

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
12 PLAN OF REORGANIZATION UNDER
13 CHAPTER 11 OF THE BANKRUPTCY CODE FOR
14 PACIFIC GAS AND ELECTRIC COMPANY
15 [Dated April 15, 2001]

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1 The California Public Utilities Commission (the “Commission”) proposes the
2 following plan of reorganization for Pacific Gas and Electric Company, a California corporation
3 (the “Debtor”), pursuant to section 1121 of title 11 of the United States Code, 11 U.S.C. §§ 101
4 *et seq.* (as amended from time to time, the “Bankruptcy Code”), and the Bankruptcy Court’s
5 Order dated March 11, 2002, terminating the Debtor’s exclusive right to file a plan¹:

6 **ARTICLE I**

7 **DEFINITIONS AND CONSTRUCTION OF TERMS**

8 **1.1 Definitions.** As used herein, the following terms have the respective
9 meanings specified below:

10 92A Bonds means those certain California Pollution Control Financing Authority,
11 6 5/8% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1992 Series A
12 issued by the Issuer in the aggregate principal amount of \$35,000,000.

13 92B Bonds means those certain California Pollution Control Financing Authority,
14 6.35% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1992 Series B
15 issued by the Issuer in the aggregate principal amount of \$50,000,000.

16 93A Bonds means those certain California Pollution Control Financing Authority,
17 5 7/8% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1993 Series A
18 issued by the Issuer in the aggregate principal amount of \$60,000,000.

19 93B Bonds means those certain California Pollution Control Financing Authority,
20 5.85% Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1993 Series B
21 issued by the Issuer in the aggregate principal amount of \$200,000,000.

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23
24 ¹ In submitting this Plan and its accompanying Disclosure Statement, the Commission does not
25 waive any objections or defenses that the Commission or the State of California (as defined
26 below) may have to this Court’s jurisdiction over the Commission or the State based upon
27 the Eleventh Amendment to the United States Constitution or related principles of sovereign
28 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.

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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
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1 Claim” shall not, for any purpose under the Plan, include interest on such Administrative
2 Expense Claim or Claim, as the case may be, from and after the Petition Date.

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

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

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

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

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

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

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

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

26 Bond Trustee means, with respect to the PC Bonds, Bankers Trust Company, a
27 state banking corporation organized under the laws of the State of New York, as trustee, or U.S.

1 Bank Trust National Association, as trustee, under the Indenture pursuant to which such PC
2 Bonds were issued, as applicable, and their successors and assigns or any successor trustee under
3 such Indentures appointed in accordance with the terms thereof.

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

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

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

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

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

1 Bernardino County Superior Court, (ix) Puckett v. Pacific Gas & Electric Company, filed
2 March 30, 2001 in Los Angeles County Superior Court, (x) Alderson, et al. v. PG&E
3 Corporation, Pacific Gas and Electric Company, Betz Chemical Company, et al., filed April 11,
4 2001 in Los Angeles County Superior Court, (xi) Bowers et al. v. Pacific Gas and Electric
5 Company, et al., filed April 20, 2001 in Los Angeles County Superior Court, (xii) Boyd et al. v.
6 Pacific Gas and Electric Company, et al., filed May 2, 2001 in Los Angeles County Superior
7 Court, (xiii) Martinez et al. v. Pacific Gas and Electric Company, filed June 29, 2001 in
8 Los Angeles County Superior Court, (xiv) Kearny v. Pacific Gas and Electric Company, filed
9 November 15, 2001 in Los Angeles County Superior Court, and (xv) Miller v. Pacific Gas and
10 Electric Company, filed November 21, 2001 in Los Angeles County Superior Court.

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

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

23 Claims Against the State means all Causes of Action listed on the Schedule of
24 Claims Against the State to be filed as part of the Commission's Plan Supplement, which shall
25 comprise all Causes of Action of the Debtor against the State of California, the Commission,
26 and/or any of their commissioners, officers or employees (in their official capacities), resulting
27 from actions (or inactions) of the State of California and the Commission relating to the recovery
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1 of transition costs, the failure to conclude timely that the conditions for ending the rate freeze
2 had been satisfied, and/or the Debtor's claimed inability to recover in retail rates its wholesale
3 power procurement costs, including, without limitation, the Rate Recovery Litigation.

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

6 Clerk means the Clerk of the Bankruptcy Court.

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

10 Commercial Paper means short-term promissory notes of the Debtor bearing
11 various interest rates based on the three (3) month London InterBank Offered Rate and issued
12 under commercial paper dealer agreements between the Debtor and (i) Goldman Sachs & Co.,
13 dated May 30, 1997, (ii) Bank of America, N.A., dated February 7, 1985, (iii) Salomon Smith
14 Barney, Inc., dated November 10, 2000, and (iv) Merrill Lynch, Pierce, Fenner & Smith
15 Incorporated (oral agreement).

16 Commercial Paper Claim means all Claims against the Debtor arising from
17 Commercial Paper.

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

19 Commission's Plan Supplement means the documents, schedules and other
20 instruments to be filed with the Bankruptcy Court in accordance with section 11.17 of the Plan,
21 as amended, modified or supplemented from time to time.

22 Committee means the official Committee of Unsecured Creditors appointed in the
23 Chapter 11 Case by the United States Trustee pursuant to section 1102 of the Bankruptcy Code,
24 as reconstituted from time to time. As of the date hereof, the Committee is comprised of Reliant
25 Energy, Inc., Dynegy Power Marketing, Inc., P-E Berkeley, Inc., GWF Power Systems
26 Company, Inc., Bank of America, N.A., Morgan Guaranty, Merrill Lynch, Pierce, Fenner &

1 Smith, Incorporated, Davey Tree Expert Co., the City of Palo Alto, California, the State of
2 Tennessee and Pacific Investment Management Company LLC.

3 Committee Support Agreement means that certain Support Agreement, dated
4 September 19, 2001, entered into by and among the Committee, the Debtor and the Parent, as
5 may be amended from time to time.

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

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

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

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

17 Confirmation Order means the order of the Bankruptcy Court confirming the Plan
18 pursuant to section 1129 of the Bankruptcy Code.

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

23 CPU Code means the California Public Utilities Code.

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

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

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

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

7 Debtor's Bylaws means the Debtor's Bylaws, as amended as of February 21,
8 2001.

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

11 Disclosure Statement means the Disclosure Statement for the Commission's Plan
12 of Reorganization under Chapter 11 of the Bankruptcy Code for the Debtor, dated April 15,
13 2002, including, without limitation, all exhibits and schedules thereto, as approved on May __ ,
14 2002 by the Bankruptcy Court pursuant to the Disclosure Statement Order.

15 Disclosure Statement Order means the order of the Bankruptcy Court entered
16 pursuant to section 1125 of the Bankruptcy Code approving, among other things, the Disclosure
17 Statement, setting dates for the Confirmation Hearing and for filing objections to the Plan, and
18 establishing procedures for the solicitation and tabulation of votes to accept or reject the Plan.

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

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

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

9 DWR means the California Department of Water Resources.

10 DWR Claims means all Claims against the Debtor arising from the DWR
11 Comprehensive Agreement maturing in 2001 through 2008.

12 DWR Comprehensive Agreement means the Agreement between the Debtor and
13 the DWR, effective April 22, 1982, relating to the terms of certain transmission services
14 provided to the DWR, together with all amendments, modifications, renewals, substitutions and
15 replacements thereof.

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

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

19 Environmental, Fire Suppression, Tort and FERC License Claims means all
20 Environmental Claims, Fire Suppression Claims, Tort Claims and FERC License Claims.

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

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

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

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

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

25 ESP means energy service provider.

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

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1 Existing Tax Matters Agreement means that agreement, dated as of January 1,
2 1997, for the allocation of income tax liability within an affiliated group of corporations (as
3 defined in section 1504(a) of the Tax Code) between the Debtor and the Parent.

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 Commission or, in the event that an appeal, writ of certiorari,
18 or reargument or rehearing thereof has been sought, such order or decree of the Bankruptcy
19 Court or other court of competent jurisdiction shall have been determined by the highest court to
20 which such order or decree was appealed, or certiorari, reargument or rehearing shall have been
21 denied 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
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1 either state or federal law, including, but not limited to, Claims for damages to property, the cost
2 of restoring all property damaged as a result of the fire, the cost of compensating all other losses
3 resulting from damage to property arising from a fire, and costs incurred in fighting a fire,
4 including all investigative, administrative, accounting, collection, and other costs; provided,
5 however, that the foregoing “including, but not limited to” description of the types of damages
6 and costs that are included in this definition are for illustrative purposes only and do not
7 constitute an acknowledgment or admission by the Debtor that any such damages or costs are in
8 fact recoverable under state or federal law.

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

25 First and Refunding Mortgage Bond Documents means with respect to each series
26 of First and Refunding Mortgage Bonds, the Mortgage, and all of the other documents,
27 instruments, agreements and certificates evidencing, securing, governing or otherwise pertaining
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1 to the respective Mortgage Loan or the respective series of First and Refunding Mortgage Bonds
2 or otherwise executed and delivered by or on behalf of the Debtor in connection with any of the
3 foregoing, together with all amendments, modifications, renewals, substitutions and
4 replacements of or to any of the foregoing.

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

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

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

12 General Unsecured Claim means (a) Revolving Line of Credit Claims,
13 (b) Medium Term Note Claims, (c) Senior Note Claims, (d) Floating Rate Note Claims,
14 (e) DWR Claims, (f) Southern San Joaquin Valley Power Authority Bond Claims, (g) Claims
15 against the Debtor arising from the rejection of executory contracts and unexpired leases under
16 section 365 of the Bankruptcy Code, (h) Claims against the Debtor relating to pre-petition
17 litigation, (i) Claims against the Debtor by the Debtor's vendors, suppliers and service providers,
18 (j) Claims against the Debtor relating to intercompany obligations to Affiliates and (k)
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
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1 issued, as originally executed, together with all amendments, modifications, renewals,
2 substitutions and replacements thereof.

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

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

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

15 IRS means the United States Internal Revenue Service.

16 ISO means the California Independent System Operator.

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

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

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

25 Letter of Credit means, with respect to each series of Letter of Credit Backed PC
26 Bonds, that certain irrevocable direct pay letter of credit issued by the Letter of Credit Issuing
27 Bank for the account of the Debtor to the Bond Trustee and delivered to the Bond Trustee in
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1 accordance with the terms of the respective Indenture, securing, among other things, the payment
2 of the principal of, and interest on, the respective series of Letter of Credit Backed PC Bonds,
3 together with all amendments, modifications, renewals, substitutions and replacements thereof.

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

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

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

14 Letter of Credit Bank Claims means all Claims against the Debtor relating to
15 (a) the contingent Claims of each Letter of Credit Issuing Bank and the applicable Banks, if any,
16 with respect to payments which may become due by the Debtor under their respective
17 Reimbursement Agreements with the Debtor in an amount equal to the outstanding Stated
18 Amount of each of the Letters of Credit, and (b) the Claims of the Letter of Credit Issuing Banks
19 and the applicable Banks, if any, for any and all accrued and unpaid amounts due by the Debtor
20 under their respective Reimbursement Agreements, including amounts due as reimbursement of
21 amounts paid by each Letter of Credit Issuing Bank under its respective Letter of Credit to the
22 Bond Trustee for the payment of interest on the related series of Letter of Credit Backed PC
23 Bonds.

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

19 LIBOR Interest Determination Date means, for an Interest Period, the second
20 London Business Day immediately preceding the first day of that Interest Period; except that in
21 the period prior to the Initial Calculation Date, the LIBOR Interest Determination Dates for (a)
22 Allowed Commercial Paper Claims shall be the second London Business Day immediately
23 preceding each of April 1, July 1, October 1 and January 1, (b) Allowed Claims under
24 International Swap Dealers Association (“ISDA”) Agreements shall be the Petition Date and
25 each anniversary thereof prior to the Initial Calculation Date, and (c) Allowed Claims for power
26 generators shall be determined between the Debtor and each such power generator,
27 notwithstanding the fact that none of such dates is an interest payment date.
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1 Lien has the meaning set forth in section 101(37) of the Bankruptcy Code.

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

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

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

19 MBIA means MBIA Inc.

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

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

6 MBIA Insured PC Bonds means those certain California Pollution Control
7 Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric
8 Company) 1996 Series A issued by the Issuer in the aggregate principal amount of
9 \$200,000,000.

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

14 Medium Term Note Claims means all Claims against the Debtor arising from the
15 Medium Term Notes.

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

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

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

26 Mortgage Backed PC Bonds means collectively, the 92A Bonds, the 92B Bonds,
27 the 93A Bonds and the 93B Bonds.

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

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

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

12 New Tax Sharing Agreement means the agreement to be entered into between the
13 Parent and the Reorganized Debtor for the allocation of income tax liability within an affiliated
14 group of corporations (as defined in section 1504(a) of the Tax Code).

15 Nominee means any brokerage firm or bank, or the agent of such firm or bank,
16 holding the securities of a beneficial owner of bonds, notes, debentures or shares of stock of the
17 Debtor.

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

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

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

27 Parent means PG&E Corporation, the Debtor's parent company.
28

1 PC Bond Documents means, with respect to each series of PC Bonds, the Loan
2 Agreement, Indenture, and all of the other documents, instruments, agreements and certificates
3 evidencing, securing, governing or otherwise pertaining to the respective Bond Loan or the
4 respective series of PC Bonds or otherwise executed and delivered by or on behalf of the Debtor
5 in connection with any of the foregoing, together with all amendments, modifications, renewals,
6 substitutions and replacements of or to any of the foregoing.

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

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

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

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

15 PG&E's Plan means that certain Second Amended Plan of Reorganization under
16 Chapter 11 of the Bankruptcy Code for Pacific Gas and Electric Company proposed by the
17 Debtor and the Parent, dated March 7, 2002, including, without limitation, PG&E's Plan
18 Supplement and all exhibits, supplements, appendices and schedules thereto, either in its present
19 form or as the same may be altered, amended or modified from time to time.

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

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

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

25 Preferred Stock means the issued and outstanding shares of the Debtor's First
26 Preferred Stock, par value \$25.00 per share. The Debtor's outstanding First Preferred Stock is
27 comprised of: (a) 6% Non-Redeemable First Preferred, (b) 5.5% Non-Redeemable First
28

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

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

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

13 Prior Bonds means, collectively, the 96B Bonds, the 96D Bonds, the 97A Bonds
14 and the 97C Bonds, together with any series of 96C Bonds, 96E Bonds, 96F Bonds and/or 97B
15 Bonds that have been redeemed in whole, but not in part, as of the Voting Record Date or the
16 Effective Date, as applicable.

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

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

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

1 Credit and the reimbursement of the Prior Letter of Credit Issuing Bank for draws made
2 thereunder, together with all amendments, modifications, renewals, substitutions and
3 replacements thereof.

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

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

10 Proponent means the Commission.

11 PUHCA means the Public Utility Holding Company Act of 1935, as amended.

12 Punitive Damages means punitive, exemplary or similar damages, or fines,
13 penalties or similar charges that arise in connection with Environmental Claims, Fire
14 Suppression Claims, Tort Claims, FERC License Claims or Chromium Litigation Claims.

15 PX means the California Power Exchange.

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

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

21 QUIDS Claims means all Claims arising from the QUIDS.

22 QUIDS Indenture means the Indenture by and between the Debtor and National
23 City Bank of Indiana, as successor-in-interest to Bank One Trust Company, N.A., as successor-
24 in-interest to The First National Bank of Chicago, dated November 28, 1995, as supplemented by
25 the First Supplemental Indenture dated November 28, 1995, as supplemented by the Second
26 Supplemental Indenture dated March 25, 1996.

1 Rate Recovery Litigation means Pacific Gas and Electric Co. v. Loretta Lynch,
2 et al., Case No. C-00-4128-SBA in the United States District Court for the Northern District of
3 California, or any subsequent lawsuit(s) raising substantially the same claims.

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

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

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

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

26 Reorganized Debtor New Money Notes has the meaning set forth in Section
27 7.1(a) hereof.

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

5 Revolving Line of Credit Claim means all Claims against the Debtor arising from
6 the Revolving Line of Credit.

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

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

15 Senior Indebtedness means, collectively, Commercial Paper Claims, Floating
16 Rate Note Claims, Medium Term Note Claims, Senior Note Claims and Revolving Line of
17 Credit Claims.

18 Senior Note Claims means all Claims against the Debtor arising from the Senior
19 Notes.

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

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

1 Settlement Order means the order of the Bankruptcy Court approving the
2 Settlement and Support Agreement.

3 Southern San Joaquin Valley Power Authority Agreement means the Agreement
4 between the Debtor and the Southern San Joaquin Valley Power Authority dated as of July 1,
5 1997, and related Indenture of Trust dated as of November 1, 1991, between the Southern San
6 Joaquin Valley Power Authority and Bank of America N.A., as Trustee in respect of amounts
7 payable on certain bonds issued by Southern San Joaquin Power Authority maturing in 2001
8 through January 1, 2013, together with all amendments, modifications, renewals, substitutions
9 and replacements thereof.

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

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

14 State or State of California means the State of California and all of its entities
15 departments, boards, offices, commissions, agencies, bureaus, divisions, instrumentalities,
16 officers, commissioners and employees.

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

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

21 Tort Claims means all Claims against the Debtor arising from any accusation,
22 allegation, notice, action, claim, demand or otherwise for personal injury, tangible or intangible
23 property damage, products liability, discrimination, employment or other similar litigation
24 against the Debtor, including Punitive Damages; provided, however, that Tort Claims shall not
25 include (a) any Claims settled, liquidated or determined by a Final Order or a binding award,
26 agreement or settlement prior to the Petition Date for amounts payable by the Debtor for
27 damages or other obligations in a fixed dollar amount payable in a lump sum by a series of
28

1 payments (which Claims are classified as General Unsecured Claims), (b) Environmental
2 Claims, (c) Fire Suppression Claims, (d) FERC License Claims or (e) Chromium Litigation
3 Claims.

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

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

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

10 Voting Record Date means June __, 2002, as set forth in the Disclosure Statement
11 Order.

12 Workers' Compensation Claims means all Claims against the Debtor by
13 employees of the Debtor for the payment of workers' compensation benefits under applicable
14 law.

15 Workers' Compensation Indemnity Agreements means (a) the Indemnity
16 Agreement by PG&E Corporation, dated April 7, 2000, to indemnify American Home
17 Assurances Company in connection with issuance of Surety Bond No. 00-207-724 issued on
18 behalf of the Debtor for Workers' Compensation, (b) the Indemnity Agreement by PG&E
19 Corporation, dated April 7, 2000, to indemnify CAN Insurance Companies in connection with
20 issuance of Surety Bond No. 159267371 issued on behalf of the Debtor for Workers'
21 Compensation, (c) the Indemnity Agreement by PG&E Corporation, dated April 7, 2000, to
22 indemnify Kemper Insurance Companies in connection with issuance of Surety Bond No.
23 955006 issued on behalf of the Debtor for Workers' Compensation, (d) the Indemnity Agreement
24 by PG&E Corporation, dated April 7, 2000, to indemnify Travelers Insurance, as successor to
25 Reliance Insurance Company, in connection with issuance of Surety Bond No. B1686191 issued
26 on behalf of the Debtor for Workers' Compensation, and (e) the Indemnity Agreement by PG&E
27 Corporation, dated April 7, 2000, to indemnify Firemen's Fund Insurance Company in
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1 connection with issuance of Surety Bond No. 11133362811 issued on behalf of the Debtor for
2 Workers' Compensation.

3 1.2 Interpretation; Application of Definitions and Rules of Construction.

4 Wherever from the context it appears appropriate, each term stated in either the singular or the
5 plural shall include both the singular and the plural, and pronouns stated in the masculine,
6 feminine or neuter gender shall include the masculine, feminine and neuter. Unless otherwise
7 specified, all section, article, schedule or exhibit references in the Plan are to the respective
8 Section in, Article of, Schedule to, or Exhibit to, the Plan. The words "herein," "hereof,"
9 "hereto," "hereunder" and other words of similar import refer to the Plan as a whole and not to
10 any particular section, subsection or clause contained in the Plan. The rules of construction
11 contained in section 102 of the Bankruptcy Code shall apply to the construction of the Plan. A
12 term used herein that is not defined herein, but that is used in the Bankruptcy Code, shall have
13 the meaning ascribed to that term in the Bankruptcy Code. The headings in the Plan are for
14 convenience of reference only and shall not limit or otherwise affect the provisions of the Plan.

15 **ARTICLE II**

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

19 2.1 Administrative Expense Claims. Except to the extent that any entity
20 entitled to payment of any Allowed Administrative Expense Claim agrees to a less favorable
21 treatment, each holder of an Allowed Administrative Expense Claim shall receive Cash in an
22 amount equal to such Allowed Administrative Expense Claim on the later of the Effective Date
23 and the date such Administrative Expense Claim becomes an Allowed Administrative Expense
24 Claim, or as soon thereafter as is practicable, or on such other date as may be ordered by the
25 Bankruptcy Court; provided, however, that Allowed Administrative Expense Claims
26 representing liabilities incurred in the ordinary course of business by the Debtor-in-Possession
27 (including, but not limited to, real and personal property taxes and franchise fees) or liabilities
28 arising under loans or advances to or other obligations incurred by the Debtor-in-Possession shall

1 be paid in full and performed by the Debtor in the ordinary course of business in accordance with
2 the terms and subject to the conditions of any agreements governing, instruments evidencing or
3 other documents relating to such transactions. Except as provided under applicable non-
4 bankruptcy law, Post-Petition Interest will not be paid on Allowed Administrative Expense
5 Claims.

6 2.2 Professional Compensation and Reimbursement Claims. The holders of
7 Professional Compensation and Reimbursement Claims shall file their respective final
8 applications for allowances of compensation for services rendered and reimbursement of
9 expenses incurred through the Confirmation Date by no later than the date that is ninety (90)
10 days after the Confirmation Date, or such other date as may be fixed by the Bankruptcy Court. If
11 granted by the Bankruptcy Court, such award shall be paid in full in such amounts as are
12 Allowed by the Bankruptcy Court either (a) on the date such Professional Compensation and
13 Reimbursement Claim becomes an Allowed Professional Compensation and Reimbursement
14 Claim, or as soon thereafter as is practicable, or (b) upon such other terms as may be mutually
15 agreed upon between such holder of an Allowed Professional Compensation and Reimbursement
16 Claim and the Debtor. Except as provided under applicable non-bankruptcy law, Post-Petition
17 Interest will not be paid on Professional Compensation and Reimbursement Claims.

18 2.3 Priority Tax Claims. Except to the extent that a holder of an Allowed
19 Priority Tax Claim has been paid by the Debtor prior to the Effective Date or agrees to a
20 different treatment, each holder of an Allowed Priority Tax Claim shall receive, in full and
21 complete settlement, satisfaction and discharge of its Allowed Priority Tax Claim, including
22 Post-Petition Interest, Cash in an amount equal to such Allowed Priority Tax Claim on the later
23 of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax
24 Claim, or as soon as practicable thereafter.

ARTICLE III

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

Claims against and Equity Interests in the Debtor, other than Administrative Expense Claims, Professional Compensation and Reimbursement Claims and Priority Tax Claims, are classified for all purposes, including voting, confirmation and distribution pursuant to the Plan, as follows:

<u>Class</u>	<u>Claim/Interest</u>	<u>Status</u>
1	Other Priority Claims	Unimpaired
2	Other Secured Claims	Unimpaired
3	Secured Claims Relating to First and Refunding Mortgage Bonds	Unimpaired
4a	Mortgage Backed PC Bond Claims	Unimpaired
4b	MBIA Insured PC Bond Claims	Unimpaired
4c	MBIA Claims	Impaired
4d	Letter of Credit Backed PC Bond Claims	Unimpaired
4e	Letter of Credit Bank Claims	Impaired
4f	Prior Bond Claims	Unimpaired
4g	Treasury PC Bond Claims	Unimpaired
5	General Unsecured Claims	Impaired
6	ISO, PX and Generator Claims	Impaired
7	ESP Claims	Impaired
8	Environmental, Fire Suppression, Tort and FERC License Claims	Unimpaired
9	Chromium Litigation Claims	Unimpaired
10	Convenience Claims	Unimpaired
11	QUIDS Claims	Impaired
12	Workers' Compensation Claims	Unimpaired

<u>Class</u>	<u>Claim/Interest</u>	<u>Status</u>
13	Preferred Stock Equity Interests	Unimpaired ²
14	Common Stock Equity Interests	Impaired

ARTICLE IV

TREATMENT OF CLAIMS AND EQUITY INTERESTS³

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

² While the Commission believes 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 Commission’s contention that this Class is unimpaired, and the Commission reserves the right to contest any objection to the unimpaired status of this Class.

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, such as the “Step Up” interest rate provisions set forth in section 2(a)(ii) of the Settlement and Support Agreement and the payment of a “placement fee” to certain Claim holders, the provisions governing allowance and treatment of creditor Claims set forth in the creditor settlements are generally (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 QF’s, 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, and any other such similar agreement, whether or not the terms of such settlements are specifically referenced in the Commission’s Plan.

1 rate and in accordance with the terms specified in the applicable statute, indenture or instrument
2 governing such Allowed Claim or, if no such instrument exists, or if the applicable instrument
3 does not specify a non-default rate of interest, Post-Petition Interest shall be calculated and paid
4 on such Allowed Claim at the Federal Judgment Rate. Except as provided by otherwise
5 applicable non-bankruptcy law, Post-Petition Interest will not be paid on the following Allowed
6 Claims: Administrative Expense Claims, Professional Compensation and Reimbursement
7 Claims, Environmental, Fire Suppression, Tort and FERC License Claims, Chromium Litigation
8 Claims and Workers' Compensation Claims.

9 4.2 Timing of Payments and Distributions.

10 (a) The Debtor will make payments of Post-Petition Interest that has
11 accrued and is unpaid on and after the Initial Calculation Date through the last day of the last
12 calendar quarter ending prior to the Effective Date, in arrears, in quarterly installments (or in the
13 case of the first quarter following the Initial Calculation Date, such portion of a quarter) as
14 follows: (x) on the first Business Day of the next calendar quarter to the holders of Allowed
15 Class 5 Claims for Senior Indebtedness and the holders of Allowed Claims in Classes 4c, 4f, 4g
16 and 11, and (y) within 30 days following the end of the calendar quarter, to the remaining
17 holders of Allowed Class 5 Claims and the holders of Allowed Claims in Classes 1, 2, 6, 7 and
18 10. Any Post-Petition Interest that accrues during the period commencing on the first day of the
19 calendar quarter in which the Effective Date occurs and ending on the Effective Date will be paid
20 on the Effective Date.

21 (b) Pursuant to the Settlement Order and the Settlement and Support
22 Agreement, the accrual and payment of Post-Petition Interest shall terminate if (i) the Debtor is
23 determined by a Final Order of the Bankruptcy Court to be insolvent (on a balance sheet basis),
24 with such interest accrual termination effective as of the date of insolvency, as determined by the
25 Bankruptcy Court, (ii) upon conversion of the Chapter 11 Case to a case under chapter 7;
26 provided that there is not a subsequent determination of the Bankruptcy Court that there are
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1 assets of sufficient value to pay Post-Petition Interest on the applicable Allowed Claims, or (iii)
2 under circumstances that would allow for recharacterization, as described below.

3 Any payments of Post-Petition Interest may be recharacterized and treated as a
4 partial payment of the principal amount of the applicable Allowed Claims under the following
5 circumstances: (i) in the event that the Bankruptcy Court determines, by entry of a Final Order,
6 that the Debtor is insolvent (on a balance sheet basis), from the date of insolvency as determined
7 by the Bankruptcy Court; or (ii) if this Plan is not confirmed and another plan of reorganization
8 other than PG&E's Plan is confirmed, in which case any payment of pre-petition Interest and
9 Post-Petition Interest made pursuant to the Settlement Order and the Settlement and Support
10 Agreement that exceeds the amount of pre-petition Interest and Post-Petition Interest otherwise
11 required to be paid to the holders of the affected Allowed Claims under the terms of such other
12 confirmed plan of reorganization may, in the sole discretion of the proponents of such Plan, be
13 recharacterized and treated as a partial payment of the principal amount of the applicable
14 Allowed Claims.

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

22 4.3 Class 1 - Other Priority Claims.

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

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

(b) Reinstatement of Claims. The First and Refunding Mortgage Bonds and each of the First and Refunding Mortgage Bond Documents shall remain outstanding and be reinstated in accordance with section 1124(2) of the Bankruptcy Code. Each holder of an Allowed Secured Claim Relating to First and Refunding Mortgage Bonds shall be paid Cash in an amount equal to any and all accrued and unpaid interest owed to such holder in respect of such First and Refunding Mortgage Bond in accordance with the terms of the respective First

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

1 and Refunding Mortgage Bond, to and including the last scheduled interest payment date
2 preceding the Effective Date. All unpaid fees and expenses due and owing under the applicable
3 series of First and Refunding Mortgage Bonds shall also be paid in Cash.

4 (c) Impairment and Voting. Class 3 is unimpaired by the Plan. Each
5 holder of an Allowed Secured Claim Relating to First and Refunding Mortgage Bonds is
6 conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the
7 Plan.

8 4.6 Class 4a - Mortgage Backed PC Bond Claims.

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

14 (b) Reinstatement of Claims. Each series of Mortgage Backed PC
15 Bonds, and each of the PC Bond Documents, shall remain outstanding and be reinstated in
16 accordance with section 1124(2) of the Bankruptcy Code. Each holder of a Mortgage Backed
17 PC Bond shall be paid Cash in an amount equal to any and all accrued and unpaid interest owed
18 to such holder in respect of such Mortgage Backed PC Bond in accordance with the terms
19 thereunder to and including the last scheduled interest payment date preceding the Effective
20 Date. All unpaid fees and expenses of the Issuer and Bond Trustee due and owing under the
21 applicable Loan Agreements shall also be paid in Cash.

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

25 4.7 Class 4b - MBIA Insured PC Bond Claims.

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

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

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

15 4.8 Class 4c - MBIA Claims.

16 (a) Allowance. The Claims of MBIA with respect to payments which
17 may become due by the Debtor under the terms of the MBIA Reimbursement Agreement as
18 reimbursement for payments made by MBIA under the PC Bond Insurance Policy shall be
19 deemed contingent Claims, and the Claims of MBIA for any and all other accrued and unpaid
20 amounts due by the Debtor under the MBIA Reimbursement Agreement, including any and all
21 amounts due by the Debtor as reimbursement of amounts paid by MBIA under the PC Bond
22 Insurance Policy to the Bond Trustee for the payment of interest on the MBIA Insured PC
23 Bonds, shall be deemed Allowed MBIA Claims.

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

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

7 4.9 Class 4d - Letter of Credit Backed PC Bond Claims.

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

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

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

24 4.10 Class 4e - Letter of Credit Bank Claims.

25 (a) Allowance. The Letter of Credit Bank Claims with respect to
26 payments which may become due by the Debtor under the terms of each of the Reimbursement
27 Agreements as reimbursement for amounts drawn under the Letter of Credit shall be deemed
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1 contingent Claims in an amount equal to the outstanding Stated Amount of each of the Letters of
2 Credit, and Letter of Credit Bank Claims for any and all other accrued and unpaid amounts due
3 by the Debtor under each of the Reimbursement Agreements, including any and all amounts due
4 by the Debtor as reimbursement of amounts paid by a Letter of Credit Issuing Bank under its
5 Letter of Credit to the Bond Trustee for the payment of interest on the related Letter of Credit
6 Backed PC Bonds, shall be deemed Allowed Letter of Credit Bank Claims.

7 (b) Distributions.

8 (i) Commencing within ten (10) days after the Confirmation
9 Date, to the extent that the Debtor has not reimbursed the applicable Letter of Credit Issuing
10 Bank and the applicable Banks, if any, for drawings made on the related Letter of Credit with
11 respect to the payment of interest on the related series of Letter of Credit Backed PC Bonds to
12 the extent provided in the respective Reimbursement Agreement, each holder of an Allowed
13 Letter of Credit Bank Claim will be paid Cash in an amount equal to its pro rata share of the
14 aggregate amount paid by the respective Letter of Credit Issuing Bank to the respective Bond
15 Trustee under the terms of the applicable Letter of Credit with respect to the payment of the
16 interest on the Letter of Credit Backed PC Bonds to which such Letter of Credit Bank Claim
17 relates during the period from the Petition Date to and including the last scheduled interest
18 payment date on such Letter of Credit Backed PC Bonds preceding the Effective Date. Each
19 holder of an Allowed Letter of Credit Bank Claim will also be paid Cash in an amount equal to
20 its pro rata share of all other amounts then due and owing to the respective Letter of Credit
21 Issuing Bank and the applicable Banks, if any, under the terms of the respective Reimbursement
22 Agreement (other than for reimbursement of drawings on the respective Letter of Credit) through
23 the Effective Date, including, without limitation, interest at the interest rate due on such amounts
24 to the extent provided in the respective Reimbursement Agreements, and any due and owing
25 applicable Forbearance, Extension and Letter of Credit Fees (as hereinafter defined) through the
26 Effective Date, and the reasonable fees and expenses of unrelated third party professionals
27 retained by the Letter of Credit Issuing Banks, to the extent incurred subsequent to the Petition
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1 Date in the Chapter 11 Case, which with respect to each Letter of Credit Issuing Bank for the
2 period prior to December 1, 2001, to the extent payment of such fees and expenses are approved
3 by the Bankruptcy Court prior to the Confirmation Date and such payment is made prior to the
4 Confirmation Date, shall be in an aggregate amount equal to the amount mutually agreed to by
5 the Debtor and each Letter of Credit Issuing Bank. The interest rate on each Letter of Credit
6 Bank Claim, interest payment start date and interest payment intervals are set forth on Exhibit 1
7 hereto.

8 (ii) On the Effective Date one of the following shall occur with
9 respect to each series of Letter of Credit Backed PC Bonds and its respective Letter of Credit, at
10 the option of the Debtor separately for each series of Letter of Credit Backed PC Bonds:

11 (A) Purchase Option. The respective series of Letter of
12 Credit Backed PC Bonds shall be called for mandatory tender in accordance with the terms of the
13 respective Indenture and shall be purchased by the respective Bond Trustee through a draw on
14 the related Letter of Credit and, at the option of the respective Letter of Credit Issuing Bank,
15 shall either be registered in the name of the respective Letter of Credit Issuing Bank or in the
16 name of the Debtor subject to a first lien security interest in favor of the respective Letter of
17 Credit Issuing Bank to additionally secure the obligations of the Debtor under the related
18 Reimbursement Agreement. On the Effective Date, to the extent that the Debtor has not
19 reimbursed the applicable Letter of Credit Issuing Bank and the applicable Banks, if any, for
20 drawings made on the related Letter of Credit with respect to the payment of interest on the
21 related series of Letter of Credit Backed PC Bonds to the extent provided in the respective
22 Reimbursement Agreement, each holder of an Allowed Letter of Credit Bank Claim will receive
23 Cash in an amount equal to its pro rata share of the interest portion of the purchase price of the
24 tendered Letter of Credit Backed PC Bonds paid out of a draw on the respective Letter of Credit.
25 On the Effective Date, the Letter of Credit Issuing Bank shall transfer the related Letter of Credit
26 Backed PC Bonds in the aggregate principal amount as set forth on Exhibit 2 attached hereto to
27 the Debtor free and clear of all liens. On the Effective Date, each holder of an Allowed Letter of
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1 Credit Bank Claim will receive its pro rata share of Cash in an amount equal to the principal
2 portion of the purchase price of the tendered Letter of Credit Backed PC Bonds paid out of a
3 draw on the respective Letter of Credit.

4 (B) Remarketing Option. The respective series of
5 Letter of Credit Backed PC Bonds shall be called for mandatory tender in accordance with the
6 terms of the respective Indenture and shall be purchased by the respective Bond Trustee through
7 a draw on the related Letter of Credit. The Debtor will then either (1) provide or cause to be
8 provided to the respective Bond Trustee an alternative “Credit Facility” pursuant to the terms of
9 the respective Indenture in lieu of the existing Letter of Credit, or (2) shall obtain the consent of
10 the Issuer to remarket the respective series of Letter of Credit Backed PC Bonds without credit
11 enhancement in accordance with the terms of the applicable Indenture. In either event the
12 respective series of Letter of Credit Backed PC Bonds shall be remarketed, at par, in accordance
13 with the terms of the Indenture and the other PC Bond Documents. In such event, on the
14 Effective Date, the Letter of Credit Issuing Bank will receive (1) from the Debtor, to the extent
15 that the Debtor has not reimbursed the applicable Letter of Credit Issuing Bank and the
16 applicable Banks, if any, for drawings made on the related Letter of Credit with respect to the
17 payment of interest on the related series of Letter of Credit Backed PC Bonds to the extent
18 provided in the respective Reimbursement Agreement, Cash in an amount equal to the interest
19 portion of the purchase price of the tendered Letter of Credit Backed PC Bonds paid out of a
20 draw on the respective Letter of Credit, and (2) from the Bond Trustee, an amount equal to the
21 principal portion of the purchase price of the tendered Letter of Credit Backed PC Bonds paid
22 out of a draw on the respective Letter of Credit, which amount shall be paid from the
23 remarketing proceeds of the respective Letter of Credit Backed PC Bonds in accordance with the
24 terms of the respective Indenture.

25 (C) No Bonds Option. With respect to each Letter of
26 Credit Issuing Bank and the related Banks, if any, in the event that neither the Purchase Option
27 nor the Remarketing Option, as applicable, can be consummated or the respective series of Letter
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1 of Credit Backed PC Bonds are redeemed on or prior to the Effective Date as the result of the
2 expiration of the respective Letter of Credit or otherwise, then either:

3 (1) The Class 4e Claim of such Letter of Credit
4 Issuing Bank and the applicable Banks, if any, would be converted to a Class 4f Claim in an
5 amount equal to the amount due by the Debtor under the terms of the respective Reimbursement
6 Agreement as reimbursement for amounts paid by such Letter of Credit Issuing Bank under its
7 respective Letter of Credit to the Bond Trustee for the payment of the principal portion of the
8 redemption price of the related series of Letter of Credit Backed PC Bonds; or

9 (2) If (i) the Letter of Credit Issuing Bank
10 maintains its Letter of Credit outstanding in its initial stated amount through the Effective Date
11 and does not provide the Trustee with notice of default under its Reimbursement Agreement or
12 non-reinstatement of its Letter of Credit or take any other action which would result in the
13 redemption, either in whole or in part, of the outstanding Letter of Credit Backed PC Bonds
14 without the prior written consent of the Debtor, and (ii) the Letter of Credit Issuing Bank and
15 each of the related Banks, if any, take all action reasonably required by the Debtor to keep the
16 Letter of Credit Backed PC Bonds outstanding and to facilitate either the Purchase Option or the
17 Remarketing Option, as applicable, including, without limitation, giving direction to the Trustee,
18 providing commercially reasonable indemnification to the Issuer and Trustee, and using their
19 best efforts to consummate the proposed amendments to the terms of the Letter of Credit Backed
20 PC Bonds as set forth herein and to consummate either the Purchase Option or the Remarketing
21 Option as applicable, so as to maintain for the Debtor the benefits of the tax-exempt financing
22 provided by the related series of Letter of Credit Backed PC Bonds, then in the event that the
23 Letter of Credit Backed PC Bonds are redeemed on or prior to the Effective Date for reasons
24 beyond the control of the Letter of Credit Issuing Bank, the Letter of Credit Issuing Bank will
25 receive Cash in an amount equal to the principal portion of the redemption price of the redeemed
26 Letter of Credit Backed PC Bonds paid out of a draw on the respective Letter of Credit.

1 (iii) Since the Petition Date, consistent with its duties as a
2 Debtor-in-Possession, the Debtor has not reimbursed any of the Letter of Credit Issuing Banks
3 for any of the payments they have made pursuant to the several post-petition draws by the
4 respective Bond Trustee which have been applied to the payment of interest on the related series
5 of Letter of Credit Backed PC Bonds. As a result thereof, each of the Letter of Credit Issuing
6 Banks has had the right upon the passage of time, the giving of notice or both to (A) declare a
7 default under its respective Reimbursement Agreement, (B) notify the respective Bond Trustee
8 of such default, and (C) direct the respective Bond Trustee to call an “Event of Default” under
9 the terms of the respective Indenture and, in accordance with the terms of the respective
10 Indenture, cause the Bond Trustee to declare the respective series of Letter of Credit Backed PC
11 Bonds immediately due and payable.

12 (iv) However, pursuant to the terms of an agreement, subject to
13 Bankruptcy Court approval, among the Debtor and each of the Letter of Credit Issuing Banks
14 (the “LC Bank Agreement”), the Letter of Credit Issuing Banks have agreed, among other things
15 and subject to certain conditions, to (A) maintain each of the Letters of Credit outstanding in the
16 stated amounts set forth on Exhibit 2 attached hereto, (B) not provide the Trustee with notice of
17 any default under any of the Reimbursement Agreements or non-reinstatement of any of the
18 Letters of Credit or take any other action which would result in the mandatory tender or
19 redemption, either in whole or in part, of any of the outstanding Letter of Credit Backed PC
20 Bonds without the prior written consent of the Debtor, and (C) extend the expiration date of each
21 of the Letters of Credit to the first business day subsequent to the one year anniversary of the
22 existing expiration date of each Letter of Credit existing as of the Petition Date. In consideration
23 for such forbearance and other actions by the Letter of Credit Issuing Banks, the Debtor has
24 agreed, among other things and subject to certain conditions, to pay to each Letter of Credit
25 Issuing Bank, (1) during the period from and after the date such payments are approved by the
26 Bankruptcy Court and continuing until the Confirmation Date, quarterly, in arrears, the Letter of
27 Credit fee as set forth in the respective Reimbursement Agreement (the “Original Letter of Credit”
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1 Fee”), together with an amount equal to the positive difference, if any, of an amount per annum
2 equal to two percent (2%) of the Stated Amount of the Letter of Credit, less the Original Letter
3 of Credit Fee, which total fee accrues from and after December 1, 2001 and until the
4 Confirmation Date, and has been payable on the same dates as are set forth for payment of Letter
5 of Credit Fees in the applicable Reimbursement Agreement, and (2) during the period from and
6 after the Confirmation Date and continuing until the Effective Date, quarterly, in arrears, the
7 Original Letter of Credit Fee, together with an amount equal to the positive difference, if any, of
8 an amount per annum equal to three percent (3%) of the Stated Amount of the Letter of Credit,
9 less the Original Letter of Credit Fee, which total fee accrues from and after the Confirmation
10 Date until the Effective Date, and shall be payable on the same dates as are set forth for payment
11 of Letter of Credit fees in the applicable Reimbursement Agreement (the Original Letter of
12 Credit Fee together with such additional sums being hereinafter referred to collectively as the
13 “Forbearance, Extension and Letter of Credit Fees”); provided, however, that in the event the LC
14 Bank Agreement has not been timely approved by the Court, then in lieu of the payments set
15 forth in clauses (1) and (2) of this Section 4.10 (b)(iv), the Debtor has agreed, subject to certain
16 conditions, to pay to each of Letter of Credit Issuing Bank during the period from and after the
17 Confirmation Date and continuing until the Effective Date, quarterly, in arrears, its Original
18 Letter of Credit Fee, together with an amount equal to the positive difference, if any, of an
19 amount per annum, equal to three (3%) percent of the Stated Amount of its Letter of Credit, less
20 its Original Letter of Credit Fee, which total fee shall accrue from and after December 1, 2001
21 until the Effective Date, and shall be payable on the same dates as are set forth for payment of
22 Letter of Credit fees in the applicable Reimbursement Agreement. Additionally, on the
23 Confirmation Date, pursuant to the terms of the LC Bank Agreement, the Debtor has agreed,
24 among other things and subject to certain conditions, to pay to Deutsche Bank AG New York
25 Branch an agency fee in the amount of \$250,000.

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

(a) Allowance. The Prior Bond Claims shall be deemed Allowed Prior Bond Claims in the amount of \$453,550,000, plus any and all other accrued and unpaid amounts due by the Debtor under the terms of each of the Prior Reimbursement Agreements; provided, however, that each Allowed Prior Bond Claim will be paid in the amount necessary to render it unimpaired as set forth herein. The aggregate principal amount of Allowed Prior Bond Claims is subject to increase by the amount of any Class 4e Claim that is converted to a Class 4f Claim in accordance with Section 4.10(b)(ii)(C) hereof.

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

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

(ii) Alternatively, upon the written request of the Debtor, with the prior written consent of the respective Prior Letter of Credit Issuing Bank, the related Banks and each of the other holders of Allowed Prior Bond Claims related thereto, each such holder of an Allowed Prior Bond Claim will be paid Cash in an amount equal to (A) any and all accrued and unpaid interest owing to such holder in respect of the Reimbursement Obligation or applicable portion thereof owing to such holder at a fluctuating rate of interest in accordance with the terms of the applicable Reimbursement Agreement, and (B) all other amounts (other than the Reimbursement Obligation or applicable portion thereof) due and owing to the

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

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

20 4.12 Class 4g - Treasury PC Bond Claims.

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

26 (b) Reinstatement of Claims. Each series of Treasury PC Bonds, and
27 the Loan Agreements and PC Bond Documents related thereto, shall remain outstanding and be
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1 reinstated in accordance with section 1124(2) of the Bankruptcy Code. Each holder of a
2 Treasury PC Bond shall be paid Cash in an amount equal to any and all accrued and unpaid
3 interest owed to such holder in respect of such Treasury PC Bond in accordance with the terms
4 thereof to and including the last scheduled interest payment date preceding the Effective Date.
5 All unpaid fees and expenses of the Issuer and Bond Trustee due and owing under the applicable
6 Loan Agreement shall also be paid in Cash.

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

10 4.13 Class 5 - General Unsecured Claims.

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

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

16 4.14 Class 6 - ISO, PX and Generator Claims.

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

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

23 4.15 Class 7 - ESP Claims.

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

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

3 4.16 Class 8 – Environmental, Fire Suppression, Tort and FERC License
4 Claims.

5 (a) Distributions. Subject to Section 4.16(b), each Allowed
6 Environmental, Fire Suppression, Tort and FERC License Claim shall be satisfied in full in the
7 ordinary course of business at such time and in such manner as the Debtor or the Reorganized
8 Debtor, as the case may be, is obligated to satisfy such Allowed Claim under applicable law.
9 Except as provided under applicable non-bankruptcy law, Post-Petition Interest will not be paid
10 on Allowed Environmental, Fire Suppression, Tort and FERC License Claims.

11 (b) Liquidation of Environmental, Fire Suppression, Tort and FERC
12 License Claims. All Environmental, Fire Suppression, Tort and FERC License Claims are
13 Disputed Claims and shall be determined, resolved, or adjudicated, as the case may be, in a
14 manner as if the Chapter 11 Case had not been commenced (except that, under sections 365
15 and/or 1123(b)(2) of the Bankruptcy Code, contractual provisions, accelerations and defaults
16 eliminated or rendered unenforceable by such sections shall remain eliminated or unenforceable,
17 and the stay shall remain in place for any Environmental, Fire Suppression, Tort and FERC
18 License Claims as to which sections 365 and/or 1123(b)(2) of the Bankruptcy Code are
19 applicable) and shall survive the Effective Date as if the Chapter 11 Case had not been
20 commenced and, upon the determination, resolution or adjudication of any such Claim as
21 provided herein, such Claim shall be deemed to be an Allowed Environmental Claim, Allowed
22 Fire Suppression Claim, Allowed Tort Claim or Allowed FERC License Claim, as the case may
23 be, in the amount or in the manner determined by a Final Order or by a binding award,
24 agreement, or settlement; provided, however, that in addition to the Debtor's preservation of all
25 rights and defenses respecting any Environmental Claim, Fire Suppression Claim, Tort Claim or
26 FERC License Claim that exist under applicable nonbankruptcy law, (i) any rejection, avoidance,
27 recovery or other power or defense available to the debtor under section 365, 510 (except
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1 subordination), 542, 543, 544, 545, 547, 548, 549, 550, 553 or 724 of the Bankruptcy Code is
2 preserved, except with respect to any Environmental Order, and (ii) the Debtor may object under
3 section 502 of the Bankruptcy Code to any Environmental Claim, Fire Suppression Claim, Tort
4 Claim or FERC License Claim on the ground that (A) such Environmental Claim, Fire
5 Suppression Claim, Tort Claim or FERC License Claim was not timely asserted in the Chapter
6 11 Case, (B) such Environmental Claim, Fire Suppression Claim, Tort Claim or FERC License
7 Claim is subject to any power or defense reserved in clause (i) of this sentence and/or is
8 disallowable under section 502(d) of the Bankruptcy Code, or (C) such Environmental Claim,
9 Fire Suppression Claim, Tort Claim or FERC License Claim is disallowable under section 502(e)
10 of the Bankruptcy Code, to the extent such section is relied on to ensure that there is no
11 duplication in the claim of an allegedly subrogated claimant, on the one hand, and the underlying
12 claimant whose claim allegedly gave rise to the subrogated claim, on the other. Subject to the
13 foregoing, all Environmental, Fire Suppression, Tort Claims and FERC License Claims shall be
14 determined and liquidated under applicable nonbankruptcy law in the administrative or judicial
15 tribunal in which they are pending as of the Effective Date or, if no such action is pending on the
16 Effective Date, in any administrative or judicial tribunal of appropriate jurisdiction (other than
17 the Bankruptcy Court). To effectuate the foregoing, the entry of the Confirmation Order shall,
18 effective as of the Effective Date, constitute a modification of any stay or injunction under the
19 Bankruptcy Code that would otherwise preclude the determination, resolution, or adjudication of
20 any Environmental Claims, Fire Suppression Claims, Tort Claims or FERC License Claims,
21 except for any Environmental Claim, Fire Suppression Claim, Tort Claim or FERC License
22 Claim arising out of the exercise by the Debtor, as Debtor-in-Possession, of any rejection,
23 avoidance, recovery, or other power or defense available to it pursuant to any one or more of
24 sections 365, 510 (except subordination), 542, 543, 544, 545, 547, 548, 549, 550, 553 or 724 of
25 the Bankruptcy Code, except with respect to any Environmental Order. Nothing contained in
26 this section 4.16(b) will constitute or be deemed to constitute a waiver of any (i) claim, right or
27 Cause of Action that the Debtor or Reorganized Debtor may have against any Person or
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1 Governmental Entity in connection with or arising out of any Environmental, Fire Suppression,
2 Tort and FERC License Claims, including, but not limited to, any rights under Section 157(b) of
3 Title 28, United States Code, or (ii) defense in any action or proceeding in any administrative or
4 judicial tribunal, including, but not limited to, with respect to the jurisdiction of such
5 administrative or judicial tribunal, except a defense to a Claim that was timely filed in the
6 Chapter 11 Case and that constitutes an Environmental Claim, a Fire Suppression Claim, a Tort
7 Claim or a FERC License Claim, where such defense is based on the discharge of section
8 1141(d) of the Bankruptcy Code. In light of the unimpaired pass-through treatment of
9 Environmental Claims, Fire Suppression Claims, Tort Claims and FERC License Claims
10 hereunder, the Reorganized Debtor waives the discharge of section 1141(d) of the Bankruptcy
11 Code as to any Claim that was timely filed in the Chapter 11 Case and that constitutes an
12 Environmental Claim, a Fire Suppression Claim, a Tort Claim or a FERC License Claim.

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

24 (c) Impairment and Voting. Class 8 is unimpaired by the Plan. Each
25 holder of an Allowed Environmental, Fire Suppression, Tort Claim and FERC License Claim is
26 conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the
27 Plan.
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4.17 Class 9 - Chromium Litigation Claims.

(a) Distributions. Each Allowed Chromium Litigation Claim shall be satisfied in full in the ordinary course of business at such time and in such manner as the Debtor or the Reorganized Debtor, as the case may be, is obligated to satisfy such Allowed Claim under applicable law. Except as provided under applicable non-bankruptcy law, Post-Petition Interest will not be paid on Chromium Litigation Claims.

(b) Impairment and Voting. Class 9 is unimpaired by the Plan. Each holder of an Allowed Chromium Litigation Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

4.18 Class 10 - Convenience Claims.

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

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

4.19 Class 11 - QUIDS Claims.

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

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

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

4.20 Class 12- Workers' Compensation Claims.

(a) Distributions. Each Allowed Workers' Compensation Claim arising prior to the Petition Date shall be satisfied in full in the ordinary course of business at such time and in such manner as the Debtor or the Reorganized Debtor, as the case may be, is

1 obligated to satisfy such Allowed Claim under applicable law. Post-Petition Workers'
2 Compensation Claims are treated as Administrative Expense Claims herein and shall receive the
3 same pass-through treatment as Workers' Compensation Claims arising prior to the Petition
4 Date. Except as allowed under applicable non-bankruptcy law, Post-Petition Interest will not be
5 paid on any Workers' Compensation Claims. Nothing herein shall affect (i) the subrogation
6 rights, to the extent applicable or available, of any surety of pre-petition or post-petition
7 Workers' Compensation Claims or (ii) the rights of the Debtor to object, pursuant to the
8 Bankruptcy Code, to the existence of any such subrogation rights.

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

12 4.21 Class 13 - Preferred Stock Equity Interests.

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

17 (b) Impairment and Voting. While the Commission believes that
18 Class 13 is unimpaired by the Plan, certain holders of Preferred Stock Equity Interests may
19 believe that Class 13 is impaired by the Plan. To avoid delaying the voting process, holders of
20 Preferred Stock Equity Interests are being solicited to vote on the Plan as a precautionary
21 measure so that the voting results will be available if it is determined by the Bankruptcy Court
22 that such Class is impaired. Allowing the holders of Preferred Stock Equity Interests to vote
23 shall be without prejudice to the Commission's contention that this Class is unimpaired and the
24 Commission reserves the right to contest any objection to the unimpaired status of this Class.

1 5.3 Nonconsensual Confirmation. If any Impaired Class of Claims or Equity
2 Interests entitled to vote shall not accept the Plan by the requisite statutory majorities provided in
3 section 1126(c) of the Bankruptcy Code, then the Commission reserves the right to amend the
4 Plan in accordance with Section 11.10 hereof or to undertake to have the Bankruptcy Court
5 confirm the Plan under section 1129(b) of the Bankruptcy Code, or both.

6 5.4 Method of Distributions Under the Plan.

7 (a) Disbursing Agent. All distributions under the Plan shall be made
8 by the Debtor as Disbursing Agent or such other Entity designated by the Commission as
9 Disbursing Agent. A Disbursing Agent shall not be required to provide any bond, surety or other
10 security for the performance of its duties, unless otherwise ordered by the Bankruptcy Court;
11 and, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of
12 procuring any such bond, surety or other security shall be borne by the Debtor.

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

14 (i) Subject to Bankruptcy Rule 9010, all distributions under
15 the Plan shall be made (A) to the holder of each Allowed Claim or Equity Interest at the address
16 of such holder as listed on the Debtor's Bankruptcy Schedules as of the Distribution Record
17 Date, unless the Debtor has been notified in writing of a change of address, including, without
18 limitation, by the filing of a timely proof of Claim or Equity Interest by such holder that provides
19 an address for such holder different from the address reflected on the Debtor's Bankruptcy
20 Schedules, or (B) pursuant to the terms of a particular indenture of the Debtor or in accordance
21 with other written instructions of a trustee under such indenture.

22 (ii) As at the close of business on the Distribution Record Date,
23 the claims register and records of the stock transfer agent shall be closed, and there shall be no
24 further changes in the record holder of any Claim or Equity Interest. The Debtor shall have no
25 obligation to recognize any transfer of any Claim or Equity Interest occurring after the
26 Distribution Record Date. The Debtor shall instead be authorized and entitled to recognize and
27 deal for all purposes of the Plan with only those record holders stated on the claims register or
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1 the records of the stock transfer agent as of the close of business on the Distribution Record
2 Date.

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

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

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

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

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

24 (h) Escrow for Disputed Claims.

25 (i) General Treatment. On the Effective Date (or as soon as
26 practicable thereafter), and after making all distributions required to be made on the Effective
27 Date, the Reorganized Debtor shall establish one or more separate escrows, each of which shall
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1 be administered by the Disbursing Agent in accordance with the terms hereof and pursuant to the
2 direction of the Bankruptcy Court, and shall deposit or segregate into such escrow account(s)
3 sufficient Cash to make distributions in respect of Disputed Claims; provided, however, the
4 Reorganized Debtor shall establish one escrow solely for the benefit of any Disputed Chromium
5 Litigation Claims and shall maintain such escrow separate from any escrow(s) established for the
6 benefit of any other Disputed Claims; and provided further, that this provision shall not apply to
7 Environmental Claims, Fire Suppression Claims, Tort Claims and FERC License Claims. No
8 distributions from the escrow(s) shall be made until such Disputed Claims have been Allowed or
9 otherwise resolved by the Bankruptcy Court and any such distributions shall be made in
10 accordance with the terms hereof. The Cash deposited into the escrow account(s) shall be
11 invested in either (i) money market funds consisting primarily of short-term U.S. treasury
12 securities, or (ii) obligations guaranteed by the United States of America or any agency thereof,
13 at the Debtor's option. Except as set forth in the preceding sentence, neither the Debtor nor any
14 Related Party (within the meaning of Treasury Regulation Section 1.468B-1(d)(2)) shall have
15 any discretion over the disposition or investment of property in the escrow with respect to
16 Disputed Chromium Litigation Claims. To the extent a Disputed Claim becomes an Allowed
17 Claim, such Allowed Claim will be satisfied in the same manner as all other Allowed Claims of
18 such holder's Class. In addition, such holder will receive Post-Petition Interest (to the extent
19 such holder is entitled to Post-Petition Interest under the Plan). From and after the Effective
20 Date, such Disputed Claim will earn interest at the same rate earned on the Cash deposited in
21 escrow.

22 (ii) Termination of Escrow(s). The escrow(s) shall be
23 terminated by the Reorganized Debtor when all distributions from the escrow account(s) have
24 been made in accordance with the Plan. If any Cash remains in an escrow account after all
25 Disputed Claims for which such escrowed property is being held have been resolved and
26 distributions made in respect thereof, such Cash shall revert to and become property of the
27 Reorganized Debtor. In determining the aggregate amount necessary to fund any escrow
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1 account(s), the Debtor may deposit the estimated allowable amount of any Disputed Claim, as
2 determined by the Bankruptcy Court. Any such escrow(s) established pursuant to this section
3 5.4(h) shall be subject to the continuing jurisdiction of the Bankruptcy Court.

4 (iii) Additional Cash. If the amount of Cash deposited into the
5 escrow(s) is insufficient to make the required payments once certain Disputed Claims become
6 Allowed Claims, then the Reorganized Debtor will pay the holder of such Allowed Claim the
7 Cash necessary to satisfy the shortfall. Any deficiency in the amount of Cash deposited into the
8 escrow(s) shall not limit the Reorganized Debtor's obligation to satisfy Disputed Claims which
9 subsequently become Allowed Claims, and the Reorganized Debtor shall remain liable to satisfy
10 such Allowed Claims pursuant to the Plan.

11 (iv) Tax Treatment of Certain Escrows for Disputed Claims.
12 Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary
13 (including the receipt by the Disbursing Agent of a private letter ruling, or the receipt of an
14 adverse determination by the IRS upon audit if not consented to by the Disbursing Agent), the
15 Disbursing Agent shall treat the escrow with respect to any Disputed Chromium Litigation
16 Claims as a "qualified settlement fund" within the meaning of Treasury Regulation Section
17 1.468B-1. All Persons (including all holders of such Claims) shall report consistently with such
18 treatment.

19 5.5 Objections to and Resolution of Administrative Expense Claims and
20 Claims. Except as to applications for allowance of compensation and reimbursement of
21 Professional Compensation and Reimbursement Claims under sections 330 and 503 of the
22 Bankruptcy Code, the Reorganized Debtor shall, on and after the Effective Date, have the right
23 to make and file objections to Administrative Expense Claims and Claims. In addition, the
24 Commission shall, on and after the Effective Date, have full party-in-interest status to make and
25 file objections to Administrative Expense Claims and Claims and to appear and be heard with
26 respect thereto. Except as to applications for allowance of compensation and reimbursement of
27 Professional Compensation and Reimbursement Claims under sections 330 and 503 of the
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1 Bankruptcy Code, and with respect to objections filed by the Commission, on and after the
2 Effective Date, the Reorganized Debtor, shall have the authority to compromise, settle, otherwise
3 resolve or withdraw any objections to Administrative Expense Claims and Claims and
4 compromise, settle or otherwise resolve Disputed Administrative Expense Claims and Disputed
5 Claims without the approval of the Bankruptcy Court. Unless otherwise ordered by the
6 Bankruptcy Court, (a) all objections to Claims (except for Administrative Expense Claims) shall
7 be served and filed upon the holder of the Claim as to which the objection is made (and, as
8 applicable, upon the Debtor, the Committee and the Commission) as soon as practicable, but in
9 no event later than the Effective Date, and (b) all objections to Administrative Expense Claims
10 shall be served and filed upon the holder of the Administrative Expense Claim as to which the
11 objection is made (and, as applicable, upon the Debtor, the Committee and the Commission) as
12 soon as practicable, but in no event later than ninety (90) days after the Effective Date.

13 5.6 Payment of the Trustees', Issuer's and Certain Bank Fees. To the extent
14 allowed by law and any underlying agreement, any unpaid fees and expenses accrued through
15 the Confirmation Date (except for any unpaid fees and expenses previously disallowed by the
16 Bankruptcy Court) of the Bond Trustees and the trustees under the Mortgage, and various
17 indentures, including, but not limited to, the Southern San Joaquin Valley Power Authority
18 Agreement (acting in their capacities as trustees and, if applicable, acting in their capacities as
19 disbursing agents), the Issuer of the PC Bonds and their respective professionals, and Bank of
20 America, N.A., in its capacity as administrative agent under the Revolving Line of Credit
21 (including such administrative agent's attorney's fees), shall be paid by the Debtor within ten
22 (10) days after the Confirmation Date. Any such fees and expenses accruing after the
23 Confirmation Date shall be payable as provided in the applicable agreement providing for such
24 payment, or, in the case of Bank of America, N.A., in its capacity as administrative agent under
25 the Revolving Line of Credit, at least quarterly. Upon payment of such fees and expenses, such
26 Persons shall be deemed to have released their Liens securing payment of their fees and expenses
27 for all fees and expenses accrued through the Effective Date
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1 right, on or prior to the conclusion of the confirmation hearing, to amend Schedules 6.1(a)(i) and
2 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 Commission. If the counterparty opposes such
9 proposed amendment, the Debtor and the Commission will make all reasonable efforts to provide
10 such counterparty a reasonable opportunity under the circumstances to object prior to
11 confirmation of the Plan, and to the extent that such counterparty has the right to vote on the
12 Plan, or becomes entitled to vote on the Plan as a result of the amendment to Schedule 6.1(a)(i)
13 or 6.1(a)(ii) to PG&E's Plan Supplement, to provide such counterparty a reasonable amount of
14 time to cast a Ballot to accept or reject the Plan and indicate its preference between this Plan and
15 PG&E's Plan, or to amend its Ballot. The listing of a document on Schedules 6.1(a)(i) or
16 6.1(a)(ii) to PG&E's Plan Supplement shall not constitute an admission by the Debtor that such
17 document is an executory contract or an unexpired lease or that the Debtor has any liability
18 thereunder. Notwithstanding anything to the contrary, the Debtor waives its right to make
19 amendments pursuant to this Section 6.1(a) with respect to the assumption of the PG&E-Western
20 Area Power Administration Contract 2948A and related contracts, as described in Exhibit G to
21 PG&E's Disclosure Statement.

22 6.2 Schedules of Rejected Executory Contracts and Unexpired Leases;

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

9 6.3 Approval of Assumption or Rejection of Executory Contracts and
10 Unexpired Leases. Entry of the Confirmation Order shall, subject to and upon the occurrence of
11 the Effective Date, constitute (i) the approval, pursuant to sections 365(a) and 1123(b)(2) of the
12 Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed
13 pursuant to Section 6.1 hereof, (ii) the extension of time, pursuant to section 365(d)(4) of the
14 Bankruptcy Code, within which the Debtor may assume or reject the unexpired leases of non-
15 residential property specified in Section 6.1 hereof through the date of entry of the Confirmation
16 Order, and (iii) the approval, pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code,
17 of the rejection of the executory contracts and unexpired leases rejected pursuant to Section 6.1
18 hereof.

19 6.4 Cure of Defaults. Except as may otherwise be agreed to by the parties,
20 within thirty (30) days after the Effective Date, the Debtor shall cure any and all undisputed
21 defaults under any executory contract or unexpired lease assumed by the Debtor pursuant to
22 Section 6.1 hereof, in accordance with section 365(b)(1) of the Bankruptcy Code. All disputed
23 defaults that are required to be cured shall be cured either within thirty (30) days of the entry of a
24 Final Order determining the amount, if any, of the Debtor's liability with respect thereto, or as
25 may otherwise be agreed to by the parties.

26 6.5 Bar Date for Filing Proofs of Claim Relating to Executory Contracts and
27 Unexpired Leases Rejected Pursuant to, or Omitted from, the Plan. Claims arising out of the
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1 rejection of an executory contract or unexpired lease pursuant to Section 6.1 hereof must be
2 properly filed in the Chapter 11 Case and served upon the Debtor no later than thirty (30) days
3 after the later of (i) notice of entry of an order approving the rejection of such executory contract
4 or unexpired lease, (ii) notice of entry of the Confirmation Order, and (iii) notice of an
5 amendment to Schedule 6.1(a)(i) or 6.1(a)(ii) to PG&E's Plan Supplement. All such Claims not
6 filed within such time shall be forever barred from assertion against the Debtor, its estate and its
7 property.

8 6.6 Assumed Indemnification Obligations. The Assumed Indemnification
9 Claims shall, in all respects, irrespective of whether such claims arise under contracts or
10 executory contracts, survive confirmation of the Plan, remain unaffected thereby, and not be
11 discharged irrespective of whether indemnification, defense, reimbursement or limitation is owed
12 in connection with an event occurring before, on or after the Petition Date.

13 6.7 Compensation and Benefit Programs. Except as provided in Section 6.1
14 hereof, all savings, retirement, health care, severance, performance-based cash incentive,
15 retention, employee welfare benefit, life insurance, disability and other similar plans and
16 agreements of the Debtor are treated as executory contracts under the Plan and shall, on the
17 Effective Date, be deemed assumed by the Debtor in accordance with sections 365(a) and
18 1123(b)(2) of the Bankruptcy Code, and any defaults thereunder shall be cured as provided in
19 Section 6.4 hereof.

20 6.8 Retiree Benefits. Payments, if any, due to any Person for the purpose of
21 providing or reimbursing payments for retired employees and their spouses and dependents for
22 medical, surgical, or hospital care benefits, or benefits in the event of sickness, accident,
23 disability, or death under any plan, fund, or program (through the purchase of insurance or
24 otherwise) maintained or established in whole or in part by the Debtor prior to the Petition Date
25 shall be continued for the duration of the period the Debtor has obligated itself to provide such
26 benefits.

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ARTICLE VII

IMPLEMENTATION OF THE PLAN

7.1 Issuance of Securities. On or before the Effective Date, or as soon as practical thereafter, the Reorganized Debtor shall issue and sell, through one or more public or private offerings, new debt securities of and common stock in the Reorganized Debtor, the net proceeds of which, in addition to the Debtor’s available Cash, will be sufficient to satisfy in full in Cash all Allowed Claims under the Plan to be paid in Cash. The terms and estimated amounts of debt securities and common equity to be issued under the Plan are described on Exhibit 3 hereto. SUCH TERMS AND ESTIMATED AMOUNTS REMAIN SUBJECT TO CHANGE BASED UPON, AMONG OTHER FACTORS, ACTUAL OR PERCEIVED MARKET CONDITIONS AND RATING AGENCY REQUIREMENTS AT THE TIME OF ISSUANCE, THE AMOUNT OF THE REORGANIZED DEBTOR’S AVAILABLE CASH ON THE EFFECTIVE DATE, AND THE AMOUNT OF ALLOWED CLAIMS. The securities to be issued are described generally below:

(a) Reorganized Debtor New Money Notes. On or before the Effective Date, or as soon as practical thereafter, the Reorganized Debtor shall issue and sell, through one or more private or public offerings, new debt securities in the original aggregate principal amount sufficient to yield net proceeds of approximately \$3.86 billion, the terms of which are set forth on Exhibit 3 (any and all such notes, collectively, the “Reorganized Debtor New Money Notes”), the net proceeds of which shall be used to fund payments to holders of Allowed Claims and Allowed Equity Interests.

(b) Common Stock On or before the Effective Date, or as soon as practicable thereafter, the Reorganized Debtor shall issue and sell, through one or more private or public offerings, such number of shares of Common Stock in the Reorganized Debtor as is sufficient to yield net proceeds of approximately \$1.75 billion. The net proceeds of the Reorganized Debtor’s issuance and sale of Common Stock shall be used to fund payments to holders of Allowed Claims and Allowed Equity Interests.

1 7.2 Settlement of Litigation. On the Effective Date, or as soon as practical
2 thereafter, the Debtor shall dismiss all Claims Against the State, with prejudice.

3 7.3 New Tax Sharing Agreement. The Reorganized Debtor and the Parent
4 shall have executed and delivered the New Tax Sharing Agreement.

5 7.4 Corporate Governance.

6 (a) Board of Directors. The members of the Board of Directors of the
7 Debtor immediately prior to the Effective Date shall serve as the initial Board of Directors of the
8 Reorganized Debtor on and after the Effective Date. Each of the members of such initial Board
9 of Directors shall serve in accordance with the Debtor's Articles of Incorporation and the
10 Debtor's Bylaws, as the same may be amended from time to time.

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

15 (c) Articles of Incorporation and Bylaws. The articles of
16 incorporation and bylaws of the Reorganized Debtor shall be amended to contain provisions
17 necessary to (i) prohibit the issuance of nonvoting equity securities as required by
18 section 1123(a)(6) of the Bankruptcy Code, subject to further amendment of such articles of
19 incorporation and bylaws as permitted by applicable law, (ii) authorize the issuance of shares of
20 Common Stock in the Reorganized Debtor pursuant to Section 7.1(b) of the Plan, and (iii)
21 effectuate the other provisions of the Plan, in each case without any further action by the
22 Debtor's shareholders or Board of Directors.

23 7.5 Regulatory Approvals. The Debtor shall timely seek all regulatory
24 approvals from all applicable Governmental Entities, including the Commission, that are
25 necessary to effectuate the transactions specified herein.

26 7.6 Working Capital Facility. The Reorganized Debtor shall obtain and
27 establish a working capital facility for the purposes of funding operating expenses and seasonal
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1 fluctuations in working capital and providing letters of credit, the terms of which are set forth on
2 Exhibit 3.

3 7.7 Regulatory Issues. Consistent with applicable law, the Commission shall
4 regulate the Reorganized Debtor's operations to the full extent that it regulated the Debtor's
5 operations prior to the Petition Date under traditional cost-of-service ratemaking. In that regard,
6 the Reorganized Debtor shall operate its business in accordance with all applicable laws and
7 regulations promulgated or issued by the Commission and all other Governmental Entities
8 having jurisdiction over its business.

9 ARTICLE VIII

10 CONFIRMATION AND EFFECTIVENESS OF THE PLAN

11 8.1 Conditions Precedent to Confirmation. The Plan shall not be confirmed
12 by the Bankruptcy Court unless and until the following conditions shall have been satisfied:

13 (a) the Bankruptcy Court shall have entered an order or orders, which
14 may be the Confirmation Order, approving the Plan, authorizing and directing the Debtor to
15 execute, enter into and deliver the Plan, and to execute, implement and take all actions necessary
16 or appropriate to give effect to the transactions contemplated by the Plan; and

17 (b) the Confirmation Order shall be, in form and substance, acceptable
18 to the Commission.

19 8.2 Conditions Precedent to Effectiveness. The Plan shall not become
20 effective unless and until the following conditions shall have been satisfied or waived pursuant to
21 Section 8.4 hereof:

22 (a) the Confirmation Order, in form and substance acceptable to the
23 Commission, shall have been entered by the Bankruptcy Court on or before October 31, 2002,
24 and shall have become a Final Order;

25 (b) the Effective Date shall have occurred on or before January 31,
26 2003;

1 (c) all actions, documents, instruments and agreements necessary to
2 implement the Plan shall have been effected or executed;

3 (d) the Reorganized Debtor shall have consummated the sale of the
4 Reorganized Debtor New Money Notes and the Common Stock as contemplated hereunder and
5 the proceeds thereof shall, in addition to the Debtor's available Cash, be sufficient to pay all
6 Allowed Claims to be paid hereunder and to fund the escrows for Disputed Claims;

7 (e) the Bankruptcy Court shall have entered an order, which may be
8 the Confirmation Order, approving the Debtor's dismissal with prejudice of the Claims against
9 the State;

10 (f) the Debtor shall dismiss all Claims Against the State with
11 prejudice and the Debtor shall have executed and delivered to the Commission all pleadings and
12 release documents required by the Commission and the State of California, which shall be in
13 form and substance satisfactory to the Commission and the State.

14 (g) S&P and Moody's shall have issued credit ratings for the
15 Reorganized Debtor and its debt securities of not less than BBB- and Baa3, respectively;

16 (h) the Debtor shall have received all authorizations, consents,
17 regulatory approvals, rulings, letters, no-action letters, opinions or documents that are necessary
18 to implement the Plan, including, without limitation, any and all Commission approvals and
19 rulings necessary to implement the Plan; and

20 (i) 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, (a) the Confirmation Order shall be vacated, (b) no distributions under the Plan
25 shall be made, (c) the Debtor and all holders of Claims and Equity Interests shall be restored to
26 the status quo ante as of the day immediately preceding the Confirmation Date as though the
27 Confirmation Order had never been entered, and (d) the Debtor's obligations with respect to
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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, subject, among other things, to the Commission's right to determine
6 whether any proceeds of such Causes of Action should be payable to or otherwise benefit the
7 Debtor's and the Reorganized Debtor's ratepayers.

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

18 9.6 Injunction. In addition to and except as otherwise expressly provided
19 herein, in the Confirmation Order or a separate order of the Bankruptcy Court, all entities who
20 have held, hold or may hold Claims against or Equity Interests in the Debtor, are permanently
21 enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner any
22 action or other proceeding of any kind with respect to such Claim or Equity Interest, (b) the
23 enforcement, attachment, collection or recovery by any manner or means of any judgment,
24 award, decree or order against the Reorganized Debtor on account of any such Claim or Equity
25 Interest, (c) creating, perfecting or enforcing any Lien of any kind against the Reorganized
26 Debtor or against the Reorganized Debtor's property or interests in property on account of any
27 such Claim or Equity Interest, (d) asserting any right of setoff, subrogation or recoupment of any
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1 kind against any obligation due from the Reorganized Debtor or against the Reorganized
2 Debtor's property or interests in property on account of any such Claim or Equity Interest, and
3 (e) commencing or continuing in any manner any action or other proceeding of any kind with
4 respect to any claims and Causes of Action which are extinguished, dismissed or released
5 pursuant to the Plan. The injunction shall also enjoin all parties in interest, including, without
6 limitation, all entities who have held, hold or may hold Claims against or Equity Interests in the
7 Debtor, from taking any action in violation of the Confirmation Order. Such injunction shall
8 extend to the successors of the Reorganized Debtor, their properties and interests in property.
9 Except as provided by Sections 11.4, 11.5 and 11.6 hereof, this Section 9.6 shall not enjoin, bar
10 or otherwise impair the commencement or prosecution of direct personal claims against any
11 Person other than the Reorganized Debtor, including claims against the Parent.

12 **ARTICLE X**

13 **RETENTION OF JURISDICTION**

14 Subject to the Commission's and the State of California's objections and defenses
15 based upon the Eleventh Amendment to the United States Constitution or related principles of
16 sovereign immunity or otherwise, all of which are hereby reserved, the Bankruptcy Court shall
17 have jurisdiction of all matters arising out of, or related to, the Chapter 11 Case and the Plan
18 pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for,
19 among other things, the following purposes:

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

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

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

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

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

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

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

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

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

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

25 11.6 Exculpation. As of and subject to the occurrence of the Confirmation
26 Date, (a) the Commission shall have been deemed to have negotiated the Plan in good faith, (b)
27 the Commission shall be deemed to have solicited acceptances of the Plan in good faith and in
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1 compliance with the applicable provisions of the Bankruptcy Code, including, without limitation
2 section 1125(a) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule or
3 regulation governing the adequacy of disclosure in connection with such solicitation, and (c) the
4 Commission and its individual commissioners in their official capacities, and the Commission's
5 agents, employees, advisors and attorneys shall be deemed to have participated in good faith and
6 in compliance with the applicable provisions of the Bankruptcy Code in connection with the
7 offer and issuance of any securities under the Plan, and therefore, neither of the Commission nor
8 its individual commissioners nor any of the Commission's agents, employees, advisors and
9 professionals shall have or incur any liability to any holder of a Claim or Equity Interest or other
10 party in interest for any act or omission in connection with, related to, or arising out of, the
11 Chapter 11 Case, negotiations regarding or concerning the Plan, the pursuit of confirmation of
12 the Plan, the consummation of the Plan, or the administration of the Plan or the property to be
13 distributed under the Plan, except for willful misconduct or gross negligence, and, in all respects,
14 the Commission and its individual commissioners, and the Commission's agents, employees,
15 advisors and professionals shall be entitled to rely upon the advice of counsel with respect to
16 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's legal and financial advisors under section 503(b)(4) of the
23 Bankruptcy Code, the amounts authorized for payment thereunder shall be treated as a
24 Professional Compensation and Reimbursement Claim and paid in accordance with the
25 provisions Section 2.2 hereof.

26 (b) From and after the Confirmation Date, the Reorganized Debtor
27 shall, in the ordinary course of business and without the necessity for any approval by the
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1 Bankruptcy Court, pay the reasonable fees and expenses of professional Persons thereafter
2 incurred, including, without limitation, those fees and expenses incurred by the Commission's
3 professionals in connection with the implementation and consummation of the Plan.

4 11.9 Payment of Statutory Fees. All fees payable pursuant to Section 1930 of
5 title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation
6 Hearing, shall be paid on or before the Effective Date.

7 11.10 Amendment or Modification of the Plan. Alterations, amendments or
8 modifications of or to the Plan may be proposed in writing by the Commission at any time prior
9 to the Confirmation Date, provided that the Plan, as altered, amended or modified, satisfies the
10 conditions of sections 1122 and 1123 of the Bankruptcy Code and the Commission shall have
11 complied with section 1125 of the Bankruptcy Code. The Plan may be altered, amended or
12 modified by the Commission at any time after the Confirmation Date and before substantial
13 consummation of the Plan, provided that the Plan, as altered, amended or modified, satisfies the
14 requirements of sections 1122 and 1123 of the Bankruptcy Code and the Bankruptcy Court, after
15 notice and a hearing, confirms the Plan, as altered, amended or modified, under section 1129 of
16 the Bankruptcy Code and the circumstances warrant such alterations, amendments or
17 modifications. A holder of a Claim that has accepted the Plan shall be deemed to have accepted
18 the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification
19 does not materially and adversely change the treatment of such holder's Claim.

20 11.11 Severability. In the event that the Bankruptcy Court determines that any
21 provision in the Plan is invalid, void or unenforceable, such provision shall be invalid, void or
22 unenforceable with respect to the holder or holders of such Claims or Equity Interests as to
23 which the provision is determined to be invalid, void or unenforceable. The invalidity, voidness
24 or unenforceability of any such provision shall in no way limit or affect the enforceability and
25 operative effect of any other provision of the Plan.

26 11.12 Revocation or Withdrawal of the Plan. The Commission reserves the right
27 to revoke or withdraw the Plan prior to the Confirmation Date. If the Commission revokes or
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1 withdraws the Plan prior to the Confirmation Date, then the Plan shall be deemed null and void.
2 In such event, nothing contained herein shall constitute or be deemed a waiver or release of any
3 claims by or against the Debtor or any other Person or Governmental Entity, including the
4 Commission, or to prejudice in any manner the rights of the Debtor or any Person or
5 Governmental Entity, including the Commission, in any further proceedings involving the
6 Debtor.

7 11.13 Binding Effect. The Plan shall be binding upon and inure to the benefit of
8 the Commission, the Debtor, the Reorganized Debtor, the holders of Claims and Equity Interests,
9 other parties in interest, and their respective successors and assigns.

10 11.14 Notices. All notices, requests and demands to or upon the Debtor, the
11 Commission or the Committee to be effective shall be in writing and, unless otherwise expressly
12 provided herein, shall be deemed to have been duly given or made when actually delivered or, in
13 the case of notice by facsimile transmission, when received and telephonically confirmed,
14 addressed as follows:

15 *If to the Debtor:*

16 Pacific Gas and Electric Company
17 77 Beale Street
18 P.O. Box 7442
19 San Francisco, California 94120
20 Attn: General Counsel
21 Telephone: (415) 973-7000
22 Facsimile: (415) 973-5320

23 *with a copy to:*

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

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and:

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

If to the Commission:

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

with a copy to:

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

If to the Committee:

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

If to the Trustee:

The Office of the United States Trustee
250 Montgomery Street, Suite 1000
San Francisco, California 94104
Attn: Stephen L. Johnson
Telephone: (415) 705-3333
Facsimile: (415) 705-3379

11.15 Governing Law. Except to the extent the Bankruptcy Code, Bankruptcy Rules or other federal law is applicable, or to the extent an exhibit to the Plan provides otherwise, the rights and obligations arising under this Plan shall be governed by, and construed

1 and enforced in accordance with, the laws of the State of California, without giving effect to the
2 principles of conflicts of law of such jurisdiction.

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

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

- 11 (a) New Tax Sharing Agreement; and
- 12 (b) Schedule of Claims Against the State.

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

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

1 11.19 Subrogation Rights. Nothing in the Plan shall affect (a) the subrogation
2 rights of any surety, to the extent applicable or available, which, if available or applicable, shall
3 remain in full force and effect, or (b) the rights of the Debtor to object, pursuant to the
4 Bankruptcy Code to the existence of such subrogation rights.

5
6 DATED: April 15, 2002

7
8 CALIFORNIA PUBLIC UTILITIES
9 COMMISSION

10 By: /s/ Gary M. Cohen
11 Gary M. Cohen
12 General Counsel

13 APPROVED AS TO CONTENT AND FORM:

14 PAUL, WEISS, RIFKIND, WHARTON
15 & GARRISON

16 By: /s/ Gary M. Cohen
17 Counsel for the California Public
18 Utilities Commission

PLAN EXHIBIT 1

Interest Rates for Allowed Claims

Contract Type		Class	Interest Rate/Calculation Method ¹	Compounding Interval Before First Payment	Interest Commencement Date	Payment Dates After First Payment
A. Contract²—Other than PC Bonds or First and Refunding Mortgage Bonds						
	Floating Rate Notes ³	5	Per Contract/ Base Interest Rate: 7.583% ⁴	Quarterly	Last Date Interest Paid	Quarterly
	Revolving Line of Credit ³	5	Bank of America Reference Rate/ Base Interest Rate: 8.000%	Quarterly	Last Date Interest Paid	Quarterly
	Medium Term Notes ³	5	Per Contract/Base Interest Rate: See Exhibit D of Disclosure Statement-“Security Description”	Semiannually	Last Date Interest Paid	Quarterly
	Senior Notes ³	5	Per Contract/ Base Interest Rate: 9.625%	Semiannually	Last Date Interest Paid	Quarterly
	DWR	5	Per Contract	N/A	N/A	DWR Claims being offset against amounts due Debtor
	San Joaquin Valley ³	5	Per Contract	Semiannually	Last Date Interest Paid	Quarterly
	L/C Banks ³	4e	Per Contract	Monthly	Last Date Interest Paid	Quarterly
	Prior Bonds ³	4f	Per Contract	Monthly	Last Date Interest Paid	Quarterly
	MBIA Reimbursement ³	4c	Per Contract	To be arranged	To be arranged	Quarterly
	QUIDS ³	11	Per Contract	Quarterly	Last Date Interest Paid	Quarterly
B. Contract²—First and Refunding Mortgage Bonds						
	First and Refunding—	3	Per Contract	Semiannual N/A	Last Date Interest Paid	Per Contract

C. Contract²—PC Bonds						
	Mortgage Backed ^{5,6}	4a	Per Contract	Semiannual N/A	Last Date Interest Paid	Per Contract
	MBIA Backed ⁵	4b	Per Contract	Semiannual N/A	Last Date Interest Paid	Per Contract
	L/C Backed ⁵	4d	Per Contract	Monthly N/A	Last Date Interest Paid	Per Contract
	Treasury ³	4g	Per Contract	Monthly N/A	Last Date Interest Paid	Quarterly
D. Non-Contract²—OCC Contract Specified						
	Commercial Paper ³	5	Qtly floating LIBOR ⁷ Base Interest Rate: 7.466%	Quarterly	Last Date Interest Paid	Quarterly
	ISO/Generator ⁸	6	Qtly. floating LIBOR + 2% ⁹	Annual	To be arranged	Quarterly
	ISDA Claims ⁸	5	Floating LIBOR + 2% ^{8,9}	Annual	Petition Date	Quarterly
E. Non-Contract						
	Priority Tax Claims		Statutory	Statutory	Statutory	Statutory
	ESP ⁸	7	Federal Judgment Rate ¹⁰	Annual	Petition Date	Quarterly
	Intercompany ⁸	5	Federal Judgment Rate ¹⁰	Annual	Petition Date	Quarterly
	Gas Procurement ⁸	5	Federal Judgment Rate ¹⁰	Annual	Petition Date	Quarterly
	Other Trade Payables ⁸	5	Federal Judgment Rate ¹⁰	Annual	Petition Date	Quarterly
	Convenience Class ^{8,11}	10	Federal Judgment Rate ¹⁰	Annual	Petition Date	Quarterly
	Chromium Litigation	9	As applicable under non- bankruptcy law			
	Environmental, Fire Suppression, Tort and FERC License Claims	8	As applicable under non- bankruptcy law			
	Workers' Compensation	12	As applicable under non- bankruptcy law			

¹ See Exhibit D of the Disclosure Statement for specific interest rates on certain instruments.

² "Contract" refers to contractual provisions regarding interest calculations.

³ The first payment will be made ten days after the date that PG&E's Disclosure Statement is approved for the period ended on February 28, 2001.

⁴ Calculated based on actual days elapsed over 360 days, with an implied yield of 7.690%.

⁵ Payments have been made when due in respect of these obligations by the Debtor, MBIA or the Letter of Credit Issuing Banks, as applicable.

⁶ Paid by Bond Trustee with payments on Mortgage Bonds.

⁷ LIBOR determined as if the LIBOR Interest Determination Date had been determined on the basis of an Interest Period commencing on the first day of the period for which interest is accrued.

⁸ The first payment will be made on the later of ten days after that PG&E's Disclosure Statement is approved or July 30, 2002 for the period ended on June 30, 2002.

- ⁹ Determined on the Petition Date and each anniversary prior to the date of first payment and quarterly thereafter.
- ¹⁰ 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 at the Federal Judgment Rate, determined as of the Petition Date as the weekly average one-year constant maturity treasury yield for the calendar week preceding the Petition Date as published by the Board of Governors of the Federal Reserve System. Notwithstanding the foregoing, to the extent any statute, indenture or instrument governing such Allowed Claims provides for the payment of interest, Post-Petition Interest shall be calculated and paid at the lowest non-default rate and in accordance with the terms specified in such statute, indenture or instrument.
- ¹¹ Certain claims of \$5,000 or less will be paid in full on or before July 31, 2002.

PLAN EXHIBIT 2

Schedule of Letter of Credit Issuing Banks

Series	Original Principal Amount	Letter of Credit Issuing Bank	Stated Amount of Letter of Credit	Letter of Credit Expiration Date
California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) \$200,000,000 1996 Series C (the "96C Bonds")	\$200,000,000	Bank of America, N.A.	\$202,191,781	5/23/02
California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) \$165,000,000 1996 Series E (the "96E Bonds")	\$165,000,000	Morgan Guaranty Trust Company of New York	\$166,808,220	5/23/03
California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) \$100,000,000 1996 Series F (the "96F Bonds")	\$100,000,000	BNP Paribas	\$101,095,891	5/23/03
California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series B (the "97B Bonds")	\$148,550,000	Deutsche Bank AG	\$150,177,946	9/16/02

PLAN EXHIBIT 3

Description of Debt Instruments

I. New Notes

Issuer	Reorganized Debtor.
Amount	Estimated to aggregate \$3,860,000
Credit Rating	At least BBB- by S&P and Baa3 by Moody's.
Coupon Rate	The coupon rates are expected to reflect market clearing yields for a primary offering for a comparable issue of this maturity size and credit rating, among other factors, at the time of issuance of issuers in the same industry.
Maturity	To be determined.
Amortization	To be determined – the New Notes will either amortize over an average life of not less than _____ years or will provide for principal payment at maturity.
Denominations	\$1,000
Interest Payment Date	Semi-annually.
Ranking	The New Notes will be Unsecured.
Optional Redemption	The New Notes are expected to be redeemable at the option of the issuer at any time in whole or in part, at a price equal to the aggregate of the principal amount to be redeemed, accrued and unpaid interest, and a “make whole premium.” The amount of the “make whole premium” is expected to reflect market conditions at the time of issuance and be determined by negotiation between the issuer and the underwriter(s). The actual calculation in the event redemption is effected is expected to be made by an independent investment banking institution of national standing.

Covenants

The indenture (and any supplemental indentures) under which the New Notes will be issued is expected to include covenants in respect of actions the issuer must take or is precluded from taking similar to those included in indentures governing long term notes of a comparable credit rating at the time of the issuance of the New Notes, including, but not limited to, limitations on liens.

Events of Default

- Nonpayment of interest when due after thirty (30) days of grace period.
- Nonpayment of principal or premium at maturity.
- Breach of covenant or warranty in the indenture and continuation of such breach for ninety (90) days after notice given to the company.
- Occurrence of event or condition which results in acceleration of a bond, debenture, note or other evidence of money borrowed or the company does not honor its guarantee of any such debt guaranteed by the company in the event of such acceleration with an aggregate outstanding principal amount of more than \$50,000,000, and such indebtedness is not discharged or acceleration is not rescinded within thirty (30) days after notice to the issuing company.
- An involuntary bankruptcy petition is filed against the company and such petition is not dismissed within ninety (90) days of filing or entry of decree or order adjudging the company or any significant subsidiary to be insolvent or appointing a custodian, receiver, etc., which decree or order remains in effect for ninety (90) days.
- Commencing a voluntary case under federal or state bankruptcy or insolvency law or other similar law; making an assignment for the benefit of creditors; admission in writing of inability to pay debts when due.

Amendments

- Ministerial amendments may be adopted without noteholder consent.
- Modification and amendments may be made by the

issuer and the trustee with the consent of a majority in principal amount of the New Notes.

- Amendments to certain specified economic terms of the New Notes (e.g., maturity date, percentage of outstanding notes required to approve certain matters) may be adopted only with the consent of each noteholder.

Registration/Exemption Initial issuance of New Notes will be registered under the Securities Act.

Listing None – traded in over-the-counter market.

Initial Trading Procedures None.

**II. New Working
Capital Facility
Borrower**

Reorganized Debtor.

Amount	<u>Facility</u>	<u>Total Line</u>
	a) Revolver	\$1,885,000,000
	b) Capital Expenditure Sub-Facility	
	c) Letters of Credit	
Sublimits	The sublimit for Letters of Credit will be \$955,000,000. The sublimit for Working Capital will be \$400,000,000 The sublimit for Capital Expenditures will be \$500,000,000.	
Credit Rating	At least BBB- by S&P and Baa3 by Moody's.	
Interest Rate	TBD	
Interest Frequency	TBD	
Default Interest Rate	TBD	
Maturity	<u>Facility</u>	<u>Maturity</u>
	a) Revolver	January 31, 2008
	b) Letters of Credit	January 31, 2008
Ranking	Secured by inventory and receivables.	
Structuring Fee	TBD	
Unused Commitment Fee	TBD	
Excess Cash Flow Sweep	TBD	
Covenants	TBD	
Events of Default	TBD	
Collateral Terms	TBD	