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JAMES C. LANGDON, JR.

June 26, 2002

VA Stephens, Director
White House Task Force on Energy Project Streamlining
WH-1, Room 8E044
1000 Independence Ave, SW
Washington, DC 20585

Dear Ms. Stephens:

On behalf of our client, PG&E Corporation, we are writing to request an opportunity to meet with you to discuss a matter that relates to the resolution of the bankruptcy of Pacific Gas and Electric Company, the central and northern California investor owned utility, and subsidiary of PG&E Corporation. Specifically, we seek the support of the Task Force on Energy Project Streamlining to assist in carrying out the order which PG&E sought and obtained from the Bankruptcy Court on May 9, 2002. This order permits PG&E to initiate the process of transferring several thousand permits, rights-of-way and other authorizations, which will be required to effectuate the proposed bankruptcy "Plan of Reorganization" (POR) by which the bankruptcy status of this major electric and gas utility would be resolved.

We believe your Task Force is uniquely well suited to assist and coordinate the Federal Government's review of this process. We have enclosed a short paper to provide you with information on the background and current status of the bankruptcy proceeding involving Pacific Gas and Electric Company. We have also enclosed the transcript of the hearing in the Bankruptcy Court that resulted in the May 9th order referenced above.

As you know, we have had several preliminary conversations with your colleague, Mr. Jimmy Glotfelty, Senior Policy Advisor for Electricity, both to keep him apprised of developments in the this matter generally – as we have done throughout, since this utility bankruptcy affects the electricity markets in California and the western U.S – and more recently to get guidance from him on how best to engage the Task Force in an effort to coordinate and facilitate the Federal Government review of these permit transfers. He has provided helpful input on issues related to the timing of when the Task Force might be able to assist in this effort and particularly, the availability of resources necessary to accomplish this effort. Moreover, he has urged us to be in touch with you directly in order to initiate formally this process.

It is our hope that the Task Force will be of assistance in this large government-wide effort, since it is an undertaking in need of coordination and streamlining, and is one that has direct implications on energy policy generally, and the California and western electric power markets.

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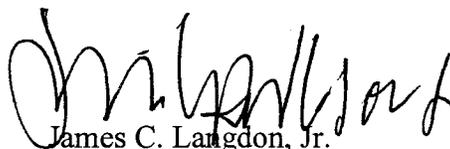
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In order to balance the expenditure of government resources in accordance with the probability that any Plan of Reorganization will ultimately require the transfers described herein, we would urge you at this time simply to evaluate the time and effort required to effectuate such a POR should that be the Court's decision.

It would be most helpful, therefore, if the Task Force would manifest its intent to be involved in this matter early in the process and alert the involved Departments and agencies as to its interest in this matter, and at the same time solicit input from such Departments and agencies relative to the types of permits and processes each must review and approve, and the resource needs associated therewith. This would put the Task Force and the Federal Government in the best possible position early in the process, so that it can move forward quickly to handle these matters at the appropriate time. We have developed this general outline for a possible series of initial procedural actions in response to some of the discussions we have had to date. We would welcome the opportunity, therefore, to discuss these concepts directly with you at your earliest possible convenience.

Thank you for your review of this request. We look forward to hearing from you regarding an appropriate time to meet with you to discuss it in further detail. If you have any questions or need additional information in advance please let u know.

Sincerely,



James C. Langdon, Jr.

Enclosures

Cc: Mr. Jimmy Glotfelty
Department of Energy
Mr. Steven L. Kline
PG&E Corporation

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Background and Current Status of Pacific Gas and Electric Company Bankruptcy Reorganization

Pacific Gas and Electric Company sought relief in Federal Bankruptcy Court as a result of the electricity crisis in California, during which the company incurred approximately \$9 billion in procurement costs for the purchase of power for its customers that the California Public Utility Commission (CPUC) refused to allow it to recover in electric power rates. This resulted in billions of dollars in defaulted debt and unpaid bills, credit rating agency downgrades – to uncreditworthy status – and, thus, a loss of the ability to purchase power for delivery to its customers. The State of California is presently purchasing power for electric power consumers as a result of the financial extremis facing the state's electric utilities.

Pacific Gas and Electric Company filed a Chapter 11 petition with the Bankruptcy Court on April 6, 2001. A Plan of Reorganization proposed by Pacific Gas and Electric Company and PG&E Corporation, jointly, was filed with the Court on September 20, 2001, pursuant to which the parties propose to reorganize the business, pay creditors, and return Pacific Gas and Electric Company to creditworthy status so that it can resume normal operations. Pursuant to the POR, this will be accomplished without an electric power rate increase or state bailout. The Bankruptcy Court approved the disclosure statement for the POR on April 24, 2002. It and an Alternative POR proposed by the CPUC were sent on June 17, 2002, to the creditors of Pacific Gas and Electric Company for their consideration and vote. Ultimately the Court will confirm a plan that will thereafter be consummated.

The POR proposes to establish Pacific Gas and Electric Company, as a separate, freestanding company owned by current shareholders. Three new corporate entities would be created under the current holding company to engage in the businesses of electric power generation, electric power transmission and natural gas transmission. Assets and operations must be transferred between these four entities. Thus, local, state and federal authorizations for the operations of many aspects of these businesses will have to be transferred from one entity to the other. At the federal level, there are as many as approximately 5,000 such permits, rights of way, or other types of authorizations that must be transferred, and as many as a dozen Federal departments and agencies likely will be involved.

In addition to the permit transfers discussed above, major applications were filed late last year with the Federal Energy Regulatory Commission, Nuclear Regulatory Commission, and the Securities and Exchange Commission, seeking regulatory approval for various key aspects of the POR. FERC recently took action to set for hearing, on an expedited schedule, one of the major issues presented to it for approval.

The POR assumes that the new entities will be established and ready to do business by the first of next year (2003). This is being pursued with all deliberate speed in order that Pacific Gas and Electric Company can pay its creditors, return to creditworthy status, and importantly, resume its

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proper role of procuring electric power for its customers. This is also a necessary first step in order to relieve the State of California of the burden of purchasing electric power, as well as to bring greater stability to the California and western electric power markets.

In order to accomplish this objective, therefore, these new entities must have in place all necessary permits and authorizations. Thus, there is a large amount of administrative work to be accomplished in a relatively short amount of time. And as is common in such situations, these transfers would be issued subject to and contingent upon final approval, or confirmation, by the Bankruptcy Court of the POR.

Prior to moving forward to seek these permit transfers, PG&E requested and obtained from the Bankruptcy Court, on May 9, 2002, explicit approval to expend funds and begin the process of transferring these permits. The company thereafter initiated efforts simultaneously at all levels of government – local, state and Federal – to do so.