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8 **UNITED STATES BANKRUPTCY COURT**
9 **NORTHERN DISTRICT OF CALIFORNIA**

10
11 In re)
12 PACIFIC GAS AND ELECTRIC) No. 01-30923 DM
13 COMPANY,) Chapter 11
14 Debtor.) Date: October 22, 2001
15) Time: 1:30 p.m.
16) Ctrm: Hon. Dennis Montali
235 Pine Street, 22nd Floor
San Francisco, California

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18 **UNITED STATES TRUSTEE'S REPLY OBJECTION TO**
PROFESSIONAL FEE APPLICATION

19 **OFFICIAL UNSECURED CREDITORS' COMMITTEE'S PROFESSIONALS:**
20 **PRICEWATERHOUSECOOPERS LLP**

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22 The United States Trustee submits this reply¹ to the further papers filed by
23 PricewaterhouseCoopers, LLP. The United States Trustee stands by her original
24 objections, as supplemented herein.²

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26 ¹ Capitalized terms have the same meaning they were given in the original *United States Trustee's*
27 *Objection to Professional Fee Applications* filed October 15, 2001.

28 ² The United States Trustee raised objections to PWC's billing of travel time, overhead and other matters
and wishes to maintain those and other objections on the strength of her original pleadings. Many of the issues
have been briefed repeatedly now.

1 **I. PWC’S USE OF MULTIPLE PROFESSIONALS CANNOT BE JUSTIFIED**

2 There is no reasonable explanation for the repeated attendance of four, five, six or
3 seven professionals at PWC and OCC meetings. None of the other professional firms
4 incurred any significant time in team meetings. PWC concedes the United States Trustee’s
5 argument there is too much conferencing when it says the professionals “multi-tasked
6 activities” during the meetings (*Supplemental Declaration of Thomas Lumsden in Support of*
7 *“First Interim Application” etc.* (the “Supplemental Decl.”), 3:24-28). From the description
8 offered, it appears that while attending meetings, PWC professionals read legal and
9 regulatory briefs, e-mail reports and work on spreadsheets. That is precisely the problem.
10 PWC’s time is not billed to specific matters, but to non-specific meetings and conferences.
11 The description offered shows more professionals attend these meetings than *is necessary*.
12 If they have time to perform other tasks at the meeting, their presence cannot be necessary,
13 particularly at the high hourly billing rates they command.

14 The Supplemental Decl. shows the firm overstaffs meetings. On June 22, 2001,
15 three senior members of the firm, Messrs. Reiss, Lumsden and Hamilton billed the estate
16 for 7.3 hours of work regarding the employment a lobbyist. Even if the firm could justify
17 having one partner at this meeting, a dubious contention given the extensive role Saybrook
18 and Milbank would have had, why were *three* partners necessary? Another entry on May
19 18, 2001 (described in the Supplemental Decl. at Exhibit B, 12 of 16) hammers the point
20 home: on that day, Messrs. Reiss, Lumsden and Hamilton met to discuss the administration
21 of the case. This entry, like so many others, is premised solely on the “size and complexity
22 of the case.” These entries support the United States Trustee’s contention PWC is seeking
23 far too much money for meetings and conferences.

24 **II. PWC’s Extranet Web-Site Has Not Been Justified**

25 PWC explains in greater detail the need for spending \$64,278 on an extranet web-
26 site for the OCC. The explanation does not address the United States Trustee’s principal
27 objection, though, that the site was unnecessary.

28 PWC does not say if there were alternatives to this project, such as encrypted

1 messages or other technological innovations. Instead, PWC tries to justify the site on the
2 basis that the integrity of committee information was breached at one point. Two important
3 points must be made here. First, we are not told if the security breach pre-dated or post-
4 dated the extranet web-site. Second, why did the bankruptcy estate and its creditors have
5 to pay \$64,000 to build a site when one of committee members may have breached
6 confidentiality? The OCC members are fiduciaries for the estate. If they breach
7 confidentiality, there are remedies available. Building an extranet web-site to prevent
8 problems is not one of them.

9 **III. TIME AND EXPENSE BILLING SYSTEM AND TIME ENTRY IS NOT**
10 **COMPENSABLE**

11 PWC has conceded the United States Trustee's point that building a timekeeping
12 system cannot be billed to the estate. The firm still wants to be compensated for
13 timekeeping, arguing that work on fee applications is compensable. This argument misses
14 the point. Creating time records is not compensable work. It is secretarial work and is
15 properly classified as overhead. Drafting a fee application is compensable under Ninth
16 Circuit precedent, inputting time notes is not.

17 **IV. CONCLUSION**

18 The United States Trustee requests the Bankruptcy Court sustain the objections
19 originally filed by the United States Trustee as amplified by the comments set forth above.

20 Date: November 9, 2001

LINDA EKSTROM STANLEY
UNITED STATES TRUSTEE

Patricia Cutler
Assistant United States Trustee

24 By: _____
25 Stephen L. Johnson,
26 Attorneys for United States Trustee
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