Bonds Series 93F due October 1, 2023, and (xi) 7.050% First and Refunding Mortgage Bonds
18 Series 93H due March 1, 2024, each issued by the Debtor under the Mortgage, together with any
19 Matures and Unpresented First and Refunding Mortgage Bonds, provided, that the Debtor is not
20 waiving any rights or claims it may have under applicable non-bankruptcy law against any
21 holder of any Matures and Unpresented First and Refunding Mortgage Bond or any other party
22 with respect thereto.

23 First and Refunding Mortgage Bond Documents means with respect to each series
24 of First and Refunding Mortgage Bonds, the Mortgage, and all of the other documents,
25 instruments, agreements and certificates evidencing, securing, governing or otherwise pertaining
26 to the respective Mortgage Loan or the respective series of First and Refunding Mortgage Bonds
27 or otherwise executed and delivered by or on behalf of the Debtor in connection with any of the
28

1 foregoing, together with all amendments, modifications, renewals, substitutions and
2 replacements of or to any of the foregoing.

3 Fitch means Fitch IBCA a/k/a Fitch, Inc.

4 Floating Rate Note Claims means all Claims arising from the Floating Rate Notes.

5 Floating Rate Notes means the Floating Rate Notes due October 31, 2001, issued
6 by the Debtor under an indenture by and between the Debtor and Wilmington Trust Company, as
7 successor-in-interest to The Bank of New York, dated September 1, 1987, together with all
8 amendments, modifications, renewals, substitutions and replacements thereof.

9 Forbearance, Extension and Letter of Credit Fees has the meaning set forth in
10 Section 4.10(b)(iv) hereof.

11 General Unsecured Claim means (a) Revolving Line of Credit Claims,
12 (b) Medium Term Note Claims, (c) Senior Note Claims, (d) Floating Rate Note Claims,
13 (e) Southern San Joaquin Valley Power Authority Bond Claims, (f) Claims against the Debtor
14 arising from the rejection of executory contracts and unexpired leases under section 365 of the
15 Bankruptcy Code, (g) Claims against the Debtor relating to pre-petition litigation (other than
16 Pending Litigation Claims, as defined above in this Section 1.1, which are classified as Class 8
17 Claims), (h) Claims against the Debtor by the Debtor's vendors, suppliers and service providers,
18 (i) Claims against the Debtor relating to intercompany obligations to Affiliates and (j)
19 Commercial Paper Claims; provided, however, that General Unsecured Claims will not include
20 any unsecured Claims included in any other Class.

21 Governmental Entity has the meaning set forth for a governmental unit in section
22 101(27) of the Bankruptcy Code.

23 Impaired means any Class of Claims against or Equity Interests in the Debtor that
24 is impaired within the meaning of section 1124 of the Bankruptcy Code.

25 Indenture means, with respect to each series of PC Bonds, that certain indenture
26 of trust between the Issuer and the Bond Trustee pursuant to which such series of PC Bonds were
27 issued, as originally executed, together with all amendments, modifications, renewals,
28 substitutions and replacements thereof.

1 Initial Calculation Date means (i) February 28, 2002 with respect to holders of
2 Allowed Claims in Class 5 for Senior Indebtedness, holders of Allowed Southern San Joaquin
3 Valley Power Authority Bond Claims and holders of Allowed Claims in Classes 4c, 4f, 4g and
4 11, and (ii) June 30, 2002 with respect to the remaining holders of Allowed Claims in Class 5
5 and the holders of Allowed Claims in Classes 1, 2, 6, 7 and 10.

6 Interest Period means the period commencing on any interest payment date
7 specified herein and ending on the day preceding the next succeeding interest payment date;
8 except in respect of the first interest period which extends to June 30, 2002, where the Interest
9 Period shall commence on the earlier of the Petition Date or the date specified on Exhibit 1
10 hereto and shall end on June 30, 2002 and the second interest period shall commence on July 1,
11 2002.

12 Investment Grade Credit Rating means credit ratings from S&P or Fitch of BBB-
13 or better and Moody's of Baaa3 or better.

14 IRS means the United States Internal Revenue Service.

15 ISO means the California Independent System Operator.

16 ISO, PX and Generator Claims means all Claims against the Debtor arising from
17 amounts due to the ISO, PX and various power generators based on purchases of electricity or
18 ancillary services by the Debtor in markets operated by the PX and the ISO.

19 Issuer means the California Pollution Control Financing Authority, a public
20 instrumentality and political subdivision of the State of California, organized and existing under
21 the California Pollution Control Financing Authority Act, being Division 27 (commencing at
22 Section 44500) of the California Health and Safety Code, as supplemented and amended.

23 LC Bank Agreement has the meaning set forth in Section 4.10(b)(iii) hereof.

24 Letter of Credit means, with respect to each series of Letter of Credit Backed PC
25 Bonds, that certain irrevocable direct pay letter of credit issued by the Letter of Credit Issuing
26 Bank for the account of the Debtor to the Bond Trustee and delivered to the Bond Trustee in
27 accordance with the terms of the respective Indenture, securing, among other things, the payment
28

1 of the principal of, and interest on, the respective series of Letter of Credit Backed PC Bonds,
2 together with all amendments, modifications, renewals, substitutions and replacements thereof.

3 Letter of Credit Backed PC Bond Claims means all Claims against the Debtor by
4 the Issuer, Bond Trustee and the holders of Letter of Credit Backed PC Bonds for all amounts
5 due and owing by the Debtor under the Loan Agreements and each of the other PC Bond
6 Documents executed by the Debtor in connection with the issuance of each series of Letter of
7 Credit Backed PC Bonds.

8 Letter of Credit Backed PC Bonds means collectively, any series of 96C Bonds,
9 96E Bonds, 96F Bonds and/or 97B Bonds that are outstanding as of the Voting Record Date or
10 the Effective Date, as applicable.

11 Letter of Credit Issuing Bank means, with respect to each series of Letter of
12 Credit Backed PC Bonds, the issuer of the Letter of Credit.

13 Letter of Credit Bank Claims means all Claims against the Debtor relating to
14 (a) the contingent Claims of each Letter of Credit Issuing Bank and the applicable Banks, if any,
15 with respect to payments which may become due by the Debtor under their respective
16 Reimbursement Agreements (as modified by the LC Bank Agreement), including, without
17 limitation, any and all amounts due by the Debtor as reimbursement of amounts paid by a Letter
18 of Credit Issuing Bank under its Letter of Credit to the Bond Trustee for the payment of interest
19 on the related Letter of Credit Backed PC Bonds and any and all interest and fees due thereunder,
20 and (b) the Claims of the Letter of Credit Issuing Banks and the applicable Banks, if any, for any
21 and all accrued and unpaid amounts due by the Debtor under their respective Reimbursement
22 Agreements (as modified by the LC Bank Agreement), including amounts due as reimbursement
23 of amounts paid by each Letter of Credit Issuing Bank under its respective Letter of Credit to the
24 Bond Trustee for the payment of interest on the related series of Letter of Credit Backed PC
25 Bonds and any and all fees due thereunder.

26 LIBOR means, with respect to each Interest Period, the rate per annum appearing
27 on Bloomberg Professional page BBAM1 (or any successor page) as the London interbank
28 offered rate for deposits in U.S. dollars having the index maturity designated by the Debtor at

1 approximately 11:00 a.m. (London time) on the LIBOR Interest Determination Date. If no rate
2 appears on Bloomberg Professional page BBAM1, LIBOR shall mean the rate per annum
3 appearing on Bridge Telerate Inc. page 3750 (or any successor page) as the London interbank
4 offered rate for deposits in U.S. dollars having the index maturity designated by the Debtor at
5 approximately 11:00 a.m. (London time) on the LIBOR Interest Determination Date. If no rate
6 appears on Bridge Telerate page 3750, the Debtor will request the principal London offices of
7 each of four (4) major reference banks in the London interbank market, as selected by the
8 Debtor, to provide the Debtor with its offered quotation for deposits in U.S. dollars having the
9 index maturity designated by the Debtor to prime banks in the London interbank market at
10 approximately 11:00 a.m. (London time) on such LIBOR Interest Determination Date and in a
11 principal amount that is representative of a single transaction in U.S. dollars in such market at
12 such time. LIBOR determined will be the arithmetic mean of the offered quotations. If fewer
13 than two (2) quotations are provided, LIBOR determined on such LIBOR Interest Determination
14 Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m. in New York
15 City on such LIBOR Interest Determination Date, by three (3) major banks in New York City
16 selected by the Debtor for loans in U.S. dollars to leading European banks, having the index
17 maturity designated by the Debtor that is representative for a single transaction in U.S. dollars in
18 such market at such time. If the banks so selected are not quoting as mentioned above, LIBOR
19 will remain LIBOR in effect on such LIBOR Interest Determination Date.

20 LIBOR Interest Determination Date means, for an Interest Period, the second
21 (2nd) London Business Day immediately preceding the first day of that Interest Period; except
22 that in the period prior to the Initial Calculation Date, the LIBOR Interest Determination Dates
23 for (a) Allowed Claims under International Swap Dealers Association (“ISDA”) Agreements
24 shall be the Petition Date and each anniversary thereof prior to the Initial Calculation Date, and
25 (b) Allowed Claims for power generators shall be determined between the Debtor and each such
26 power generator, notwithstanding the fact that none of such dates is an interest payment date.

27 Lien has the meaning set forth in section 101(37) of the Bankruptcy Code.
28

1 Loan Agreement means, with respect to each series of PC Bonds, that certain loan
2 agreement by and between the Issuer and the Debtor with respect to such series of PC Bonds, as
3 originally executed, together with all amendments, modifications, renewals, substitutions and
4 replacements thereof.

5 Master Ballot means the Ballot to be completed by Nominees of beneficial
6 owners of bonds, notes, debentures or shares of stock of the Debtor.

7 Matured and Unpresented First and Refunding Mortgage Bonds means,
8 collectively, that portion of the Debtor's (a) First and Refunding Mortgage Bonds, Series II,
9 4.25%, (b) First and Refunding Mortgage Bonds, Series JJ, 4.5%, (c) First and Refunding
10 Mortgage Bonds, Series LL, 4.625%, (d) First and Refunding Mortgage Bonds, Series MM,
11 5.375%, (e) First and Refunding Mortgage Bonds, Series NN, 5.75%, (f) First and Refunding
12 Mortgage Bonds, Series OO, 5.50%, and (g) First and Refunding Mortgage Bonds, 8% Series
13 92C, to the extent that (i) such matured bonds have not been presented for payment by the
14 holders thereof, and (ii) the Debtor is obligated to pay the principal of, and interest on, such
15 bonds in accordance with the terms thereof under applicable law, provided that the Debtor is not
16 waiving any rights or claims it may have under applicable non-bankruptcy law against any
17 holder of any such bond or any other party with respect thereto.

18 MBIA means MBIA Insurance Corporation.

19 MBIA Claims means all Claims against the Debtor relating to (a) the contingent
20 Claims of MBIA with respect to payments which may become due by the Debtor under the terms
21 of the MBIA Reimbursement Agreement as reimbursement for payments made by MBIA under
22 the PC Bond Insurance Policy, and (b) the Claims of MBIA for any and all accrued and unpaid
23 amounts due by the Debtor under the MBIA Reimbursement Agreement, including any and all
24 amounts due by the Debtor as reimbursement of amounts paid by MBIA under the PC Bond
25 Insurance Policy to the Bond Trustee for the payment of interest on the MBIA Insured PC
26 Bonds.

27 MBIA Insured PC Bond Claims means all Claims against the Debtor by the
28 Issuer, Bond Trustee and the holders of the MBIA Insured PC Bonds for all amounts due and

1 owing by the Debtor under the Loan Agreements and each of the other PC Bond Documents
2 executed by the Debtor in connection with the issuance of each series of MBIA Insured PC
3 Bonds.

4 MBIA Insured PC Bonds means those certain California Pollution Control
5 Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric
6 Company) 1996 Series A issued by the Issuer in the aggregate principal amount of
7 \$200,000,000.

8 MBIA Reimbursement Agreement means that certain Reimbursement and
9 Indemnity Agreement, dated as of May 1, 2000, by and between the Debtor and MBIA, pursuant
10 to which MBIA has issued the PC Bond Insurance Policy, together with all amendments,
11 modifications, and renewals thereof.

12 Medium Term Note Claims means all Claims against the Debtor arising from the
13 Medium Term Notes.

14 Medium Term Notes means those certain notes bearing various interest rates from
15 5.810% to 8.450% due through October 7, 2013, other than the Senior Notes and the Floating
16 Rate Notes, issued by the Debtor under an indenture by and between the Debtor and Wilmington
17 Trust Company, as successor-in-interest to the Bank of New York, dated September 1, 1987,
18 together with all amendments, modifications, renewals, substitutions and replacements thereof.

19 Moody's means Moody's Investors Service Inc. or its successor.

20 Mortgage means that certain First and Refunding Mortgage, dated December 1,
21 1920, made by the Debtor, under which BNY Western Trust Company was trustee on the
22 Petition Date, together with all amendments, modifications, renewals, substitutions and
23 replacements thereof.

24 Mortgage Backed PC Bonds means collectively, the 92A Bonds, the 92B Bonds,
25 the 93A Bonds and the 93B Bonds.

26 Mortgage Backed PC Bond Claims means all Claims against the Debtor by the
27 Issuer, Bond Trustee and the holders of the Mortgage Backed PC Bonds for all amounts due and
28 owing by the Debtor under the Loan Agreement and each of the other PC Bond Documents

1 executed by the Debtor in connection with the issuance of each series of Mortgage Backed PC
2 Bonds.

3 Mortgage Bonds means, with respect to each series of Mortgage Backed PC
4 Bonds, those certain first and refunding mortgage bonds made by the Debtor in favor of the
5 Bond Trustee pursuant to and secured by the Mortgage, in an aggregate principal amount equal
6 to the related series of Mortgage Backed PC Bonds.

7 Mortgage Loan means, with respect to each series of First and Refunding
8 Mortgage Bonds, the loans made by the holders thereof to the Debtor.

9
10 Nominee means any brokerage firm or bank, or the agent of such firm or bank,
11 holding the securities of a beneficial owner of bonds, notes, debentures or shares of stock of the
12 Debtor.

13 Original Letter of Credit Fee has the meaning set forth in Section 4.10(b)(iv)
14 hereof.

15 Other Priority Claims means all Claims against the Debtor, other than
16 Administrative Expense Claims or Priority Tax Claims, entitled to priority in right of payment
17 under section 507(a) of the Bankruptcy Code.

18 Other Secured Claims means all Claims against the Debtor relating to mechanics'
19 and materialmen's liens and secured tax Claims, as well as Secured Claims, other than Secured
20 Claims Relating to First and Refunding Mortgage Bonds and Mortgage Backed PC Bond Claims.

21 Parent means PG&E Corporation, the Debtor's parent company.

22 PC Bond Documents means, with respect to each series of PC Bonds, the Loan
23 Agreement, Indenture, and all of the other documents, instruments, agreements and certificates
24 evidencing, securing, governing or otherwise pertaining to the respective Bond Loan or the
25 respective series of PC Bonds or otherwise executed and delivered by or on behalf of the Debtor
26 in connection with any of the foregoing, together with all amendments, modifications, renewals,
27 substitutions and replacements of or to any of the foregoing.

28

1 PC Bond Insurance Policy means that certain Financial Guaranty Insurance Policy
2 issued by MBIA with respect to the MBIA Insured PC Bonds, together with all amendments,
3 modifications, renewals, substitutions and replacements thereof.

4 PC Bonds means collectively, the Letter of Credit Backed PC Bonds, the MBIA
5 Insured PC Bonds, the Mortgage Backed PC Bonds, the Prior Bonds and the Treasury PC Bonds.

6 Pending Litigation Claims means all Claims against the Debtor that are asserted in
7 litigation pending against the Debtor and that are listed in an amendment to PG&E's Plan
8 Supplement; provided, however, that Pending Litigation Claims shall not include (a) any Claims
9 settled, liquidated or determined by a Final Order or a binding award, agreement or settlement
10 prior to the Petition Date for amounts payable by the Debtor for damages or other obligations in
11 a fixed dollar amount payable in a lump sum or by a series of payments (which Claims are
12 classified as General Unsecured Claims), (b) Environmental Claims, (c) Fire Suppression
13 Claims, (d) Tort Claims, or (e) FERC License Claims.

14 Person has the meaning set forth in section 101(41) of the Bankruptcy Code.

15 Petition Date means April 6, 2001, the date on which the Debtor commenced the
16 Chapter 11 Case.

17 PG&E's Plan means that certain Plan of Reorganization under Chapter 11 of the
18 Bankruptcy Code for Pacific Gas and Electric Company proposed by the Debtor and the Parent,
19 dated April 19, 2002, including, without limitation, PG&E's Plan Supplement and all exhibits,
20 supplements, appendices and schedules thereto, either in its present form or as the same may be
21 altered, amended or modified from time to time.

22 PG&E's Plan Supplement means the documents, schedules and other instruments
23 filed with the Bankruptcy Court in accordance with Section 11.19 of PG&E's Plan, as amended,
24 modified or supplemented.

25 Plan means this plan of reorganization, as amended, modified or supplemented.

26 Post-Petition Interest has the meaning set forth in Section 4.1 hereof.

27 Preferred Stock means the issued and outstanding shares of the Debtor's First
28 Preferred Stock, par value \$25.00 per share. The Debtor's outstanding First Preferred Stock is

1 comprised of: (a) 6% Non-Redeemable First Preferred, (b) 5.5% Non-Redeemable First
2 Preferred, (c) 5% Non-Redeemable First Preferred, (d) 5% Redeemable First Preferred Series D,
3 (e) 5% Redeemable First Preferred Series E, (f) 4.80% Redeemable First Preferred, (g) 4.50%
4 Redeemable First Preferred, (h) 4.36% Redeemable First Preferred, (i) 6.57% Redeemable First
5 Preferred, (j) 7.04% Redeemable First Preferred, and (k) 6.30% Redeemable First Preferred.

6 Preferred Stock Equity Interests means any right relating to the Debtor's Preferred
7 Stock.

8 Prior Bond Claims means all Claims against the Debtor by the Prior Letter of
9 Credit Issuing Banks for any and all accrued and unpaid amounts due by the Debtor under their
10 respective Prior Reimbursement Agreements, including amounts due as reimbursement of
11 amounts paid by each Prior Letter of Credit Issuing Bank under its respective Prior Letter of
12 Credit to the Bond Trustee for the payment of the redemption price of the related series of Prior
13 Bonds.

14 Prior Bonds means, collectively, the 96B Bonds, the 96D Bonds, the 97A Bonds
15 and the 97C Bonds.

16 Prior Letter of Credit means, with respect to each series of Prior Bonds, that
17 certain irrevocable direct pay letter of credit issued by the Prior Letter of Credit Issuing Bank for
18 the account of the Debtor to the Bond Trustee and delivered to the Bond Trustee in accordance
19 with the terms of the respective Indenture which secured, among other things, the payment of the
20 principal of, and interest on, the respective series of Prior Bonds, together with all amendments,
21 modifications, renewals, substitutions and replacements thereof.

22 Prior Letter of Credit Issuing Bank means, with respect to each series of Prior
23 Bonds, the issuer of the Prior Letter of Credit.

24 Prior Reimbursement Agreement means, with respect to each series of Prior
25 Bonds, that certain reimbursement or other agreement between the Debtor and the Prior Letter of
26 Credit Issuing Bank providing for, among other things, the issuance of the related Prior Letter of
27 Credit and the reimbursement of the Prior Letter of Credit Issuing Bank for draws made
28

1 thereunder, together with all amendments, modifications, renewals, substitutions and
2 replacements thereof.

3 Priority Tax Claim means all Claims against the Debtor for taxes entitled to
4 priority in payment under section 507(a)(8) of the Bankruptcy Code.

5 Procedures Order means the Order of the Bankruptcy Court approving, among
6 other things, voting solicitation procedures, the form of voting ballots, the solicitation period and
7 the voting tabulation procedures regarding this Plan and PG&E's Plan, as amended, modified,
8 and/or supplemented from time to time.

9 Professional Compensation and Reimbursement Claims means all Administrative
10 Expense Claims for the compensation of professionals and reimbursement of expenses incurred
11 by such professionals, the Commission, the Committee and members of the Committee pursuant
12 to sections 330(a) or 503(b)(2), 503(b)(3), 503(b)(4) and 503(b)(5) of the Bankruptcy Code.

13 Proponents means the Commission and the Committee.

14 Proponents' Plan Supplement means the documents, schedules and other
15 instruments to be filed with the Bankruptcy Court in accordance with section 11.17 of the Plan,
16 as amended, modified or supplemented from time to time.

17 Punitive Damages means punitive, exemplary or similar damages, or fines,
18 penalties or similar charges that arise in connection with Environmental Claims, Fire
19 Suppression Claims, Pending Litigation Claims, Tort Claims or FERC License Claims.

20 PX means the California Power Exchange.

21 QFs means qualifying facilities operating pursuant to the Public Utility
22 Regulatory Policies Act of 1978 and the related regulations enacted thereunder.

23 QUIDS means the 7.90% Deferrable Interest Subordinated Debentures, Series A,
24 Due December 31, 2025 issued by the Debtor under the QUIDS Indenture, together with all
25 amendments, modifications, renewals, substitutions and replacements thereof.

26 QUIDS Claims means all Claims arising from the QUIDS.

27 QUIDS Indenture means the Indenture by and between the Debtor and National
28 City Bank of Indiana, as successor-in-interest to Bank One Trust Company, N.A., as successor-

1 in-interest to The First National Bank of Chicago, dated November 28, 1995, as supplemented by
2 the First Supplemental Indenture dated November 28, 1995, as supplemented by the Second
3 Supplemental Indenture dated March 25, 1996.

4 Rate Recovery Litigation means Pacific Gas & Electric Company, Plaintiff, vs.
5 Loretta M. Lynch, et al., Defendants, Case No. C-01-3023-VRW, presently pending in the
6 United States District Court for the Northern District of California.

7 Reimbursement Agreement means, with respect to each series of Letter of Credit
8 Backed PC Bonds, that certain reimbursement or other agreement between the Debtor and the
9 Letter of Credit Issuing Bank and certain other Banks, if any, that are signatories thereto
10 providing for, among other things, the issuance of the related Letter of Credit and the
11 reimbursement of the Letter of Credit Issuing Bank and certain other Banks, if any, that are
12 signatories thereto for draws made under such Letter of Credit, together with all amendments,
13 modifications, renewals, substitutions and replacements thereof.

14 Reimbursement Obligation means, with respect to each series of Prior Bonds, that
15 portion of the reimbursement obligation of the Debtor under the Prior Reimbursement
16 Agreement arising with respect to the portion of the final drawing made under the related Prior
17 Letter of Credit for the payment of the principal portion of the redemption price of the related
18 series of Prior Bonds.

19 Releasees means all Persons who (i) are present or former officers and directors
20 of the Debtor who were directors and/or officers on or after the Petition Date; (ii) serve or served
21 as members of management of the Debtor on or after the Petition Date; (iii) are present or former
22 members of the Committee; (iv) are present or former officers and directors and other Persons
23 who serve or served as members of the management of any present or former member of the
24 Committee; or (v) are advisors, consultants or professionals of or to the Debtor, the Committee
25 and the members of the Committee, but in each case only to the extent such Persons are or were
26 acting in any of the capacities set forth in (i) through (v) above.

27 Reorganized Debtor means the Debtor, or any successor thereto by merger,
28 consolidation or otherwise, on and after the Effective Date.

1 Reorganization Agreement has the meaning set forth in Section 7.2 hereof.

2 Reorganized Debtor New Money Notes has the meaning set forth in Section
3 7.1(a) hereof.

4 Reorganized Debtor New Preferred Stock has the meaning set forth in Section
5 7.1(b) hereof.

6 Retirement Plan means the Pacific Gas and Electric Company Retirement Plan, a
7 tax qualified defined benefit pension plan covered by Title IV of ERISA, as amended, 29 U.S.C.
8 §§ 1301 et seq. (1994 & Supp. v 2000).

9 Revolving Line of Credit means the Amended and Restated Credit Agreement,
10 dated as of December 1, 1997, as amended, as to which Bank of America, N.A. was the
11 Administrative Agent on the Petition Date, together with all amendments, modifications,
12 renewals, substitutions and replacements thereof.

13 Revolving Line of Credit Claim means all Claims against the Debtor arising from
14 the Revolving Line of Credit.

15 Sacramento Action shall have the meaning set forth in Section 7.3(b).

16 Secured Claim means all Claims against the Debtor, to the extent reflected in the
17 Debtor's Bankruptcy Schedules or a proof of claim as a Secured Claim, which are secured by a
18 Lien on Collateral but only to the extent of the value of such Collateral, as determined in
19 accordance with section 506(a) of the Bankruptcy Code, and, in the event that such Claim is
20 subject to a permissible setoff under section 553 of the Bankruptcy Code, to the extent of such
21 permissible setoff.

22 Secured Claims Relating to First and Refunding Mortgage Bonds means all
23 Claims against the Debtor arising from the First and Refunding Mortgage Bonds.

24 Senior Indebtedness means, collectively, Commercial Paper Claims, Floating
25 Rate Note Claims, Medium Term Note Claims, Senior Note Claims and Revolving Line of
26 Credit Claims.

27 Senior Note Claims means all Claims against the Debtor arising from the Senior
28 Notes.

1 Senior Notes means the 7.375% Senior Notes due November 1, 2005, issued by
2 the Debtor under an indenture by and between the Debtor and Wilmington Trust Company, as
3 successor-in-interest to The Bank of New York, dated September 1, 1987, together with all
4 amendments, modifications, renewals, substitutions and replacements thereof.

5 Settlement and Support Agreement means that certain Amended and Restated
6 Settlement and Support Agreement dated as of March 27, 2002, by and among the Debtor, the
7 Parent and certain holders of Senior Indebtedness who are parties thereto.

8 Settlement Order means the Order of the Bankruptcy Court dated March 27, 2002,
9 entitled "Order on Motion by Pacific Gas and Electric Company for Order (A) Approving
10 Settlement and Support Agreement By and Among Plan Proponents and Senior Debtholders, (B)
11 Authorizing Payment of Pre-and Post-Petition Interest to Holders of Undisputed Claims in
12 Certain Classes, (C) Authorizing Payment of Fees and Expenses of Indenture Trustees and
13 Paying Agents and (D) Authorizing Debtor to Enter into Similar Agreements."

14 Southern San Joaquin Valley Power Authority Agreement means the Agreement
15 between the Debtor and the Southern San Joaquin Valley Power Authority dated as of July 1,
16 1997, and related Indenture of Trust dated as of November 1, 1991, between the Southern San
17 Joaquin Valley Power Authority and Bank of America N.A., as Trustee in respect of amounts
18 payable on certain bonds issued by Southern San Joaquin Power Authority maturing in 2001
19 through January 1, 2013, together with all amendments, modifications, renewals, substitutions
20 and replacements thereof.

21 Southern San Joaquin Valley Power Authority Bond Claims means all Claims
22 against the Debtor arising from the Southern San Joaquin Valley Power Authority Agreement.

23 S&P means Standard & Poor's, a division of The McGraw Hill Companies, Inc.,
24 or its successor.

25 State or State of California means the State of California and all of its entities
26 departments, boards, offices, commissions, agencies, bureaus, divisions, instrumentalities,
27 officers, commissioners and employees.

1 Stated Amount means, with respect to each Letter of Credit, the aggregate amount
2 available to be drawn thereunder, from time to time, in accordance with the terms thereof.

3 Tax Code means the United States Internal Revenue Code of 1986, as amended,
4 and the Treasury Regulations thereunder.

5 Tort Claims means (i) the Chromium Litigation Claims and all other Claims
6 against the Debtor arising from any accusation, allegation, notice, action, claim, demand or
7 otherwise for personal injury, tangible or intangible property damage, products liability or
8 discrimination, or based on employment, including Punitive Damages; and (ii) any claim for
9 indemnification or contribution (whether based on contract, statute or common law) against the
10 Debtor by any third-party, where such indemnification or contribution claim of such third-party
11 is based on a claim against such third-party that if asserted directly against the Debtor would be a
12 claim included within the immediately preceding clause (i); provided, however, that Tort Claims
13 shall not include (a) any Claims settled, liquidated or determined by a Final Order or a binding
14 award, agreement or settlement prior to the Petition Date for amounts payable by the Debtor for
15 damages or other obligations in a fixed dollar amount payable in a lump sum or by a series of
16 payments (which Claims are classified as General Unsecured Claims), (b) Environmental
17 Claims, (c) Fire Suppression Claims, (d) FERC License Claims, or (e) Pending Litigation
18 Claims.

19 Treasury PC Bond Claims means the Claims against the Debtor by the Issuer,
20 Bond Trustee and holders of Treasury PC Bonds for all amounts due and owing by the Debtor
21 under the Loan Agreements and each of the other PC Bond Documents executed by the Debtor
22 in connection with the issuance of each series of Treasury PC Bonds.

23 Treasury PC Bonds means, collectively, the 96G Bonds and the 97D Bonds.

24 Unimpaired means any Class of Claims or Equity Interests which is not Impaired.

25 Voting Record Date means May 21, 2002.

26 Workers' Compensation Claims means all Claims against the Debtor by
27 employees of the Debtor for the payment of workers' compensation benefits under applicable
28 law.

1 Workers' Compensation Indemnity Agreements means (a) the Indemnity
2 Agreement by PG&E Corporation, dated April 7, 2000, to indemnify American Home
3 Assurances Company in connection with issuance of Surety Bond No. 00-207-724 issued on
4 behalf of the Debtor for Workers' Compensation, (b) the Indemnity Agreement by PG&E
5 Corporation, dated April 7, 2000, to indemnify CAN Insurance Companies in connection with
6 issuance of Surety Bond No. 159267371 issued on behalf of the Debtor for Workers'
7 Compensation, (c) the Indemnity Agreement by PG&E Corporation, dated April 7, 2000, to
8 indemnify Kemper Insurance Companies in connection with issuance of Surety Bond No.
9 955006 issued on behalf of the Debtor for Workers' Compensation, (d) the Indemnity Agreement
10 by PG&E Corporation, dated April 7, 2000, to indemnify Travelers Insurance, as successor to
11 Reliance Insurance Company, in connection with issuance of Surety Bond No. B1686191 issued
12 on behalf of the Debtor for Workers' Compensation, and (e) the Indemnity Agreement by PG&E
13 Corporation, dated April 7, 2000, to indemnify Firemen's Fund Insurance Company in
14 connection with issuance of Surety Bond No. 11133362811 issued on behalf of the Debtor for
15 Workers' Compensation.

16 1.2 Interpretation; Application of Definitions and Rules of Construction.

17 Wherever from the context it appears appropriate, each term stated in either the singular or the
18 plural shall include both the singular and the plural, and pronouns stated in the masculine,
19 feminine or neuter gender shall include the masculine, feminine and neuter. Unless otherwise
20 specified, all section, article, schedule or exhibit references in the Plan are to the respective
21 Section in, Article of, Schedule to, or Exhibit to, the Plan. The words "herein," "hereof,"
22 "hereto," "hereunder" and other words of similar import refer to the Plan as a whole and not to
23 any particular section, subsection or clause contained in the Plan. The rules of construction
24 contained in section 102 of the Bankruptcy Code shall apply to the construction of the Plan. A
25 term used herein that is not defined herein, but that is used in the Bankruptcy Code, shall have
26 the meaning ascribed to that term in the Bankruptcy Code. The headings in the Plan are for
27 convenience of reference only and shall not limit or otherwise affect the provisions of the Plan.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ARTICLE II

**TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS,
PROFESSIONAL COMPENSATION AND REIMBURSEMENT
CLAIMS, AND PRIORITY TAX CLAIMS**

2.1 Administrative Expense Claims. Except to the extent that any entity entitled to payment of any Allowed Administrative Expense Claim agrees to a less favorable treatment, each holder of an Allowed Administrative Expense Claim shall receive Cash in an amount equal to such Allowed Administrative Expense Claim on the later of the Effective Date and the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable, or on such other date as may be ordered by the Bankruptcy Court; provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtor-in-Possession (including, but not limited to, real and personal property taxes and franchise fees) or liabilities arising under loans or advances to or other obligations incurred by the Debtor-in-Possession shall be paid in full and performed by the Debtor in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing or other documents relating to such transactions. Except as provided under applicable non-bankruptcy law or certain agreements with the Debtor approved by the Bankruptcy Court and which are incorporated into and made a part of the Plan, Post-Petition Interest will not be paid on Allowed Administrative Expense Claims.

2.2 Professional Compensation and Reimbursement Claims. The holders of Professional Compensation and Reimbursement Claims shall file their respective final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Confirmation Date by no later than the date that is ninety (90) days after the Confirmation Date, or such other date as may be fixed by the Bankruptcy Court. If granted by the Bankruptcy Court, such award shall be paid in full in such amounts as are Allowed by the Bankruptcy Court either (a) on the date such Professional Compensation and Reimbursement Claim becomes an Allowed Professional Compensation and Reimbursement Claim, or as soon thereafter as is practicable, or (b) upon such other terms as may be mutually

<u>Class</u>	<u>Claim/Interest</u>	<u>Status</u>
5	General Unsecured Claims	Impaired
6	ISO, PX and Generator Claims	Impaired
7	ESP Claims	Impaired
8	Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims	Unimpaired
9	[Intentionally Left Blank]	[Intentionally Left Blank]
10	Convenience Claims	Unimpaired
11	QUIDS Claims	Impaired
12	Workers' Compensation Claims	Unimpaired
13	Preferred Stock Equity Interests	Unimpaired ²
14	Common Stock Equity Interests	Unimpaired

² While the Proponents believe that Class 13 is unimpaired by the Plan, certain holders of Preferred Stock Equity Interests may believe that Class 13 is impaired by the Plan. To avoid delaying the voting process, holders of Preferred Stock Equity Interests will be solicited to vote on the Plan as a precautionary measure so that the voting results will be available if it is determined by the Bankruptcy Court that such Class is impaired. Allowing the holders of Preferred Stock Equity Interests to vote shall be without prejudice to the Proponents' contention that this Class is unimpaired, and the Proponents reserve the right to contest any objection to the unimpaired status of this Class.

1
2
3
4
5
6
7
8
9
10
11
12

ARTICLE IV

TREATMENT OF CLAIMS AND EQUITY INTERESTS³

13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

4.1 Payment of Interest. Allowed Claims shall include amounts owed with respect to the period prior to the Petition Date and applicable interest accrued and unpaid during such period. Except as otherwise provided herein, holders of Allowed Claims shall also be paid in Cash accrued and unpaid interest on such Allowed Claims from the Petition Date through the Effective Date (“Post-Petition Interest”). Except as otherwise provided herein, including Exhibit 1 attached hereto, any Post-Petition Interest shall be calculated and paid at the lowest non-default rate and in accordance with the terms specified in the applicable statute, indenture or instrument governing such Allowed Claim or, if no such instrument exists, or if the applicable instrument does not specify a non-default rate of interest, Post-Petition Interest shall be calculated and paid

³ During the Chapter 11 Case, the Debtor has entered into a number of settlements with various creditors regarding the allowance and treatment of such creditors’ Claims under PG&E’s Plan. With the exception of those settlement provisions that are unique to the allowance and treatment of such creditors’ Claims under PG&E’s Plan and are not relevant here, the provisions governing allowance and treatment of creditor Claims set forth in the creditor settlements are (i) incorporated into and made part of the Plan, and (ii) to be assumed and performed by the Debtor or Reorganized Debtor, as the case may be, under the Plan. By way of example, the Plan incorporates the principal terms of the following such settlements: the Committee Support Agreement, the Settlement and Support Agreement, the agreements between the Debtor and various of the drawn and undrawn Letter of Credit Banks, the agreements between the Debtor and certain QFs, the agreements between the Debtor and various representatives of mortgage, pollution control and other bonds issued by the Debtor or insurance relating to such bonds, the agreements between the Debtor and various generators, the PX and ISO, the Settlement and Stanislaus Commitments stipulation by and between the Debtor, the NCPA and the City of Palo Alto, the stipulation and settlement between the Debtor and the Unofficial Committee of Mortgage Bondholders, and any other such similar agreements, whether or not the terms of such settlements are specifically referenced in the Proponents’ Plan. In particular, there is incorporated into and made part of the Proponents’ Plan and will be assumed and performed by the Debtor or the Reorganized Debtor, as the case may be, under the Proponents’ Plan, the provisions of the Settlement and Support Agreement, with the exception of the “placement fee” provision, “step-up” interest rate provision in section 2(a)(ii) thereof, the provisions relating to the payment of Class 5 Claims in notes and the provisions requiring support for the PG&E Plan. Specifically, and subject to the foregoing, the Proponents’ Plan incorporates and makes part of its Plan the provisions in the Settlement and Support Agreement contained in paragraphs 1, 2(a)(i), 3, 4, 5(a), (c), 12, 13, 14 (only as it relates to the Proponents’ Plan and its implementation), 15, 24 and 26 thereof.

1 on such Allowed Claim at the Federal Judgment Rate. Except as provided under applicable non-
2 bankruptcy law or certain agreements with the Debtor approved by the Bankruptcy Court and
3 which are incorporated into and made a part of the Plan, Post-Petition Interest will not be paid on
4 the following Allowed Claims: Allowed Administrative Expense Claims, Professional
5 Compensation and Reimbursement Claims, Environmental, Fire Suppression, Pending
6 Litigation, Tort and FERC License Claims and Workers' Compensation Claims

7 4.2 Timing of Payments and Distributions.

8 (a) Pursuant to an Order entered by the Bankruptcy Court on April 9,
9 2001 authorizing the Debtor's interim use of cash collateral, the Debtor has paid and will
10 continue to pay Post-Petition Interest to holders of Allowed Claims in Classes 3 and 4a. In
11 addition, the Debtor will make payments of Post-Petition Interest that has accrued and is unpaid
12 on and after the Initial Calculation Date through the last day of the last calendar quarter ending
13 prior to the Effective Date, in arrears, in quarterly installments (or in the case of the first quarter
14 following the Initial Calculation Date, for holders of Allowed Claims for which February 28,
15 2002 is the Initial Calculation Date, the four-month period from March 1, 2002 to June 30, 2002)
16 as follows: (x) on the first Business Day of the next calendar quarter to the holders of Allowed
17 Claims in Class 5 for Senior Indebtedness, the holders of Allowed Southern San Joaquin Power
18 Authority Bond Claims and the holders of Allowed Claims in Classes 4c, 4f, 4g and 11, and (y)
19 within thirty (30) days following the end of the calendar quarter, to the remaining holders of
20 Allowed Class 5 Claims and the holders of Allowed Claims in Classes 1, 2, 6, 7 and 10. Any
21 Post-Petition Interest that accrues during the period commencing on the first day of the calendar
22 quarter in which the Effective Date occurs and ending on the Effective Date will be paid on the
23 Effective Date.

24 (b) Pursuant to an Order entered by the Bankruptcy Court on April 9,
25 2002 approving the Debtor's execution and performance under an agreement with the Letter of
26 Credit Issuing Banks entitled "Summary of Terms with Respect to Forbearance and Proposed
27 Revised Treatment of Letter of Credit Bank Claims in the Plan of Reorganization" and pursuant
28 to an Order entered by the Bankruptcy Court on June 17, 2002 approving the Debtor's execution

1 and performance under the LC Bank Agreement (as defined in Section 4.10(b)(iv)), the Debtor
2 has made and will continue to make certain payments to the Letter of Credit Issuing Banks and
3 to the holders of Allowed Claims in Class 4e prior to the Effective Date, as set forth in such
4 agreements and in Section 4.10 hereof.

5 (c) Pursuant to the Settlement Order and Settlement and Support
6 Agreement, the accrual and payment of Post-Petition Interest shall terminate if (i) the Debtor is
7 determined by a Final Order of the Bankruptcy Court to be insolvent (on a balance sheet basis)
8 with such interest accrual termination effective as of the date of insolvency, as determined by the
9 Bankruptcy Court, (ii) upon conversion of the Chapter 11 Case to a case under chapter 7,
10 provided that there is not a subsequent determination of the Bankruptcy Court that there are
11 assets of sufficient value to pay Post-Petition Interest on the applicable Allowed Claim. In
12 circumstances where the accrual and payment of Post-Petition Interest terminates, any payments
13 of Post-Petition Interest may be recharacterized and treated as a partial payment of the principal
14 amount of the applicable Allowed Claims.

15 (d) Except as set forth in Sections 4.2(a) and 4.2(b) above and except
16 to the extent a holder of an Allowed Claim or Equity Interest has otherwise been paid all or a
17 portion of such holder's Allowed Claim or Equity Interest prior to the Effective Date, each of the
18 distributions specified in this Article IV with respect to each Allowed Claim or Equity Interest
19 shall (i) occur on the later of the Effective Date and the date such Allowed Claim or Equity
20 Interest becomes an Allowed Claim or Equity Interest, or as soon as practicable thereafter, and
21 (ii) be in full and complete settlement, satisfaction and discharge of such Allowed Claim or
22 Equity Interest.

23 4.3 Class 1 - Other Priority Claims.

24 (a) Distributions. Each holder of an Allowed Other Priority Claim, if
25 any, shall be paid Cash in an amount equal to such Allowed Claim.

26 (b) Impairment and Voting. Class 1 is unimpaired by the Plan. Each
27 holder of an Allowed Other Priority Claim is conclusively presumed to have accepted the Plan
28 and is not entitled to vote to accept or reject the Plan.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

4.4 Class 2 - Other Secured Claims.

(a) Distributions/Reinstatement of Claims. The Claims of each holder of an Allowed Other Secured Claim shall, at the option of the Debtor, (i) be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code or (ii) be paid Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code.

(b) Impairment and Voting. Class 2 is unimpaired by the Plan. Each holder of an Allowed Other Secured Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

4.5 Class 3 - Secured Claims Relating to First and Refunding Mortgage Bonds

(a) Allowance. The Class 3 Secured Claims Relating to First and Refunding Mortgage Bonds shall be deemed Allowed Secured Claims Relating to First and Refunding Mortgage Bonds in the amount of \$2,699,000,000⁴, plus accrued and unpaid pre-petition interest on such amount, plus Allowed Claims in the amount of all unpaid fees and expenses of the related mortgage bond trustee accrued through the Petition Date under the terms of the Mortgage, plus (i) in the case of those series of First and Refunding Mortgage Bonds whose redemption period commences prior to the Effective Date of the Plan, the redemption premium applicable on the Effective Date; (ii) in the case of those First and Refunding Mortgage Bonds whose redemption period has not yet commenced as of the Effective Date, the redemption premium that would apply at the commencement of such redemption period; and (iii) in the case of the remaining series of First and Refunding Mortgage Bonds, the following redemption premiums:

<u>Series</u>	<u>Premium</u>
91A	1.0000%
93C	.0000%

⁴ This amount is net of the approximately \$277 million of First and Refunding Mortgage Bonds held by the Debtor in treasury.

93E	.1000%
93G	.0250%
93H	1.0000%

(b) Distributions. Each holder of a Class 3 Allowed Secured Claim Relating to First and Refunding Mortgage Bonds shall be paid Cash in an amount equal to such Allowed Claim.

(c) Impairment and Voting. Class 3 is impaired by the Plan. Each holder of an Allowed Secured Claim Relating to First and Refunding Mortgage Bonds is entitled to vote to accept or reject the Plan.

4.6 Class 4a - Mortgage Backed PC Bond Claims.

(a) Allowance. The Class 4a Mortgage Backed PC Bond Claims shall be deemed Allowed Secured Claims in the amount of \$345,000,000, plus accrued and unpaid pre-petition interest on such amount, plus Allowed Claims in the amount of all unpaid fees and expenses of the Mortgage Bond trustee accrued through the Petition Date under the terms of the Mortgage.

(b) Reinstatement of Claims. Each series of Mortgage Backed PC Bonds, and each of the PC Bond Documents, including, without limitation, the Mortgage, shall remain outstanding and be reinstated in accordance with section 1124(2) of the Bankruptcy Code. Each holder of a Class 4a Mortgage Backed PC Bond shall be paid Cash in an amount equal to any and all accrued and unpaid interest owed to such holder in respect of such Class 4a Mortgage Backed PC Bond in accordance with the terms thereunder to and including the last scheduled interest payment date preceding the Effective Date. All unpaid fees and expenses of the Issuer and Bond Trustee due and owing under the applicable Loan Agreements shall also be paid in Cash.

(c) Liens. All existing Mortgage Bonds securing the Class 4a Allowed Secured Claims relating to the Mortgage Backed PC Bonds shall remain outstanding. All Liens securing such Mortgage Bonds shall remain in place and shall continue in full force and effect after the Effective Date.

1 (d) Impairment and Voting. Class 4a is unimpaired by the Plan. Each
2 holder of an Allowed Mortgage Backed PC Bond Claim is conclusively presumed to have
3 accepted the Plan and is not entitled to vote to accept or reject the Plan.

4 4.7 Class 4b - MBIA Insured PC Bond Claims.

5 (a) Allowance. The MBIA Insured PC Bond Claims shall be deemed
6 Allowed MBIA Insured PC Bond Claims in the amount of \$200,000,000, plus accrued and
7 unpaid pre-petition interest on such amount, plus Allowed Claims in the amount of all unpaid
8 fees and expenses of the related Issuer and Bond Trustee accrued through the Petition Date under
9 the terms of the applicable PC Bond Documents.

10 (b) Reinstatement of Claims. The MBIA Insured PC Bonds, and each
11 of the PC Bond Documents, shall remain outstanding and be reinstated in accordance with
12 section 1124(2) of the Bankruptcy Code. Each holder of a MBIA Insured PC Bond shall be paid
13 Cash in an amount equal to any and all accrued and unpaid interest owed to such holder in
14 respect of such MBIA Insured PC Bond in accordance with the terms of the respective MBIA
15 Insured PC Bond, to and including the last scheduled interest payment date preceding the
16 Effective Date. All unpaid fees and expenses of the Issuer and Bond Trustee due and owing
17 under the applicable Loan Agreement shall also be paid in Cash.

18 (c) Impairment and Voting. Class 4b is unimpaired by the Plan. Each
19 holder of an Allowed MBIA Insured PC Bond Claim is conclusively presumed to have accepted
20 the Plan and is not entitled to vote to accept or reject the Plan.

21 4.8 Class 4c - MBIA Claims.

22 (a) Allowance. The Claims of MBIA with respect to payments which
23 may become due by the Debtor under the terms of the MBIA Reimbursement Agreement as
24 reimbursement for payments made by MBIA under the PC Bond Insurance Policy shall be
25 deemed contingent Claims, and the Claims of MBIA for any and all other accrued and unpaid
26 amounts due by the Debtor under the MBIA Reimbursement Agreement, including any and all
27 amounts due by the Debtor as reimbursement of amounts paid by MBIA under the PC Bond
28

1 Insurance Policy to the Bond Trustee for the payment of interest on the MBIA Insured PC
2 Bonds, shall be deemed Allowed MBIA Claims.

3 (b) Distributions. Each holder of an Allowed MBIA Claim shall be
4 paid Cash equal to its pro rata share of the aggregate amount paid by MBIA to the Bond Trustee
5 with respect to the payment of interest on the MBIA Insured PC Bonds during the period from
6 the Petition Date to and including the last scheduled interest payment date preceding the
7 Effective Date, together with its pro rata share of all other amounts due and owing to MBIA
8 under the terms of the MBIA Reimbursement Agreement through the Effective Date, including
9 any accrued and unpaid interest due on such amounts to the extent provided in the MBIA
10 Reimbursement Agreement at the non-default rate.

11 (c) Impairment and Voting. Class 4c is impaired by the Plan. Each
12 holder of an Allowed MBIA Claim is entitled to vote to accept or reject the Plan.

13 4.9 Class 4d - Letter of Credit Backed PC Bond Claims.

14 (a) Allowance. The Letter of Credit Backed PC Bond Claims shall be
15 deemed Allowed Letter of Credit Backed PC Bond Claims in the amount of \$613,550,000, plus
16 accrued and unpaid pre-petition interest on such amount, plus Allowed Claims in the amount of
17 all unpaid fees and expenses of the related Issuer and Bond Trustee accrued through the Petition
18 Date under the terms of the applicable PC Bond Documents.

19 (b) Reinstatement of Claims. Each series of Letter of Credit Backed
20 PC Bonds, and each of the PC Bond Documents, shall remain outstanding and be reinstated in
21 accordance with section 1124(2) of the Bankruptcy Code. Each holder of a Letter of Credit
22 Backed PC Bond will be paid Cash in an amount equal to any and all accrued and unpaid interest
23 owed to such holder in respect of such Letter of Credit Backed PC Bond in accordance with the
24 terms thereof to and including the last scheduled interest payment date preceding the Effective
25 Date. All unpaid fees and expenses of the Issuer and Bond Trustee due and owing under the
26 applicable Loan Agreement shall also be paid in Cash.

1 (c) Impairment and Voting. Class 4d is unimpaired by the Plan. Each
2 holder of an Allowed Letter of Credit Backed PC Bond Claim is conclusively presumed to have
3 accepted the Plan and is not entitled to vote to accept or reject the Plan.

4 4.10 Class 4e—Letter of Credit Bank Claims.

5 (a) Allowance. The Letter of Credit Bank Claims consist of:
6 (i) Allowed Letter of Credit Bank Claims in the amount of any and all accrued and unpaid
7 amounts due by the Debtor under each of the Reimbursement Agreements (as modified by the
8 LC Bank Agreement), including, without limitation, any and all amounts due by the Debtor as
9 reimbursement of amounts paid by a Letter of Credit Issuing Bank under its Letter of Credit to
10 the Bond Trustee for the payment of interest on the related Letter of Credit Backed PC Bonds
11 and any and all interest and fees due thereunder and (ii) with respect to payments that may
12 become due by the Debtor under the terms of each of the Reimbursement Agreements (as
13 modified by the LC Bank Agreement), including, without limitation, as reimbursement for
14 amounts drawn under the Letters of Credit as well as for interest and fees due thereunder,
15 contingent Claims in an amount equal to any and all such outstanding amounts.

17 (b) Distributions.

18 (i) Commencing on June 27, 2002 and continuing with
19 respect to each Letter of Credit Issuing Bank until the earlier of (i) the Effective Date, (ii) the
20 date the respective Letter of Credit is terminated or the stated amount thereof is permanently
21 reduced, or (iii) the date that any of the related series of Letter of Credit Backed PC Bonds are
22 redeemed, to the extent that the Debtor has not reimbursed the applicable Letter of Credit Issuing
23 Bank and the applicable Banks, if any, for drawings made on the related Letter of Credit with
24 respect to the payment of interest on the related series of Letter of Credit Backed PC Bonds to
25 the extent provided in the respective Reimbursement Agreement, each holder of an Allowed
26 Letter of Credit Bank Claim will be paid Cash in an amount equal to its pro rata share of the
27
28

1 aggregate amount paid by the respective Letter of Credit Issuing Bank to the respective Bond
2 Trustee under the terms of the applicable Letter of Credit with respect to the payment of the
3 interest on the Letter of Credit Backed PC Bonds to which such Letter of Credit Bank Claim
4 relates during the period from the Petition Date to and including the last scheduled interest
5 payment date on such Letter of Credit Backed PC Bonds preceding the Effective Date. Each
6 holder of an Allowed Letter of Credit Bank Claim will also be paid Cash in an amount equal to
7 its pro rata share of all other amounts then due and owing to the respective Letter of Credit
8 Issuing Bank and the applicable Banks, if any, under the terms of the respective Reimbursement
9 Agreement (other than for reimbursement of drawings on the respective Letter of Credit) through
10 the Effective Date, including, without limitation, interest at the interest rate due on such amounts
11 to the extent provided in the respective Reimbursement Agreements and any due and owing
12 Forbearance, Extension and Letter of Credit Fees (as hereinafter defined) through the Effective
13 Date, and the reasonable fees and expenses of unrelated third-party professionals retained by the
14 Letter of Credit Issuing Banks, to the extent incurred subsequent to the Petition Date in the
15 Chapter 11 Case.

16
17
18 (ii) On the Effective Date one of the following shall
19 occur with respect to each series of Letter of Credit Backed PC Bonds and its respective Letter of
20 Credit, at the option of the Debtor separately for each series of Letter of Credit Backed PC
21 Bonds:

22
23 (A) Purchase Option. The respective series of Letter of Credit
24 Backed PC Bonds shall be called for mandatory tender in accordance with the terms of the
25 respective Indenture and shall be purchased by the respective Bond Trustee through a draw on
26 the related Letter of Credit and, at the option of the respective Letter of Credit Issuing Bank,
27 shall either be registered in the name of the respective Letter of Credit Issuing Bank or in the
28

1 name of the Debtor subject to a first lien security interest in favor of the respective Letter of
2 Credit Issuing Bank to additionally secure the obligations of the Debtor under the related
3 Reimbursement Agreement. On the Effective Date, to the extent that the Letter of Credit Issuing
4 Bank and the Banks have not been reimbursed therefor, the Letter of Credit Issuing Bank will
5 receive Cash in an amount equal to the sum of (i) the interest portion of the purchase price of the
6 tendered Letter of Credit Backed PC Bonds paid out of a draw on the respective Letter of Credit,
7 and (ii) the aggregate amount paid by the respective Letter of Credit Issuing Bank to the
8 respective Bond Trustee under the terms of the applicable Letter of Credit with respect to the
9 payment of the interest on the respective Letter of Credit Backed PC Bonds during the period
10 from and after June 27, 2002 to and including the last scheduled interest payment date on such
11 Letter of Credit Backed PC Bonds preceding the Effective Date, together with interest at the non-
12 default rate due on such amounts to the extent provided in the respective Reimbursement
13 Agreement. On the Effective Date, the Letter of Credit Issuing Bank shall transfer the related
14 Letter of Credit Backed PC Bonds in the aggregate original principal amount as set forth on
15 Exhibit 2 attached hereto to the Debtor or its assignee free and clear of all liens. On the Effective
16 Date, the Letter of Credit Issuing Bank will receive (i) Cash in an amount equal to the principal
17 portion of the purchase price of the tendered Letter of Credit Backed PC Bonds paid out of a
18 draw on the respective Letter of Credit, and (ii) a fee (the "Purchase Option Incentive Fee") in an
19 amount equal to 0.4% of the principal portion of the purchase price of the tendered Letter of
20 Credit Backed PC Bonds paid out of a draw on the respective Letter of Credit.
21
22
23

24 (B) Remarketing Option. The respective series of Letter of
25 Credit Backed PC Bonds shall be called for mandatory tender in accordance with the terms of the
26 respective Indenture and shall be purchased by the respective Bond Trustee through a draw on
27 the related Letter of Credit. The Debtor will then either (i) provide or cause to be provided to the
28

1 respective Bond Trustee an alternative "Credit Facility" pursuant to the terms of the respective
2 Indenture in lieu of the existing Letter of Credit, or (ii) obtain the consent of the Issuer to
3 remarket the respective series of Letter of Credit Backed PC Bonds without credit enhancement
4 in accordance with the terms of the applicable Indenture. In either event the respective series of
5 Letter of Credit Backed PC Bonds shall be remarketed, at par, in accordance with the terms of
6 the Indenture and the other PC Bond Documents. In such event, on the Effective Date, the Letter
7 of Credit Issuing Bank will receive, to the extent that the Letter of Credit Bank has not been
8 reimbursed therefor (i) from the Debtor, Cash in an amount equal to the sum of (A) the interest
9 portion of the purchase price of the tendered Letter of Credit Backed PC Bonds paid out of a
10 draw on the respective Letter of Credit, and (B) the aggregate amount paid by the respective
11 Letter of Credit Issuing Bank to the respective Bond Trustee under the terms of the applicable
12 Letter of Credit with respect to the payment of the interest on the respective Letter of Credit
13 Backed PC Bonds during the period from and after June 27, 2002 to and including the last
14 scheduled interest payment date on such Letter of Credit Backed PC Bonds preceding the
15 Effective Date, together with interest at the non-default rate due on such amounts to the extent
16 provided in the respective Reimbursement Agreement, (ii) from the Debtor, a fee (the
17 "Remarketing Option Incentive Fee") in an amount equal to either (1) 0.5% of the aggregate
18 principal amount of the respective Letter of Credit Backed PC Bonds remarketed on the
19 Effective Date the payment of the principal of and interest on which are secured by either a
20 replacement Letter of Credit, with a term of not less than one year from the Effective Date,
21 delivered to the Trustee in accordance with the terms of the respective Indenture upon terms
22 acceptable to the Debtor or an extension of the existing Letter of Credit delivered to the Trustee
23 in accordance with the terms of the respective Indenture upon terms acceptable to the Debtor, or
24 (2) 0.4% of the aggregate principal amount of the respective Letter of Credit Backed PC Bonds
25 remarketed on the Effective Date the payment of the principal of and interest on which are not
26
27
28

1 secured by such a Letter of Credit, and (iii) from the Bond Trustee, an amount equal to the
2 principal portion of the purchase price of the tendered Letter of Credit Backed PC Bonds paid
3 out of a draw on the respective Letter of Credit, which amount shall be paid from the
4 remarketing proceeds of the respective Letter of Credit Backed PC Bonds in accordance with the
5 terms of the respective Indenture.

6
7 (C) No Bonds Option. With respect to each
8 Letter of Credit Issuing Bank and the related Banks, if any, in the event that neither the Purchase
9 Option nor the Remarketing Option, as applicable, can be consummated or the respective series
10 of Letter of Credit Backed PC Bonds are redeemed on or prior to the Effective Date as the result
11 of the expiration of the respective Letter of Credit or otherwise, then at the option of the Debtor
12 separately for each Letter of Credit Bank Claim and Reimbursement Agreement either:

13
14 (1) On the Effective Date, the Letter of
15 Credit Issuing Bank will receive Cash in an amount equal to the sum of (A) the principal portion
16 of the redemption price of the redeemed Letter of Credit Backed PC Bonds paid out of a draw on
17 the respective Letter of Credit (the "Principal Reimbursement") and (B) any and all accrued and
18 unpaid interest owing to the Letter of Credit Issuing Bank in respect of such Principal
19 Reimbursement, at a fluctuating rate of interest, in accordance with the terms of the applicable
20 Reimbursement Agreement; or

21
22 (2) On the Effective Date, the Letter of
23 Credit Issuing Bank shall sell, transfer and assign to the Debtor or its assignee, without recourse,
24 all of the Letter of Credit Issuing Bank's and the related Banks' rights, title and interest in the
25 applicable Letter of Credit Bank Claim and Reimbursement Agreement, including, but not
26 limited to, the right to receive repayment of the Principal Reimbursement in the aggregate
27 principal amount as set forth on Exhibit 2 attached hereto, together with the right to receive
28

1 payment of interest thereon as set forth in the amended Reimbursement Agreement, free and
2 clear of all liens. On the Effective Date, the Debtor or its assignee shall purchase from the Letter
3 of Credit Issuing Bank and the related Banks, if any, all of their rights, title and interest in the
4 applicable Letter of Credit Bank Claim and Reimbursement Agreement for a purchase price in
5 Cash in an amount equal to the sum of (A) the respective Principal Reimbursement and (B) any
6 and all accrued and unpaid interest owing to the Letter of Credit Issuing Bank in respect of such
7 Principal Reimbursement, at a fluctuating rate of interest, in accordance with the terms of the
8 applicable Reimbursement Agreement.
9

10 In addition to the foregoing with respect to the No Bond Option, if
11 (i) the Letter of Credit Issuing Bank maintains its Letter of Credit outstanding in the stated
12 amount set forth on Exhibit 2 attached hereto through the Effective Date and does not provide
13 the Trustee with notice of default under its Reimbursement Agreement or non-reinstatement of
14 its Letter of Credit or take any other action which would result in the redemption, either in whole
15 or in part, of the outstanding Letter of Credit Backed PC Bonds without the prior written consent
16 of the Debtor, and (ii) the Letter of Credit Issuing Bank and each of the related Banks, if any,
17 take all action reasonably required by the Debtor to keep the Letter of Credit Backed PC Bonds
18 outstanding and to facilitate either the Purchase Option or the Remarketing Option, as applicable,
19 including, without limitation, giving direction to the Trustee, providing commercially reasonably
20 indemnification to the Issuer and Trustee, and using their best efforts to consummate the
21 proposed amendments to the terms of the Letter of Credit Backed PC Bonds as set forth in the
22 LC Bank Agreement (as hereinafter defined) and to consummate either the Purchase Option or
23 the Remarketing Option as applicable, so as to maintain for the Debtor the benefits of the tax-
24 exempt financing provided by the related series of Letter of Credit Backed PC Bonds, then, on
25 the Effective Date (A) in the event that the Letter of Credit Backed PC Bonds were redeemed
26
27
28

1 prior to the Effective Date for reasons beyond the control of the Letter of Credit Issuing Bank,
2 the Letter of Credit Issuing Bank will receive from the Debtor, a fee in an amount equal to 0.05%
3 of the principal portion of the redemption price of the redeemed Letter of Credit Backed PC
4 Bonds paid out of a draw on the respective Letter of Credit, and (B) in the event that the Letter of
5 Credit Backed PC Bonds are redeemed on the Effective Date for reasons beyond the control of
6 the Letter of Credit Issuing Bank, the Letter of Credit Issuing Bank will receive from the Debtor,
7 a fee (the "No Bonds Option Fee") in an amount equal to 0.10% of the principal portion of the
8 redemption price of the redeemed Letter of Credit Backed PC Bonds paid out of a draw on the
9 respective Letter of Credit.
10

11 (iii) Pursuant to the terms of an agreement among the
12 Debtor and each of the Letter of Credit Issuing Banks (the "LC Bank Agreement") that was
13 approved by order of the Bankruptcy Court entered on June 17, 2002, the Letter of Credit Issuing
14 Banks have agreed, among other things and subject to certain conditions, to (A) maintain each of
15 the Letters of Credit outstanding in the stated amounts set forth on Exhibit 2 attached hereto, (B)
16 not provide the Trustee with notice of any default under any of the Reimbursement Agreements
17 or non-reinstatement of any of the Letters of Credit or take any other action which would result
18 in the mandatory tender or redemption, either in whole or in part, of any of the outstanding Letter
19 of Credit Backed PC Bonds without the prior written consent of the Debtor, and (C) extend the
20 expiration date of each of the Letters of Credit to the first business day subsequent to the one (1)
21 year anniversary of the expiration date of each Letter of Credit existing as of the Petition Date;
22 provided, however, that each Letter of Credit Issuing Bank is only obligated to undertake or
23 refrain from undertaking those actions set forth in clauses (A) and (B) immediately above until
24 the earlier of (i) the last interest payment date on the related series of Letter of Credit Backed PC
25 Bonds immediately preceding the expiration date of such Letter of Credit, as such expiration date
26
27
28

1 shall be extended in accordance with the terms of the LC Bank Agreement, or (ii) the occurrence
2 of a "Termination Event" (as such term is defined in the LC Bank Agreement). In consideration
3 for such forbearance and other actions by the Letter of Credit Issuing Banks, the Debtor shall,
4 subject to certain terms and conditions as set forth in the LC Bank Agreement, pay to each Letter
5 of Credit Issuing Bank, (1) during the period from and after June 17, 2002 and continuing until
6 July 1, 2002, quarterly, in arrears, the Letter of Credit fee as set forth in the respective
7 Reimbursement Agreement (the "Original Letter of Credit Fee"), together with an amount equal
8 to the positive difference, if any, of an amount per annum equal to two percent (2%) of the Stated
9 Amount of the Letter of Credit, less the Original Letter of Credit Fee, which total fee accrues
10 from and after December 1, 2001 and until July 1, 2002, and has been payable on the same dates
11 as are set forth for payment of Letter of Credit Fees in the applicable Reimbursement Agreement,
12 and (2) during the period from and after July 1, 2002 and continuing until the Effective Date,
13 quarterly, in arrears, the Original Letter of Credit Fee, together with an amount equal to the
14 positive difference, if any, of an amount per annum equal to three percent (3%) of the Stated
15 Amount of the Letter of Credit, less the Original Letter of Credit Fee, which total fee accrues
16 from and after July 1, 2002 until the Effective Date, and shall be payable on the same dates as
17 are set forth for payment of Letter of Credit Fees in the applicable Reimbursement Agreement
18 (the Original Letter of Credit Fee together with such additional sums being hereinafter referred to
19 collectively as the "Forbearance, Extension and Letter of Credit Fees"). Additionally, pursuant
20 to the terms of the LC Bank Agreement, the Debtor has agreed, among other things and subject
21 to certain conditions, to pay to Deutsche Bank AG New York Branch an agency fee in the
22 amount of \$250,000, which fee was paid by the Debtor on June 18, 2002.

26 (c) Impairment and Voting. Class 4e is impaired by the Plan. Each holder of
27 an Allowed Letter of Credit Bank Claim is entitled to vote to accept or reject the Plan.
28

1 4.11 Class 4f - Prior Bond Claims.

2 (a) Allowance. The Prior Bond Claims shall be deemed Allowed
3 Prior Bond Claims in the amount of \$453,550,000, plus any and all other accrued and unpaid
4 amounts due by the Debtor under the terms of each of the Prior Reimbursement Agreements;
5 provided, however, that each Allowed Prior Bond Claim will be paid in the amount necessary to
6 render it unimpaired as set forth herein.

7 (b) Distributions. Each Allowed Prior Bond Claim will be reinstated
8 and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code. On the
9 Effective Date one of the following shall occur with respect to each Prior Reimbursement
10 Agreement and all of the Allowed Prior Bond Claims arising with respect thereto:

11 (i) Each holder of an Allowed Prior Bond Claim will be paid
12 Cash in an amount equal to (A) the outstanding Reimbursement Obligation, or portion thereof,
13 owing to such holder, (B) any and all accrued and unpaid interest owing to such holder in respect
14 of such Reimbursement Obligation or applicable portion thereof at a fluctuating rate of interest in
15 accordance with the terms of the applicable Reimbursement Agreement, and (C) all other
16 amounts due and owing to the respective holder of an Allowed Prior Bond Claim under the terms
17 of the respective Prior Reimbursement Agreement, through the Effective Date.

18 (ii) Alternatively, upon the written request of the Debtor, with
19 the prior written consent of the respective Prior Letter of Credit Issuing Bank, the related Banks
20 and each of the other holders of Allowed Prior Bond Claims related thereto, each such holder of
21 an Allowed Prior Bond Claim will be paid Cash in an amount equal to (A) any and all accrued
22 and unpaid interest owing to such holder in respect of the Reimbursement Obligation or
23 applicable portion thereof owing to such holder at a fluctuating rate of interest in accordance
24 with the terms of the applicable Reimbursement Agreement, and (B) all other amounts (other
25 than the Reimbursement Obligation or applicable portion thereof) due and owing to the
26 respective holder of an Allowed Prior Bond Claim under the terms of the respective Prior
27 Reimbursement Agreement, through the Effective Date. On the Effective Date, the applicable
28 Prior Letter of Credit Issuing Bank, the related Banks and any other holders of Allowed Prior

1 Bond Claims related thereto shall sell, transfer and assign to the Debtor or its assignee, all of the
2 Prior Letter of Credit Issuing Banks', the applicable Banks', and all of the related Allowed Prior
3 Bond Claim holders' rights, title and interest in the applicable Prior Reimbursement Agreement,
4 including, but not limited to, the right to receive repayment of the Related Reimbursement
5 Obligation, together with the right to receive payment of interest thereon as set forth in the
6 applicable Prior Reimbursement Agreement, free and clear of all liens. In such event, on the
7 Effective Date, the Debtor or its assignee shall purchase from the Prior Letter of Credit Issuing
8 Bank, the related Banks and the holders of the related Allowed Prior Bond Claims, all of their
9 rights, title and interests in the applicable Prior Reimbursement Agreement for a purchase price
10 in Cash in an amount equal to the respective Reimbursement Obligation. All of the documents
11 related to the transfer and sale of rights under the Prior Reimbursement Agreement shall be in
12 form and content satisfactory to the Debtor, the Prior Letter of Credit Issuing Bank, the related
13 Banks and each of the other holders of Allowed Prior Bonds Claims related thereto.

14 (c) Impairment and Voting. Class 4f is unimpaired by the Plan. Each
15 holder of an Allowed Prior Bond Claim is conclusively presumed to have accepted the Plan and
16 is not entitled to vote to accept or reject the Plan.

17 4.12 Class 4g - Treasury PC Bond Claims.

18 (a) Allowance. The Treasury PC Bond Claims shall be deemed
19 Allowed Treasury PC Bond Claims in the amount of \$80,770,000, plus accrued and unpaid pre-
20 petition interest on such amount, plus Allowed Claims in the amount of all unpaid fees and
21 expenses of the related Issuer and Bond Trustee accrued through the Petition Date under the
22 terms of the applicable PC Bond Documents.

23 (b) Reinstatement of Claims. Each series of Treasury PC Bonds, and
24 the Loan Agreements and PC Bond Documents related thereto, shall remain outstanding and be
25 reinstated in accordance with section 1124(2) of the Bankruptcy Code. Each holder of a
26 Treasury PC Bond shall be paid Cash in an amount equal to any and all accrued and unpaid
27 interest owed to such holder in respect of such Treasury PC Bond in accordance with the terms
28 thereof to and including the last scheduled interest payment date preceding the Effective Date.

1 All unpaid fees and expenses of the Issuer and Bond Trustee due and owing under the applicable
2 Loan Agreement shall also be paid in Cash.

3 (c) Impairment and Voting. Class 4g is unimpaired by the Plan. Each
4 holder of an Allowed Treasury PC Bond Claim is conclusively presumed to have accepted the
5 Plan and is not entitled to vote to accept or reject the Plan.

6 4.13 Class 5 - General Unsecured Claims.

7 (a) Distributions. Each holder of an Allowed General Unsecured
8 Claim shall be paid Cash in an amount equal to such Allowed Claim (which shall include pre-
9 petition interest only to the extent not previously paid).

10 (b) Impairment and Voting. Class 5 is impaired by the Plan. Each
11 holder of an Allowed General Unsecured Claim is entitled to vote to accept or reject the Plan.

12 4.14 Class 6 - ISO, PX and Generator Claims.

13 (a) Distributions. Each holder of an Allowed ISO, PX and Generator
14 Claim shall be paid Cash in an amount equal to such Allowed Claim (which shall include pre-
15 petition interest only to the extent not previously paid).

16 (b) Impairment and Voting. Class 6 is impaired by the Plan. Each
17 holder of an Allowed ISO, PX and Generator Claim is entitled to vote to accept or reject the
18 Plan.

19 4.15 Class 7 - ESP Claims.

20 (a) Distributions. Each holder of an Allowed ESP Claim shall be paid
21 Cash in an amount equal to such Allowed Claim (which shall include pre-petition interest only to
22 the extent not previously paid).

23 (b) Impairment and Voting. Class 7 is impaired by the Plan. Each
24 holder of an Allowed ESP Claim is entitled to vote to accept or reject the Plan.

25 4.16 Class 8 – Environmental, Fire Suppression, Pending Litigation, Tort and
26 FERC License Claims.

27 (a) Distributions. Subject to Section 4.16(b), each Allowed
28 Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claim shall be

1 satisfied in full in the ordinary course of business at such time and in such manner as the Debtor
2 or the Reorganized Debtor, as the case may be, is obligated to satisfy such Allowed Claim under
3 applicable law. Except as provided under applicable non-bankruptcy law, Post-Petition Interest
4 will not be paid on Allowed Environmental, Fire Suppression, Pending Litigation, Tort and
5 FERC License Claims.

6 (b) Liquidation of Environmental, Fire Suppression, Pending
7 Litigation, Tort and FERC License Claims. All Environmental, Fire Suppression, Pending
8 Litigation, Tort and FERC License Claims are Disputed Claims and shall be determined,
9 resolved, or adjudicated, as the case may be, in a manner as if the Chapter 11 Case had not been
10 commenced (except that, under sections 365 and/or 1123(b)(2) of the Bankruptcy Code,
11 contractual provisions, accelerations and defaults eliminated or rendered unenforceable by such
12 sections shall remain eliminated or unenforceable, and the stay shall remain in place for any
13 Environmental, Fire Suppression, Pending Litigation, Tort and FERC License Claims as to
14 which sections 365 and/or 1123(b)(2) of the Bankruptcy Code are applicable) and shall survive
15 the Effective Date as if the Chapter 11 Case had not been commenced and, upon the
16 determination, resolution or adjudication of any such Claim as provided herein, such Claim shall
17 be deemed to be an Allowed Environmental Claim, Allowed Fire Suppression Claim, Allowed
18 Pending Litigation Claim, Allowed Tort Claim or Allowed FERC License Claim, as the case
19 may be, in the amount or in the manner determined by a Final Order or by a binding award,
20 agreement, or settlement; provided, however, that in addition to the Debtor's preservation of all
21 rights and defenses respecting any Environmental Claim, Fire Suppression Claim, Pending
22 Litigation Claim, Tort Claim or FERC License Claim that exist under applicable nonbankruptcy
23 law, (i) any rejection, avoidance, recovery or other power or defense available to the Debtor
24 under section 365, 510 (except subordination), 542, 543, 544, 545, 547, 548, 549, 550, 553 or
25 724 of the Bankruptcy Code is preserved, except with respect to any Environmental Order, and
26 (ii) the Debtor may object under section 502 of the Bankruptcy Code to any Environmental
27 Claim, Fire Suppression Claim, Pending Litigation Claim, Tort Claim or FERC License Claim
28 on the ground that (A) such Environmental Claim, Fire Suppression Claim, Pending Litigation

1 Claim, Tort Claim or FERC License Claim was not timely asserted in the Chapter 11 Case, (B)
2 such Environmental Claim, Fire Suppression Claim, Pending Litigation Claim, Tort Claim or
3 FERC License Claim is subject to any power or defense reserved in clause (i) of this sentence
4 and/or is disallowable under section 502(d) of the Bankruptcy Code, or (C) such Environmental
5 Claim, Fire Suppression Claim, Pending Litigation Claim, Tort Claim or FERC License Claim is
6 disallowable under section 502(e) of the Bankruptcy Code, to the extent such section is relied on
7 to ensure that there is no duplication in the claim of an allegedly subrogated claimant, on the one
8 hand, and the underlying claimant whose claim allegedly gave rise to the subrogated claim, on
9 the other. Subject to the foregoing, all Environmental, Fire Suppression, Pending Litigation,
10 Tort and FERC License Claims shall be determined and liquidated under applicable
11 nonbankruptcy law in the administrative or judicial tribunal in which they are pending as of the
12 Effective Date or, if no such action is pending on the Effective Date, in any administrative or
13 judicial tribunal of appropriate jurisdiction (other than the Bankruptcy Court). To effectuate the
14 foregoing, the entry of the Confirmation Order shall, effective as of the Effective Date, constitute
15 a modification of any stay or injunction under the Bankruptcy Code that would otherwise
16 preclude the determination, resolution, or adjudication of any Environmental Claims, Fire
17 Suppression Claims, Pending Litigation Claims, Tort Claims or FERC License Claims, except
18 for any Environmental Claim, Fire Suppression Claim, Pending Litigation Claim, Tort Claim or
19 FERC License Claim arising out of the exercise by the Debtor, as Debtor-in-Possession, of any
20 rejection, avoidance, recovery, or other power or defense available to it pursuant to any one or
21 more of sections 365, 510 (except subordination), 542, 543, 544, 545, 547, 548, 549, 550, 553 or
22 724 of the Bankruptcy Code, except with respect to any Environmental Order. Nothing
23 contained in this section 4.16(b) will constitute or be deemed to constitute a waiver or release of
24 any (i) claim, right or Cause of Action that the Debtor or Reorganized Debtor may have against
25 any Person or Governmental Entity in connection with or arising out of any Environmental, Fire
26 Suppression, Pending Litigation, Tort and FERC License Claims, including, but not limited to,
27 any rights under Section 157(b) of Title 28, United States Code, or (ii) defense in any action or
28 proceeding in any administrative or judicial tribunal, including, but not limited to, with respect to

1 the jurisdiction of such administrative or judicial tribunal, except a defense to a Claim that was
2 timely filed in the Chapter 11 Case and that constitutes an Environmental Claim, a Fire
3 Suppression Claim, a Pending Litigation Claim, a Tort Claim or a FERC License Claim, where
4 such defense is based on the discharge of section 1141(d) of the Bankruptcy Code. In light of
5 the unimpaired pass-through treatment of Environmental Claims, Fire Suppression Claims,
6 Pending Litigation Claims, Tort Claims and FERC License Claims hereunder, the Reorganized
7 Debtor waives the discharge of section 1141(d) of the Bankruptcy Code as to any Claim that was
8 timely filed in the Chapter 11 Case and that constitutes an Environmental Claim, a Fire
9 Suppression Claim, a Pending Litigation Claim, a Tort Claim or a FERC License Claim.

10 As to any consent decree, injunction, cleanup and abatement order or any other
11 administrative or judicial order or decree binding upon the Debtor and in effect as of the
12 Effective Date (whether originating before or after the Petition Date) that pertains to any
13 environmental matter described in clauses (a) through (c) of the definition of Environmental
14 Claim herein (each an "Environmental Order"), each such Environmental Order, regardless of
15 whether it constitutes or is characterized as an Environmental Claim, shall also survive the
16 Effective Date as if the Chapter 11 Case had not been commenced, shall not be discharged under
17 section 1141(d) of the Bankruptcy Code, and shall not otherwise be adversely affected by the
18 Chapter 11 Case (except for any objection to such Environmental Claim based on the contention
19 that such Environmental Order is an Environmental Claim that was not timely asserted in the
20 Chapter 11 Case).

21 (c) Impairment and Voting. Class 8 is unimpaired by the Plan. Each
22 holder of an Allowed Environmental, Fire Suppression, Pending Litigation, Tort or FERC
23 License Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to
24 accept or reject the Plan.

25 4.17 [Intentionally Left Blank].

26 4.18 Class 10 - Convenience Claims.

27 (a) Distributions. Each holder of an Allowed Convenience Claim
28 shall be paid Cash in an amount equal to one hundred percent (100%) of such Allowed Claim.

1 (b) Impairment and Voting. Class 10 is unimpaired by the Plan. Each
2 holder of an Allowed Convenience Claim is conclusively presumed to have accepted the Plan
3 and is not entitled to vote to accept or reject the Plan.

4 4.19 Class 11 - QUIDS Claims.

5 (a) Allowance. The QUIDS Claims shall be deemed Allowed QUIDS
6 Claims in the amount of \$300,000,000, plus accrued and unpaid pre-petition interest on such
7 amount.

8 (b) Distributions. Each holder of an Allowed QUIDS Claim shall be
9 paid Cash in an amount equal to such Allowed Claim.

10 (c) Impairment and Voting. Class 11 is impaired by the Plan. Each
11 holder of an Allowed QUIDS Claim is entitled to vote to accept or reject the Plan.

12 4.20 Class 12- Workers' Compensation Claims.

13 (a) Distributions. Each Allowed Workers' Compensation Claim
14 arising prior to the Petition Date shall be satisfied in full in the ordinary course of business at
15 such time and in such manner as the Debtor or the Reorganized Debtor, as the case may be, is
16 obligated to satisfy such Allowed Claim under applicable law. Post-Petition Workers'
17 Compensation Claims are treated as Administrative Expense Claims herein and shall receive the
18 same pass-through treatment as Workers' Compensation Claims arising prior to the Petition
19 Date. Except as provided under applicable non-bankruptcy law, Post-Petition Interest will not be
20 paid on any Workers' Compensation Claims. Nothing herein shall affect (i) the subrogation
21 rights, to the extent applicable or available, of any surety of pre-petition or post-petition
22 Workers' Compensation Claims or (ii) the rights of the Debtor to object, pursuant to the
23 Bankruptcy Code, to the existence of any such subrogation rights.

24 (b) Impairment and Voting. Class 12 is unimpaired under the Plan.
25 Each holder of an Allowed Workers' Compensation Claim is conclusively presumed to have
26 accepted the Plan and is not entitled to vote to accept or reject the Plan.

27 4.21 Class 13 - Preferred Stock Equity Interests.

28

1 (a) Treatment. Each holder of a Preferred Stock Equity Interest shall
2 retain its Preferred Stock in the Reorganized Debtor and shall be paid in Cash any dividends and
3 sinking fund payments accrued in respect of such Preferred Stock through the last scheduled
4 payment date prior to the Effective Date.

5 (b) Impairment and Voting. While the Proponents believe that Class
6 13 is unimpaired by the Plan, certain holders of Preferred Stock Equity Interests may believe that
7 Class 13 is impaired by the Plan. To avoid delaying the voting process, holders of Preferred
8 Stock Equity Interests are being solicited to vote on the Plan as a precautionary measure so that
9 the voting results will be available if it is determined by the Bankruptcy Court that such Class is
10 impaired. Allowing the holders of Preferred Stock Equity Interests to vote shall be without
11 prejudice to the Proponents' contention that this Class is unimpaired and the Proponents reserve
12 the right to contest any objection to the unimpaired status of this Class.

13 4.22 Class 14 - Common Stock Equity Interests.

14 (a) Treatment. The holders of Common Stock Equity Interests shall
15 retain their interests in the Common Stock.

16 (b) Impairment and Voting. Class 14 is unimpaired by the Plan.
17 Each holder of an Allowed Common Stock Equity Interest is conclusively presumed to have
18 accepted the Plan and is not entitled to vote to accept or reject the Plan.

19 **ARTICLE V**

20 **PROVISIONS REGARDING VOTING AND**
21 **DISTRIBUTIONS UNDER THE PLAN AND TREATMENT**
22 **OF DISPUTED, CONTINGENT AND UNLIQUIDATED ADMINISTRATIVE**
23 **EXPENSE CLAIMS, CLAIMS AND EQUITY INTERESTS**

24 5.1 Voting of Claims and Equity Interests. Each holder of record as of the
25 Voting Record Date of an Allowed Claim or Equity Interest in an Impaired Class of Claims or
26 Equity Interests set forth in Article IV hereof shall be entitled to vote separately to accept or
27 reject the Plan with regard to each Impaired Class of Claims or Equity Interests as provided in
28 the Procedures Order. If the Debtor objects to a Claim, the Claim becomes a Disputed Claim.
The holder of a Disputed Claim is not entitled to vote on the Plan unless the Debtor or such

1 holder of the Disputed Claim obtains an order of the Bankruptcy Court estimating the amount of
2 the Disputed Claim for voting purposes. If the Debtor does not object to a Claim prior to the
3 date on which the Disclosure Statement and the Ballot are transmitted to creditors and interest
4 holders for voting, then the holder of such Claim will be permitted to vote on the Plan in the full
5 amount of the Claim as filed.

6 5.2 Elimination of Vacant Classes. Any Class of Claims that is not occupied
7 as of the commencement of the Confirmation Hearing by an Allowed Claim or a Claim
8 temporarily allowed under Bankruptcy Rule 3018 or as to which no vote is cast shall be deemed
9 eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of
10 determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of
11 the Bankruptcy Code.

12 5.3 Nonconsensual Confirmation. If any Impaired Class of Claims or Equity
13 Interests entitled to vote shall not accept the Plan by the requisite statutory majorities provided in
14 section 1126(c) of the Bankruptcy Code, then the Proponents reserve the right to amend the Plan
15 in accordance with Section 11.10 hereof or to undertake to have the Bankruptcy Court confirm
16 the Plan under section 1129(b) of the Bankruptcy Code, or both.

17 5.4 Method of Distributions Under the Plan.

18 (a) Disbursing Agent. All distributions under the Plan shall be made
19 by the Debtor as Disbursing Agent or such other Entity designated by the Proponents as
20 Disbursing Agent. A Disbursing Agent shall not be required to provide any bond, surety or other
21 security for the performance of its duties, unless otherwise ordered by the Bankruptcy Court;
22 and, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of
23 procuring any such bond, surety or other security shall be borne by the Debtor.

24 (b) Distributions to Holders as of the Distribution Record Date.

25 (i) Subject to Bankruptcy Rule 9010, all distributions under
26 the Plan shall be made (A) to the holder of each Allowed Claim or Equity Interest at the address
27 of such holder as listed on the Debtor's Bankruptcy Schedules as of the Distribution Record
28 Date, unless the Debtor has been notified in writing of a change of address, including, without

1 limitation, by the filing of a timely proof of Claim or Equity Interest by such holder that provides
2 an address for such holder different from the address reflected on the Debtor's Bankruptcy
3 Schedules, or (B) pursuant to the terms of a particular indenture of the Debtor or in accordance
4 with other written instructions of a trustee under such indenture.

5 (ii) As of the close of business on the Distribution Record
6 Date, the claims register and records of the stock transfer agent shall be closed, and there shall be
7 no further changes in the record holder of any Claim or Equity Interest. The Debtor shall have
8 no obligation to recognize any transfer of any Claim or Equity Interest occurring after the
9 Distribution Record Date. The Debtor shall instead be authorized and entitled to recognize and
10 deal for all purposes of the Plan with only those record holders stated on the claims register or
11 the records of the stock transfer agent as of the close of business on the Distribution Record
12 Date.

13 (c) Distributions of Cash. Any payment of Cash made by the Debtor
14 pursuant to the Plan shall, at the Debtor's option, be made by check drawn on a domestic bank or
15 wire transfer.

16 (d) Timing of Distributions. Except as otherwise set forth in the Plan,
17 payments and distributions to holders of Allowed Claims or Equity Interests on the Effective
18 Date shall be made on the Effective Date, or as soon as practicable thereafter. Any payment or
19 distribution required to be made under the Plan on a day other than a Business Day shall be made
20 on the next succeeding Business Day.

21 (e) Allocation of Plan Distributions. All distributions in respect of
22 Allowed Claims shall be allocated first to the portion of such Claims representing interest (as
23 determined for federal income tax purposes), second to the original principal amount of such
24 Claims (as determined for federal income tax purposes), and any excess to the remaining portion
25 of such Claims.

26 (f) Minimum Distributions. No payment of Cash less than one
27 hundred dollars (\$100) shall be made by the Debtor to any holder of an Allowed Claim or Equity
28 Interest unless a request therefor is made in writing to the Debtor.

1 (g) Unclaimed Distributions. All distributions under the Plan that are
2 unclaimed for a period of one (1) year after distribution thereof shall be deemed unclaimed
3 property under section 347(b) of the Bankruptcy Code and revested in the Debtor and any
4 entitlement of any holder of any Claim or Equity Interest to such distributions shall be
5 extinguished and forever barred.

6 (h) Escrow for Disputed Claims.

7 (i) General Treatment. On the Effective Date (or as soon as
8 practicable thereafter), and after making all distributions required to be made on the Effective
9 Date, the Reorganized Debtor shall establish one or more separate escrows, each of which shall
10 be administered by the Disbursing Agent in accordance with the terms hereof and pursuant to the
11 direction of the Bankruptcy Court, and shall deposit or segregate into such escrow account(s)
12 sufficient Cash to make distributions in respect of Disputed Claims; provided, however, that this
13 provision shall not apply to Environmental Claims, Fire Suppression Claims, Pending Litigation
14 Claims, Tort Claims, FERC License Claims and Workers' Compensation Claims. No
15 distributions from the escrow(s) shall be made until such Disputed Claims have been Allowed or
16 otherwise resolved by the Bankruptcy Court and any such distributions shall be made in
17 accordance with the terms hereof. The Cash deposited into the escrow account(s) shall be
18 invested in either (i) money market funds consisting primarily of short-term U.S. treasury
19 securities, or (ii) obligations guaranteed by the United States of America or any agency thereof,
20 at the Debtor's option; provided, however, that a Disputed ISO, PX and Generator Claim shall
21 earn interest through the date of payment in accordance with Exhibit 1 to the Plan to the extent it
22 becomes an Allowed Claim as set forth herein. A Disputed ISO, PX and Generator Claim shall
23 become an Allowed Claim on the date designated by FERC when payments are to be made on
24 account of ISO, PX and Generator Claims, pursuant to an unstayed order in the FERC refund
25 proceeding, docket Nos. ER00-95-045 and EL00-98-042 (which proceeding is discussed in
26 Section IV.B of the Disclosure Statement); provided, however, that if no date is designated in
27 such order, a Disputed ISO, PX and Generator Claim shall automatically become an Allowed
28 Claim forty-five (45) days after the issuance of such order, provided such order has not become

1 stayed. To the extent a Disputed Claim becomes an Allowed Claim, such Allowed Claim will be
2 satisfied in the same manner as all other Allowed Claims of the same Class. In addition, the
3 holder of such a Claim will receive Post-Petition Interest (to the extent such holder is entitled to
4 Post-Petition Interest under the Plan). From and after the Effective Date, such Disputed Claim
5 will earn interest at the same rate earned on the Cash deposited in escrow.

6 (ii) Termination of Escrow(s). The escrow(s) shall be
7 terminated by the Reorganized Debtor when all distributions from the escrow account(s) have
8 been made in accordance with the Plan. If any Cash remains in an escrow account after all
9 Disputed Claims for which such escrowed property is being held have been resolved and
10 distributions made in respect thereof, then such Cash shall be used by the Reorganized Debtor
11 first to repurchase the securities to be issued under the Plan and then, if any Cash remains, such
12 Cash shall revert to and become property of the Reorganized Debtor. In determining the
13 aggregate amount necessary to fund any escrow account(s), the Debtor may deposit the estimated
14 allowable amount of any Disputed Claim, as determined by the Bankruptcy Court. Any such
15 escrow(s) established pursuant to this section 5.4(h) shall be subject to the continuing jurisdiction
16 of the Bankruptcy Court.

17 (iii) Additional Cash. If the amount of Cash deposited into the
18 escrow(s) is insufficient to make the required payments once certain Disputed Claims become
19 Allowed Claims, then the Reorganized Debtor will pay the holder of such Allowed Claim the
20 Cash necessary to satisfy the shortfall. Any deficiency in the amount of Cash deposited into the
21 escrow(s) shall not limit the Reorganized Debtor's obligation to satisfy Disputed Claims which
22 subsequently become Allowed Claims, and the Reorganized Debtor shall remain liable to satisfy
23 such Allowed Claims pursuant to the Plan.

24 5.5 Objections to and Resolution of Administrative Expense Claims and
25 Claims. Except as to applications for allowance of compensation and reimbursement of
26 Professional Compensation and Reimbursement Claims under sections 330 and 503 of the
27 Bankruptcy Code, the Reorganized Debtor shall, on and after the Confirmation Date, have the
28 right to make and file objections to Administrative Expense Claims and Claims. In addition, the

1 Proponents shall, on and after the Confirmation Date, have full party-in-interest status to make
2 and file objections to Administrative Expense Claims and Claims and to appear and be heard
3 with respect thereto. Except as to applications for allowance of compensation and
4 reimbursement of Professional Compensation and Reimbursement Claims under sections 330
5 and 503 of the Bankruptcy Code, and with respect to objections filed by the Proponents, on and
6 after the Effective Date, the Reorganized Debtor, shall have the authority to compromise, settle,
7 otherwise resolve or withdraw any objections to Administrative Expense Claims and Claims and
8 compromise, settle or otherwise resolve Disputed Administrative Expense Claims and Disputed
9 Claims without the approval of the Bankruptcy Court. Unless otherwise ordered by the
10 Bankruptcy Court, (a) all objections to Claims (except for Administrative Expense Claims) shall
11 be served and filed upon the holder of the Claim as to which the objection is made (and, as
12 applicable, upon the Debtor, the Committee and the Commission) as soon as practicable, but in
13 no event later than the Effective Date, and (b) all objections to Administrative Expense Claims
14 shall be served and filed upon the holder of the Administrative Expense Claim as to which the
15 objection is made (and, as applicable, upon the Debtor, the Committee and the Commission) as
16 soon as practicable, but in no event later than ninety (90) days after the Effective Date.

17 5.6 Payment of the Trustees', Issuer's and Certain Bank Fees. To the extent
18 allowed by law and any underlying agreement, any unpaid fees and expenses accrued through
19 the Confirmation Date (except for any unpaid fees and expenses previously disallowed by the
20 Bankruptcy Court) of the Bond Trustees and the trustees under the Mortgage, and various
21 indentures, including, but not limited to, the Southern San Joaquin Valley Power Authority
22 Agreement (acting in their capacities as trustees and, if applicable, acting in their capacities as
23 disbursing agents), the Issuer of the PC Bonds and their respective professionals, and Bank of
24 America, N.A., in its capacity as administrative agent under the Revolving Line of Credit
25 (including such administrative agent's attorney's fees), shall be paid by the Debtor within ten
26 (10) days after the Confirmation Date. Any such fees and expenses accruing after the
27 Confirmation Date shall be payable as provided in the applicable agreement providing for such
28 payment, or, in the case of Bank of America, N.A., in its capacity as administrative agent under

1 the Revolving Line of Credit, at least quarterly. Upon payment of such fees and expenses, such
2 Persons shall be deemed to have released their Liens securing payment of their fees and expenses
3 for all fees and expenses accrued through the Effective Date.

4 5.7 Cancellation of Existing Securities and Agreements. On the Effective
5 Date, the promissory notes, bonds, debentures and all other debt instruments evidencing any
6 Claim, including Administrative Expense Claims, other than those that are reinstated and
7 rendered unimpaired or renewed and extended pursuant to Article IV hereof, respectively, shall
8 be deemed canceled without further act or action under any applicable agreement, law,
9 regulation, order or rule and the obligations of the Debtor under the agreements and indentures
10 governing such Claims, as the case may be, shall be discharged. The Common Stock and
11 Preferred Stock representing Equity Interests shall remain outstanding. Holders of promissory
12 notes, bonds, debentures and any and all other debt instruments evidencing any Claim shall not
13 be required to surrender such instruments.

14 **ARTICLE VI**

15 **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

16 6.1 Assumption and Rejection of Executory Contracts and Unexpired Leases.
17 Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and
18 unexpired leases that exist between the Debtor and any Person or Governmental Entity shall be
19 deemed assumed by the Debtor as of the Effective Date, except that any executory contract or
20 unexpired lease shall be deemed rejected by the Debtor as of the Effective Date (i) that has been
21 rejected pursuant to a Final Order of the Bankruptcy Court entered prior to the Confirmation
22 Date, (ii) as to which a motion for approval of the rejection of such executory contract or
23 unexpired lease has been filed and served prior to the Confirmation Date or (iii) that is set forth
24 in Schedule 6.1(a)(i) of PG&E's Plan Supplement (executory contracts) (which Schedule is
25 hereby amended to include the Existing Tax Sharing Agreement), or Schedule 6.1(a)(ii) of
26 PG&E's Plan Supplement (unexpired leases)⁵; provided, however, that the Debtor reserves the

27 _____
28 ⁵ A copy of PG&E's Plan Supplement can be obtained through the "Pacific Gas & Electric
Company Chapter 11 Case" link available through the website maintained by the Bankruptcy

1 right, on or prior to the conclusion of the Confirmation Hearing, to amend Schedules 6.1(a)(i)
2 and 6.1(a)(ii) to PG&E's Plan Supplement to delete any executory contract or unexpired lease
3 therefrom or to add any executory contract or unexpired lease thereto, in which event such
4 executory contract(s) or unexpired lease(s) shall be deemed to be assumed by the Debtor or
5 rejected, as the case may be, as of the Effective Date. The Debtor will give notice of any such
6 amendment to each counterparty to any executory contract or unexpired lease the status of which
7 is changed as a result of the amendment (i.e., any executory contract which is to be assumed or
8 rejected as a result of the amendment) and to the Proponents. If the counterparty opposes such
9 proposed amendment, the Debtor and the Proponents (provided that the Proponents' Plan reflects
10 such amendment) will make all reasonable efforts to provide such counterparty a reasonable
11 opportunity under the circumstances to object prior to confirmation of the Plan, and to the extent
12 that such counterparty has the right to vote on the Plan, or becomes entitled to vote on the Plan as
13 a result of the amendment to Schedule 6.1(a)(i) or 6.1(a)(ii) to PG&E's Plan Supplement, to
14 provide such counterparty a reasonable amount of time to cast a Ballot to accept or reject the
15 Plan and indicate its preference between this Plan and PG&E's Plan, or to amend its Ballot. The
16 listing of a document on Schedules 6.1(a)(i) or 6.1(a)(ii) to PG&E's Plan Supplement shall not
17 constitute an admission by the Debtor or the Proponents that such document is an executory
18 contract or an unexpired lease or that the Debtor has any liability thereunder. Notwithstanding
19 anything to the contrary, the Debtor waives its right to make amendments pursuant to this
20 Section 6.1 with respect to the assumption of the PG&E-Western Area Power Administration
21 Contract 2948A and related contracts, as described in Exhibit G to PG&E's Disclosure
22 Statement.

23 6.2 Schedules of Rejected Executory Contracts and Unexpired Leases;

24 Inclusiveness. Each executory contract and unexpired lease listed or to be listed on
25 Schedule 6.1(a)(i) or 6.1(a)(ii) to PG&E's Plan Supplement shall include (i) modifications,
26 amendments, supplements, restatements or other similar agreements made directly or indirectly

27 Court at <http://www.canb.uscourts.gov>. PG&E's Plan Supplement is listed under docket
28 number 4579.

1 by any agreement, instrument, or other document that in any manner affects such executory
2 contract or unexpired lease, without regard to whether such agreement, instrument or other
3 document is listed on Schedule 6.1(a)(i) or 6.1(a)(ii) to PG&E's Plan Supplement, and
4 (ii) executory contracts or unexpired leases appurtenant to the premises listed on
5 Schedule 6.1(a)(i) or 6.1(a)(ii) to PG&E's Plan Supplement, including, without limitation, all
6 easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal,
7 powers, uses, usufructs, reciprocal easement agreements or vault, tunnel or bridge agreements,
8 and any other interests in real estate or rights in rem relating to such premises to the extent any of
9 the foregoing are executory contracts or unexpired leases, unless any of the foregoing
10 agreements previously have been assumed or assumed and assigned by the Debtor.

11 6.3 Approval of Assumption or Rejection of Executory Contracts and
12 Unexpired Leases. Entry of the Confirmation Order shall, subject to and upon the occurrence of
13 the Effective Date, constitute (i) the approval, pursuant to sections 365(a) and 1123(b)(2) of the
14 Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed
15 pursuant to Section 6.1 hereof, (ii) the extension of time, pursuant to section 365(d)(4) of the
16 Bankruptcy Code, within which the Debtor may assume or reject the unexpired leases of non-
17 residential property specified in Section 6.1 hereof through the date of entry of the Confirmation
18 Order, and (iii) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code,
19 of the rejection of the executory contracts and unexpired leases rejected pursuant to Section 6.1
20 hereof.

21 6.4 Cure of Defaults. Except as may otherwise be agreed to by the parties,
22 within thirty (30) days after the Effective Date, the Debtor shall cure any and all undisputed
23 defaults under any executory contract or unexpired lease assumed by the Debtor pursuant to
24 Section 6.1 hereof, in accordance with section 365(b)(1) of the Bankruptcy Code. All disputed
25 defaults that are required to be cured shall be cured either within thirty (30) days of the entry of a
26 Final Order determining the amount, if any, of the Debtor's liability with respect thereto, or as
27 may otherwise be agreed to by the parties.

1 6.5 Bar Date for Filing Proofs of Claim Relating to Executory Contracts and
2 Unexpired Leases Rejected Pursuant to, or Omitted from, the Plan. Claims arising out of the
3 rejection of an executory contract or unexpired lease pursuant to Section 6.1 hereof must be
4 properly filed in the Chapter 11 Case and served upon the Debtor no later than thirty (30) days
5 after the later of (i) notice of entry of an order approving the rejection of such executory contract
6 or unexpired lease, (ii) notice of entry of the Confirmation Order, and (iii) notice of an
7 amendment to Schedule 6.1(a)(i) or 6.1(a)(ii) to PG&E's Plan Supplement. All such Claims not
8 filed within such time shall be forever barred from assertion against the Debtor, its estate and its
9 property.

10 6.6 Assumed Indemnification Obligations. The Assumed Indemnification
11 Claims shall, in all respects, irrespective of whether such claims arise under contracts or
12 executory contracts, survive confirmation of the Plan, remain unaffected thereby, and not be
13 discharged irrespective of whether indemnification, defense, reimbursement or limitation is owed
14 in connection with an event occurring before, on or after the Petition Date.

15 6.7 Compensation and Benefit Programs. Except as provided in Section 6.1
16 hereof, all savings, health care, severance, performance-based cash incentive, retention,
17 employee welfare benefit, life insurance, disability and other similar plans and agreements of the
18 Debtor are treated as executory contracts under the Plan and shall, on the Effective Date, be
19 deemed assumed by the Debtor in accordance with sections 365(a) and 1123(b)(2) of the
20 Bankruptcy Code, and any defaults thereunder shall be cured as provided in Section 6.4 hereof.
21 With respect to the Debtor's Retirement Plan, the Debtor affirms and agrees that it is and will
22 continue to be the contributing sponsor of the Retirement Plan, as defined under 29 U.S.C.
23 § 1301(a)(13) and 29 C.F.R. § 4001.2, or a member of the contributing sponsor's controlled
24 group, as defined under 29 U.S.C. § 1302(a)(14) and 29 C.F.R. § 4001.2. As a contributing
25 sponsor (or member of the controlled group) of the Retirement Plan, the Debtor intends to fund
26 the Retirement Plan in accordance with the minimum funding standards under ERISA, 29 U.S.C.
27 § 1802, pay all required PBGC insurance premiums, 29 U.S.C. § 1307, and comply with all
28 requirements of the Retirement Plan and ERISA. The Retirement Plan is a defined benefit

1 pension plan insured by the Pension Benefit Guaranty Corporation under Title IV of ERISA,
2 29 U.S.C. §§ 1301-1461. The Retirement Plan is subject to the minimum funding requirements
3 of ERISA, 29 U.S.C. § 1084, and section 412 of the Internal Revenue Code, 26 U.S.C. § 412.
4 No provision of or proceeding within the Debtor's reorganization proceedings, the Plan, nor the
5 Confirmation Order shall in any way be construed as discharging, releasing or relieving the
6 Debtor, the Reorganized Debtor, or any other party in any capacity, from any liability with
7 respect to the Retirement Plan or any other defined benefit pension plan under any law,
8 governmental policy or regulatory provision. PBGC and the Retirement Plan shall not be
9 enjoined or precluded from enforcing liability resulting from any of the provisions of the Plan or
10 the Plan's confirmation.

11 6.8 Retiree Benefits. Payments, if any, due to any Person for the purpose of
12 providing or reimbursing payments for retired employees and their spouses and dependents for
13 medical, surgical, or hospital care benefits, or benefits in the event of sickness, accident,
14 disability, or death under any plan, fund, or program (through the purchase of insurance or
15 otherwise) maintained or established in whole or in part by the Debtor prior to the Petition Date
16 shall be continued for the duration of the period the Debtor has obligated itself to provide such
17 benefits.

18 6.9 Settlement and Stanislaus Commitments/Natural Gas.

19 (a) Settlement and Stanislaus Commitments. The obligations under
20 (1) the 1991 Settlement Agreement between NCPA and PG&E in a Nuclear Regulatory
21 Commission (the "NRC") proceeding, implementing the Statement of Commitments
22 accompanying the letter from PG&E to the U.S. Department of Justice of April 30, 1976 (the
23 "1991 Settlement Agreement"), (2) the letter from PG&E to the U.S. Department of Justice of
24 April 30, 1976, to the extent that it represents obligations (the "1976 Letter") and (3) the antitrust
25 license conditions included in the Diablo Canyon Nuclear Power Plant NRC Licenses (the
26 "License Conditions") (collectively, the 1991 Settlement Agreement, the 1976 Letter and the
27 License Conditions are referred to herein as the "Settlement and Stanislaus Commitments") shall
28 remain in effect and pass through the Chapter 11 Case unimpaired and unaffected so that the

1 Debtor and Reorganized Debtor are obligated for the full performance, and shall be liable for the
2 nonperformance, of the Settlement and Stanislaus Commitments. Under the Plan, the Debtor and
3 Reorganized Debtor shall assume the 1991 Settlement Agreement.

4 (b) Natural Gas. On the Effective Date, the Reorganized Debtor shall
5 continue to offer the City of Palo Alto gas transmission and storage services on terms and
6 conditions that provide full parity of treatment with those provided by the Reorganized Debtor to
7 its own retail gas distribution functions, including, but not limited to, the opportunity to reserve,
8 in advance of any open-season process, a defined amount of transmission and storage capacity in
9 any amount up to the amount sufficient to meet the City of Palo Alto's projected Abnormal Peak
10 Day (the "APD") requirements, subject to applicable limits on the amount of each such form of
11 capacity. Similarly, on the Effective Date, "vintage rates" for the Redwood Path capacity
12 currently held by the City of Palo Alto (6,148 Dth/day) shall continue to be available to the City
13 of Palo Alto for as long as vintage rates are available to any core customer served by the
14 Reorganized Debtor.

15 **ARTICLE VII**

16 **IMPLEMENTATION OF THE PLAN**

17 7.1 Issuance of Securities. On or before the Effective Date, the Reorganized
18 Debtor shall issue and sell, through one or more public or private offerings, new debt securities
19 of and new preferred stock in the Reorganized Debtor, the net proceeds of which, in addition to
20 the Debtor's available Cash, will be sufficient to satisfy in full in Cash all Allowed Claims under
21 the Plan to be paid in Cash. The terms and estimated amounts of the debt securities to be issued
22 under the Plan are described on Exhibit 3 hereto. **THE TERMS AND ESTIMATED**
23 **AMOUNTS OF THE SECURITIES TO BE ISSUED HEREUNDER REMAIN SUBJECT TO**
24 **CHANGE BASED UPON, AMONG OTHER FACTORS, ACTUAL OR PERCEIVED**
25 **MARKET CONDITIONS AND RATING AGENCY REQUIREMENTS AT THE TIME OF**
26 **ISSUANCE, THE AMOUNT OF THE REORGANIZED DEBTOR'S AVAILABLE CASH ON**
27 **THE EFFECTIVE DATE, AND THE AMOUNT OF ALLOWED CLAIMS.** The Proponents
28 shall work together cooperatively with their financing and capital markets arranger and their

1 respective legal and financial advisors in the process of structuring, marketing, pricing and
2 selling the securities, including, without limitation, making such adjustments to the securities to
3 be sold as may be necessary or desirable in light of then prevailing market conditions. The
4 securities to be issued are described generally below:

5 (a) Reorganized Debtor New Money Notes. On or before the
6 Effective Date, the Reorganized Debtor shall issue and sell, through one or more private or
7 public offerings, new debt securities in the original aggregate principal amount sufficient to yield
8 net proceeds of approximately \$8.3 billion, the terms of which are set forth on Exhibit 3 (any and
9 all such notes, collectively, the “Reorganized Debtor New Money Notes”), the net proceeds of
10 which shall be used to fund payments to holders of Allowed Claims and Allowed Equity
11 Interests.

12 (b) Reorganized Debtor New Preferred Stock. On or before the
13 Effective Date, the Reorganized Debtor shall issue and sell, through one or more private or
14 public offerings, new preferred equity securities sufficient to yield net proceeds of approximately
15 \$500 million (the “Reorganized Debtor New Preferred Stock”). The net proceeds of the
16 Reorganized Debtor’s issuance and sale of the Reorganized Debtor’s New Preferred Stock shall
17 be used to fund payments to holders of Allowed Claims and Allowed Equity Interests.

18 7.2 Reorganization Agreement. On or before the Effective Date, or as soon as
19 practicable thereafter, the Reorganized Debtor and the Commission shall have executed and
20 delivered the Reorganization Agreement substantially in the form attached hereto as Exhibit 5
21 (The “Reorganization Agreement”).

22 7.3 Settlement of Litigation. On or before the Effective Date and pursuant to
23 the Reorganization Agreement, the Debtor shall dismiss the Rate Recovery Litigation, with
24 prejudice, and shall withdraw the applications filed by the Debtor in connection with PG&E’s
25 Plan and listed in Article 3.2(a)-(e) of the Reorganization Agreement. At such time, the Debtor
26 shall execute and deliver to the Proponents all pleadings and release documents required by the
27 Proponents in connection with such dismissal and withdrawals, which shall be in form and
28 substance satisfactory to the Proponents, and shall specifically release any and all claims and

1 Causes of Action that the Debtor has or may have against the State of California and the
2 Commission and their respective present and former commissioners (in their official capacities),
3 officers, employees, advisors, consultants and professionals, that arise from:

4 (a) the facts alleged by the Debtor in the Rate Recovery Litigation,
5 including, without limitation, claims and Causes of Action based upon the filed rate doctrine,
6 takings, due process and commerce clause violations, except for claims and Causes of Action
7 based upon the Plan or as provided in the Confirmation Order;

8 (b) the Commission's implementation prior to the Effective Date of
9 Assembly Bill 1 of the 2001-02 First Extraordinary Session (Ch. 4, Stats. 2001-02 1st Ex. Sess.)
10 and Assembly Bill 6 of the 2001-02 First Extraordinary Session (Ch. 2, Stats. 2001-02 1st Ex.
11 Sess.), including CPUC Decision Nos. 01-03-081 and 01-04-005, but specifically excluding that
12 certain lawsuit commenced by the Debtor against the State of California on or about September
13 5, 2002, in the Superior Court of the State of California, County of Sacramento, captioned
14 Pacific Gas and Electric Company v. The State of California and Does 1-10, No. 02A505360;
15 and (the "Sacramento Action"), to the extent that such lawsuit is not an alternative plea to the
16 causes of action in the Rare Recovery Litigation; provided, however, that nothing contained in
17 the foregoing shall constitute an admission or acknowledgment with respect to the matters
18 asserted in the Sacramento Action, all rights, evidence, claims, and defenses in respect of which
19 are fully reserved.

20 (c) the Commission's Decision Nos. 01-03-082 (TURN Accounting
21 Decision).

22 7.4 Regulatory Asset. On or before the Effective Date, or as soon as
23 practicable thereafter, there shall be created a \$1.75 billion "regulatory asset" to be included as
24 part of the Reorganized Debtor's rate base. The "regulatory asset" shall amortize on a straight-
25 line basis over a ten-year period.

26 7.5 Corporate Governance.

27 (a) Board of Directors. The members of the Board of Directors of the
28 Debtor immediately prior to the Effective Date shall serve as the initial Board of Directors of the

1 Reorganized Debtor on and after the Effective Date. Each of the members of such initial Board
2 of Directors shall serve in accordance with the Debtor’s Articles of Incorporation and the
3 Debtor’s Bylaws, as the same may be amended from time to time.

4 (b) Officers. The officers of the Debtor immediately prior to the
5 Effective Date shall serve as the initial officers of the Reorganized Debtor on and after the
6 Effective Date. Such officers shall serve in accordance with any employment agreement with
7 the Reorganized Debtor and applicable law.

8 (c) Articles of Incorporation and Bylaws. The articles of
9 incorporation and bylaws of the Reorganized Debtor shall be amended to contain provisions
10 necessary to (i) prohibit the issuance of nonvoting equity securities as required by
11 section 1123(a)(6) of the Bankruptcy Code, subject to further amendment of such articles of
12 incorporation and bylaws as permitted by applicable law, (ii) authorize the issuance and sale of
13 the Reorganized Debtor New Preferred Stock pursuant to Section 7.1(b) of the Plan, and (iii)
14 effectuate the other provisions of the Plan, in each case without any further action by the
15 Debtor’s shareholders or Board of Directors.

16 7.6 Regulatory Approvals. The Commission shall adopt such decisions or
17 orders as are necessary to implement the provisions of Article VII of this Plan, it being
18 understood that, as of and subject to the occurrence of the Confirmation Date, this Plan and the
19 Confirmation Order shall be irrevocably binding upon the Commission, notwithstanding such
20 future decisions and orders of the Commission. The Debtor shall timely seek any other
21 regulatory approvals from all applicable Governmental Entities that the Debtor believes are
22 necessary to effectuate the transactions specified herein.

23 7.7 Working Capital Facility. On or before the Effective Date, or as soon as
24 practicable thereafter, the Reorganized Debtor shall obtain and establish one or more credit
25 facilities (collectively, the “Exit Facility”) for the purposes of funding operating expenses and
26 seasonal fluctuations in working capital and providing letters of credit, as well as funding
27 distributions to the holders of Allowed Claims, if necessary. The terms of the Exit Facility are
28 set forth on Exhibit 3.

1 (d) The Reorganized Debtor shall have obtained and established the
2 Exit Facility;

3 (e) the Bankruptcy Court shall have entered an order, which may be
4 the Confirmation Order, approving the Debtor's dismissal with prejudice of the Rate Recovery
5 Litigation;

6 (f) the Reorganized Debtor and the Commission shall have executed
7 the Reorganization Agreement;

8 (g) pursuant to the Reorganization Agreement, the Debtor shall
9 dismiss the Rate Recovery Litigation, with prejudice, [and shall withdraw the applications filed](#)
10 [by the Debtor in connection with PG&E's Plan and listed in Article 3.2\(a\)-\(e\) of the](#)
11 [Reorganization Agreement](#), and the Debtor shall have executed and delivered to the Proponents
12 all pleadings and release documents required by the Proponents in connection with such
13 dismissal and withdrawals, which shall be in form and substance satisfactory to the Proponents;

14 (h) at least two of S&P, Moody's and Fitch shall have issued credit
15 ratings for the Reorganized Debtor and its debt securities of not less than BBB- and Baaa3, as
16 applicable;

17 (i) the Debtor shall have received all authorizations, consents,
18 regulatory approvals, rulings, letters, no-action letters, opinions or documents that are necessary
19 to implement the Plan; and

20 (j) the Plan shall not have been modified in a material way, including
21 any modification pursuant to Section 11.10 hereof, since the Confirmation Date.

22 8.3 Effect of Failure of Conditions. [In the event that one or more of the](#)
23 [conditions specified in Section 8.2 hereof shall not have occurred or been waived on or before](#)
24 [January 30, 2003 \(or such later date as may be hereafter provided in an amended Section 8.2\(a\)\),](#)
25 [\(a\) the Confirmation Order shall be vacated, \(b\) no distributions under the Plan shall be made,](#)
26 [\(c\) the Debtor and all holders of Claims and Equity Interests shall be restored to the status quo](#)
27 [ante as of the day immediately preceding the Confirmation Date as though the Confirmation](#)
28 [Order had never been entered, and \(d\) the Debtor's obligations with respect to Claims and Equity](#)

1 Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a
2 waiver or release of any Claims or Equity Interests by or against the Debtor or any Person or
3 Governmental Entity or to prejudice in any manner the rights of the Debtor or any Person or
4 Governmental Entity in any further proceedings involving the Debtor; provided, however, that
5 the amounts paid pursuant to Section 4.2(a) hereof on account of Post-Petition Interest may be
6 recharacterized as a payment upon the applicable Allowed Claims, in the Debtor's sole
7 discretion, but the Debtor will not otherwise seek to recover such amounts.

8 8.4 Waiver of Conditions. As provided in Section 11.10 hereof, the
9 Proponents may waive one or more of the conditions precedent set forth in Section 8.2 hereof,
10 provided however, that the condition set forth in Section 8.2(h) may only be waived pursuant to a
11 Final Order of the Bankruptcy Court obtained by motion filed by the Proponents and after notice
12 and a hearing on not less than ten (10) days' notice to the Debtor and the United States Trustee.

13 **ARTICLE IX**

14 **EFFECT OF CONFIRMATION OF PLAN**

15 9.1 Term of Bankruptcy Injunction or Stays. Unless otherwise provided, all
16 injunctions or stays provided for in the Chapter 11 Case under section 105 of the Bankruptcy
17 Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and
18 effect in accordance with the terms of such injunctions. Unless otherwise provided, the
19 automatic stay provided under section 362 of the Bankruptcy Code shall remain in full force and
20 effect until the Effective Date.

21 9.2 Revesting of Assets. On the Effective Date, except as otherwise
22 transferred, sold or otherwise provided for in the Plan, the property of the Debtor's estate shall
23 vest in the Reorganized Debtor.

24 9.3 Operations Following Effective Date. From and after the Effective Date,
25 the Reorganized Debtor may operate its business, and may use, acquire and dispose of property
26 free of any restrictions imposed under the Bankruptcy Code. As of the Effective Date, all
27 property of the Reorganized Debtor shall be free and clear of all Liens, claims and interests of
28 holders of Claims and Equity Interests, except as otherwise provided in the Plan.

1 9.4 Claims Extinguished. As of the Effective Date, any and all avoidance
2 claims accruing to the Debtor under sections 502(d), 544, 545, 547, 548, 549, 550 and 551 of the
3 Bankruptcy Code and not then pending, shall be extinguished. All other Causes of Action of the
4 Debtor, other than those expressly released or dismissed with prejudice hereunder, shall vest in
5 the Reorganized Debtor.

6 9.5 Discharge of Debtor. The rights afforded herein and the treatment of all
7 Claims and Equity Interests herein shall be in exchange for and in complete satisfaction,
8 discharge and release of Claims and Equity Interests of any nature whatsoever, including any
9 interest accrued on such Claims from and after the Petition Date, against the Debtor or any of its
10 assets or properties. Except as otherwise provided herein, as of the Effective Date (a) all such
11 Claims against and Equity Interests in the Debtor shall be satisfied, discharged and released in
12 full and (b) all Persons and Governmental Entities shall be precluded from asserting against the
13 Debtor, its successors, or its assets or properties any other or further Claims or Equity Interests
14 based upon any act or omission, transaction or other activity of any kind or nature that occurred
15 prior to the Confirmation Date.

16 9.6 Injunction. In addition to and except as otherwise expressly provided
17 herein, in the Confirmation Order or a separate order of the Bankruptcy Court, all entities who
18 have held, hold or may hold Claims against or Equity Interests in the Debtor, are permanently
19 enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner any
20 action or other proceeding of any kind with respect to such Claim or Equity Interest, (b) the
21 enforcement, attachment, collection or recovery by any manner or means of any judgment,
22 award, decree or order against the Reorganized Debtor on account of any such Claim or Equity
23 Interest, (c) creating, perfecting or enforcing any Lien of any kind against the Reorganized
24 Debtor or against the Reorganized Debtor's property or interests in property on account of any
25 such Claim or Equity Interest, (d) asserting any right of setoff, subrogation or recoupment of any
26 kind against any obligation due from the Reorganized Debtor or against the Reorganized
27 Debtor's property or interests in property on account of any such Claim or Equity Interest, and
28 (e) commencing or continuing in any manner any action or other proceeding of any kind with

1 respect to any claims and Causes of Action which are extinguished, dismissed or released
2 pursuant to the Plan. The injunction shall also enjoin all parties in interest, including, without
3 limitation, all entities who have held, hold or may hold Claims against or Equity Interests in the
4 Debtor, from taking any action in violation of the Confirmation Order. Such injunction shall
5 extend to the successors of the Reorganized Debtor, their properties and interests in property.
6 Except as provided by Sections 11.4, 11.5 and 11.6 hereof, this Section 9.6 shall not enjoin, bar
7 or otherwise impair the commencement or prosecution of direct personal claims against any
8 Person other than the Reorganized Debtor, including claims against the Parent.

9 **ARTICLE X**

10 **RETENTION OF JURISDICTION**

11 As of and subject to the occurrence of the Confirmation Date, the Commission
12 shall be bound by the Confirmation Order and the Confirmation Order shall be enforceable
13 against the Commission notwithstanding the Commission's and the State of California's
14 objections and defenses based upon the Eleventh Amendment to the United States Constitution
15 or related principles of sovereign immunity or otherwise. After the Confirmation Date, the
16 Bankruptcy Court shall retain jurisdiction over all matters arising out of, or related to, the
17 Chapter 11 Case and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of
18 the Bankruptcy Code and for, among other things, the following purposes:

- 19 (a) to hear and determine matters related to the Plan;
- 20 (b) to hear and determine applications for the assumption or rejection
21 of executory contracts or unexpired leases, if any are pending, and the allowance of cure
22 amounts and Claims resulting therefrom;
- 23 (c) to hear and determine any and all adversary proceedings,
24 applications and contested matters;
- 25 (d) to hear and determine any objection to Administrative Expense
26 Claims or Claims;
- 27 (e) to enter and implement such orders as may be appropriate in the
28 event the Confirmation Order is for any reason stayed, revoked, modified or vacated;

1 (f) to issue such orders in aid of execution and consummation of the
2 Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

3 (g) to consider any amendments to or modifications of the Plan, to
4 cure any defect or omission, or to reconcile any inconsistency in any order of the Bankruptcy
5 Court, including, without limitation, the Confirmation Order;

6 (h) to hear and determine disputes arising in connection with the
7 interpretation, implementation or enforcement of the Reorganization Agreement;

8 (i) to hear and determine all applications for compensation and
9 reimbursement of expenses of professionals under sections 330, 331 and 503(b) of the
10 Bankruptcy Code;

11 (j) to hear and determine disputes arising in connection with the
12 interpretation, implementation or enforcement of the Plan and/or the Confirmation Order;

13 (k) to hear and determine proceedings to recover assets of the Debtor
14 and property of the Debtor's estate, wherever located;

15 (l) to hear and determine matters concerning state, local and federal
16 taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

17 (m) to hear and determine matters concerning the escrow(s), if any,
18 established pursuant to Section 5.4(h) hereof;

19 (n) to hear any other matter not inconsistent with the Bankruptcy
20 Code; and

21 (o) to enter a final decree closing the Chapter 11 Case.

22 **ARTICLE XI**

23 **MISCELLANEOUS PROVISIONS**

24 11.1 Effectuating Documents and Further Transactions. Pursuant to section
25 1142 of the Bankruptcy Code, the Debtor (or the Reorganized Debtor after the Effective Date),
26 shall execute, deliver, file or record such contracts, instruments, releases, indentures and other
27 agreements or documents and take such other actions as may be necessary or appropriate to
28

1 effectuate and further evidence the terms and conditions of the Plan and any securities issued
2 pursuant to the Plan.

3 11.2 Corporate Action. On the Effective Date, all matters provided for under
4 the Plan that would otherwise require approval of the Debtor's shareholders or Board of
5 Directors shall be deemed to have occurred and shall be in effect from and after the Effective
6 Date pursuant to the applicable general corporation law of California, the state in which the
7 Debtor is incorporated, without any requirement of further action by the Debtor's shareholders or
8 Board of Directors. On the Effective Date, or as soon as practicable thereafter, the Debtor, shall,
9 if required, file its amended articles of incorporation with the Secretary of State of California, in
10 accordance with the applicable general corporation law of California.

11 11.3 Exemption from Transfer Taxes. Pursuant to section 1146(c) of the
12 Bankruptcy Code, the issuance, transfer or exchange of notes or issuance of equity securities
13 under the Plan, the creation of any mortgage, deed of trust or other security interest, the making
14 or assignment of any lease or sublease, or the making or delivery of any deed or other instrument
15 of transfer under, in furtherance of, or in connection with the Plan, shall not be subject to any
16 stamp, real estate transfer, documentary transfer, mortgage recording, sales, use or other similar
17 tax. All sale transactions consummated by the Debtor and approved by the Bankruptcy Court on
18 and after the Petition Date through and including the Effective Date, including, without
19 limitation, the sales, if any, by the Debtor of owned property or assets pursuant to section 363(b)
20 of the Bankruptcy Code, shall be deemed to have been made under, in furtherance of, or in
21 connection with the Plan and, therefore, shall not be subject to any stamp, real estate transfer,
22 documentary transfer, mortgage recording, sales, use or other similar tax.

23 11.4 Releases by Debtor.

24 (a) As of the Effective Date, and subject to the release by the
25 Releasees set forth in Section 11.5 below, the Debtor releases all of the Releasees from any and
26 all Causes of Action held by, assertable on behalf of or derivative of the Debtor, in any way
27 relating to the Debtor, the Debtor-in-Possession, the Chapter 11 Case, the Plan, negotiations
28 regarding or concerning the Plan and the ownership, management and operation of the Debtor;

1 provided, however, that the foregoing shall not operate as a waiver of or release from any Causes
2 of Action arising out of any express contractual obligation owing by any former director, officer
3 or employee to the Debtor or any reimbursement obligation of any former director, officer or
4 employee with respect to a loan or advance made by the Debtor to such former director, officer
5 or employee and is not a waiver of or release for any professionals retained in connection with
6 this Chapter 11 Case from claims by their respective clients.

7 (b) As of the Effective Date, the Debtor releases the Commission, its
8 present and former commissioners in their official capacities and their respective successors, the
9 State of California and its officers and commissioners and their respective successors, as well as
10 the Commission's and the State's present and former employees, advisors, consultants and
11 professionals from any and all Causes of Action held by, assertable on behalf of or derivative of
12 the Debtor, in any way relating to the Debtor as Debtor-in-Possession, the Chapter 11 Case, the
13 Plan, negotiations regarding or concerning the Plan and the ownership, management and
14 operation of the Debtor as Debtor-in-Possession.

15 11.5 Limited Release by Releasees. In consideration for release of the
16 Releasees in Section 11.4(a) and other valuable consideration, as of the Effective Date, each of
17 the Releasees, at its option, generally releases the Debtor and the Debtor-in-Possession and the
18 Reorganized Debtor, in each case in any capacity, from any and all Causes of Action held by,
19 assertable on behalf of or derivative from such Releasee, in any way relating to the Debtor, the
20 Debtor-in-Possession, the Chapter 11 Case, the Plan, negotiations regarding or concerning the
21 Plan and the ownership, management and operation of the Debtor. The release by the Debtor in
22 Section 11.4(a) hereof shall be provided only to Releasees who execute and deliver to the Debtor
23 a release as provided in this Section 11.5 and in a form acceptable to the Debtor.

24 11.6 Exculpation. As of and subject to the occurrence of the Confirmation
25 Date, (a) the Proponents shall have been deemed to have negotiated the Plan in good faith, (b)
26 the Proponents shall be deemed to have solicited acceptances of the Plan in good faith and in
27 compliance with the applicable provisions of the Bankruptcy Code, including, without limitation
28 section 1125(a) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule or

1 regulation governing the adequacy of disclosure in connection with such solicitation, and (c) the
2 Commission and its individual commissioners in their official capacities, the Committee and its
3 members, and the Commission's and the Committee's respective agents, employees, advisors
4 and attorneys shall be deemed to have participated in good faith and in compliance with the
5 applicable provisions of the Bankruptcy Code in connection with the offer and issuance of any
6 securities under the Plan, and therefore, neither the Commission nor its individual
7 commissioners, the Committee nor its members, nor any of the Commission's or the
8 Committee's respective agents, employees, advisors and professionals shall have or incur any
9 liability to any holder of a Claim or Equity Interest or other party in interest for any act or
10 omission in connection with, related to, or arising out of, the Chapter 11 Case, negotiations
11 regarding or concerning the Plan, the pursuit of confirmation of the Plan, the consummation of
12 the Plan, or the administration of the Plan or the property to be distributed under the Plan, except
13 for willful misconduct or gross negligence, and, in all respects, the Commission and its
14 individual commissioners, the Committee and its members, and the Commission's and the
15 Committee's respective agents, employees, advisors and professionals shall be entitled to rely
16 upon the advice of counsel with respect to their duties and responsibilities under the Plan.

17 11.7 Termination of Committee. The appointment of the Committee shall
18 terminate on the Effective Date, subject to continuation for specific purposes by a Final Order of
19 the Bankruptcy Court.

20 11.8 Fees and Expenses.

21 (a) Upon the Bankruptcy Court's entry of a Final Order approving any
22 application by the Commission under section 503(b)(3) of the Bankruptcy Code and/or the
23 Commission's legal and financial advisors under section 503(b)(4) of the Bankruptcy Code, the
24 amounts authorized for payment thereunder shall be treated as an Administrative Expense Claim
25 and a Professional Compensation and Reimbursement Claim, respectively, and paid in
26 accordance with the provisions of Sections 2.1 and 2.2 hereof, respectively.

27 (b) From and after the Confirmation Date, the Reorganized Debtor
28 shall, in the ordinary course of business and without the necessity for any approval by the

1 Bankruptcy Court, pay the reasonable fees and expenses of professional Persons thereafter
2 incurred, including, without limitation, any fees and expenses incurred by the Commission's
3 professionals in connection with the implementation and consummation of the Plan; provided,
4 however, that any dispute regarding the reasonableness of such fees and expenses shall be
5 decided by the Bankruptcy Court.

6 11.9 Payment of Statutory Fees. All fees payable pursuant to Section 1930 of
7 title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation
8 Hearing, shall be paid on or before the Effective Date.

9 11.10 Amendment or Modification of the Plan.

10 (a) Alterations, amendments or modifications of or to the Plan may be
11 proposed in writing by the Proponents at any time prior to the Confirmation Date, provided that
12 the Plan, as altered, amended or modified, satisfies the conditions of sections 1122 and 1123 of
13 the Bankruptcy Code and the Proponents shall have complied with section 1125 of the
14 Bankruptcy Code. The Plan may be altered, amended or modified by the Proponents at any time
15 after the Confirmation Date and before substantial consummation of the Plan, provided that the
16 Plan, as altered, amended or modified, satisfies the requirements of sections 1122 and 1123 of
17 the Bankruptcy Code and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as
18 altered, amended or modified, under section 1129 of the Bankruptcy Code and the circumstances
19 warrant such alterations, amendments or modifications. A holder of a Claim or Equity Interest
20 that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or
21 modified, if the proposed alteration, amendment or modification does not materially and
22 adversely change the treatment of such holder's Claim or Equity Interest.

23 11.11 Severability. In the event that the Bankruptcy Court determines that any
24 provision in the Plan is invalid, void or unenforceable, such provision shall be invalid, void or
25 unenforceable with respect to the holder or holders of such Claims or Equity Interests as to
26 which the provision is determined to be invalid, void or unenforceable. The invalidity, voidness
27 or unenforceability of any such provision shall in no way limit or affect the enforceability and
28 operative effect of any other provision of the Plan.

1 11.12 Revocation or Withdrawal of the Plan. The Proponents (or either one of
2 them) reserve the right to revoke or withdraw the Plan prior to the Confirmation Date. If the
3 Proponents (or either one of them) revoke or withdraw the Plan prior to the Confirmation Date,
4 then the Plan shall be deemed null and void. In such event, nothing contained herein shall
5 constitute or be deemed a waiver or release of any claims by or against the Debtor or any other
6 Person or Governmental Entity, including the Proponents, or to prejudice in any manner the
7 rights of the Debtor or any Person or Governmental Entity, including the Proponents, in any
8 further proceedings involving the Debtor.

9 11.13 Binding Effect. From and after the Confirmation Date, the Plan shall be
10 binding upon and inure to the benefit of the Proponents, the Debtor, the Reorganized Debtor, the
11 holders of Claims and Equity Interests, other parties in interest, and their respective successors
12 and assigns.

13 11.14 Notices. All notices, requests and demands to or upon the Debtor, the
14 Commission, the Committee or the United States Trustee to be effective shall be in writing and,
15 unless otherwise expressly provided herein, shall be deemed to have been duly given or made
16 when actually delivered or, in the case of notice by facsimile transmission, when received and
17 telephonically confirmed, addressed as follows:

18 *If to the Debtor:*

19 Pacific Gas and Electric Company
20 77 Beale Street
21 P.O. Box 7442
22 San Francisco, California 94120
23 Attn: General Counsel
24 Telephone: (415) 973-7000
25 Facsimile: (415) 973-5320

26 *with a copy to:*

27 PG&E Corporation
28 One Market, Spear Street Tower, Suite 2400
29 San Francisco, California 94105
30 Attn: General Counsel
31 Telephone: (415) 267-7000
32 Facsimile: (415) 267-7265

1 *and:*

2 Howard, Rice, Nemerovski, Canady, Falk & Rabkin
3 A Professional Corporation
4 Three Embarcadero Center, 7th Floor
5 San Francisco, California 94111
6 Attn: James L. Lopes
7 Telephone: (415) 434-1600
8 Facsimile: (415) 217-5910

9 *If to the Commission:*

10 California Public Utilities Commission
11 505 Van Ness Avenue
12 San Francisco, California 94102
13 Attn: General Counsel
14 Telephone: (415) 703-2015
15 Facsimile: (415) 703-2262

16 *with a copy to:*

17 Paul, Weiss, Rifkind, Wharton & Garrison
18 1285 Avenue of the Americas
19 New York, New York 10019-6064
20 Attn: Alan W. Kornberg
21 Telephone: (212) 373-3000
22 Facsimile: (212) 757-3990

23 *If to the Committee:*

24 Milbank, Tweed, Hadley & McCloy LLP
25 601 South Figueroa Street, 30th Floor
26 Los Angeles, California 90017
27 Attn: Paul S. Aronzon
28 Telephone: (213) 892-4000
29 Facsimile: (213) 629-5063

30 *If to the United States Trustee:*

31 The Office of the United States Trustee
32 250 Montgomery Street, Suite 1000
33 San Francisco, California 94104
34 Attn: Patricia Cutler
35 Telephone: (415) 705-3333
36 Facsimile: (415) 705-3379

37 11.15 Governing Law. Except to the extent the Bankruptcy Code, Bankruptcy
38 Rules or other federal law is applicable, or to the extent an exhibit to the Plan provides
39 otherwise, the rights and obligations arising under this Plan shall be governed by, and construed
40 and enforced in accordance with, the laws of the State of California, without giving effect to the
41 principles of conflicts of law of such jurisdiction.

1 11.16 Withholding and Reporting Requirements. Except as otherwise provided
2 by the Plan, in connection with the consummation of the Plan, the Debtor shall comply with all
3 applicable withholding and reporting requirements imposed by any federal, state, local or foreign
4 taxing authority and all distributions hereunder shall be subject to any such withholding and
5 reporting requirements.

6 11.17 Proponents' Plan Supplement. The following documents will be
7 contained in the Proponents' Plan Supplement, which shall be filed with the Clerk of the
8 Bankruptcy Court at least ten (10) days prior to the Confirmation Date:

9 (a) The Reorganized Debtor's amended Articles of Incorporation and
10 Bylaws.

11 Upon its filing with the Bankruptcy Court, the Proponents' Plan Supplement may
12 be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours or
13 through the "Pacific Gas & Electric Company Chapter 11 Case" link available through the
14 website maintained by the Bankruptcy Court at <http://www.canb.uscourts.gov>. In addition, a
15 copy of the Proponents' Plan Supplement will be available on the Commission's website at
16 <http://www.cpuc.ca.gov>.

17 11.18 Exhibits/Schedules. All exhibits and schedules to the Plan, including the
18 Proponents' Plan Supplement, are incorporated into and are a part of the Plan as if set forth in
19 full herein.

20 11.19 Subrogation Rights. Nothing in the Plan shall affect (a) the subrogation
21 rights of any surety, to the extent applicable or available, which, if available or applicable, shall
22 remain in full force and effect, or (b) the rights of the Debtor to object, pursuant to the
23 Bankruptcy Code, to the existence of such subrogation rights.

24 DATED: December 5, 2002

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CALIFORNIA PUBLIC UTILITIES
COMMISSION

By: /s/ Gary M. Cohen
Gary M. Cohen
General Counsel

OFFICIAL COMMITTEE OF UNSECURED
CREDITORS

By: /s/ Paul Aronzon
[Name]
Chair, Official Committee of Unsecured
Creditors

APPROVED AS TO CONTENT AND FORM:

PAUL, WEISS, RIFKIND, WHARTON
& GARRISON

By: /s/ Alan W. Kornberg
Counsel for the California Public
Utilities Commission

MILBANK, TWEED, HADLEY & McCLOY LLP

By: /s/ Paul Aronzon
Counsel for the Official Committee
of Unsecured Creditors