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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, 22<sup>nd</sup> Floor  
San Francisco, California

17  
18 **DECLARATION OF PATRICIA A. MARTIN IN SUPPORT OF UNITED STATES**  
19 **TRUSTEE'S OBJECTION TO PROFESSIONAL FEE APPLICATIONS**

20 I, Patricia A. Martin, declare:

21 1. I am a Bankruptcy Analyst employed by the United States Department of  
22 Justice, Office of United States Trustee for the Northern District of California. I am the U.S.  
23 Trustee bankruptcy analyst who has been assigned to review and monitor the professional  
24 fees in the Chapter 11 Pacific Gas and Electric Company case.

25 2. Pursuant to the court's Order Establishing Interim Fee Application and  
26 Expense Reimbursement Procedure, entered July 26, 2001, the Office of the U.S. Trustee  
27 has received electronic transmissions of various professionals' monthly invoices and formal  
28 fee applications. These electronic transmissions have been uploaded into a database, data

1 from which can then be downloaded into an Excel spreadsheet which allows an in-depth  
2 analysis of each fee application using a variety of methods.

3           3.       **Overview Analyses.** Based upon the firms' electronic transmissions and  
4 using Excel software, I have prepared overviews of various firms' first fee applications which  
5 are attached as follows:

- |    |           |                 |
|----|-----------|-----------------|
| 6  |           |                 |
| 7  | Exhibit A | Howard, Rice    |
| 8  | Exhibit B | Heller, Ehrman  |
| 9  | Exhibit C | Ernst & Young   |
| 10 | Exhibit D | Skadden, Arps   |
| 11 | Exhibit E | Cooley, Godward |
| 12 | Exhibit F | Milbank, Tweed  |
| 13 | Exhibit G | Pricewaterhouse |
| 14 |           |                 |

15           4.       In additional to the overview analyses, I also reviewed and prepared further  
16 analyses, as necessary and appropriate, to identify areas in which fees being charged may  
17 be questionable or require further clarification by the professional - e.g., duplicative of other  
18 firm's services, administrative or overhead in nature, contrary to the court's fee guidelines,  
19 or no apparent benefit to the estate.

20           5.       **Heller, Ehrman (HEWM).**

21           By my calculations, HEWM is charging the estate for 1,769.4 hour or \$206,808 in  
22 paralegal, law student and staff time as follows: (a) paralegals - 1173 hours, \$134,948; (b)  
23 law students/summer associates - 184.9 hours, \$21,653; and (c) staff - 411.5, \$50,207.  
24 See Exhibit B - Heller, Ehrman, by Professional. Of the \$206,808 in fees, \$82,522 can be  
25 characterized as indexing files, reviewing and updating files and organization of files. These  
26 administrative charges fees are attributable to the following individuals - Luster, Nwoso,  
27 Stone, Constantine, Morris, and Gordon - and their itemized time entries are set forth in  
28 Exhibit H.

1           **6. Ernst & Young Corporate Finance LLP (“Ernst & Young”).**

2           In its category “firm retention”, Ernst & Young charged the estate for time spent  
3 checking conflicts and connections. Of the 121.2 hours or \$50,000 charge in this category,  
4 I have identified 82.2 hours or \$29,705 attributable to conflicts/connections checks. This  
5 number was obtained by reviewing the itemized entries under “firm retention” in Ernst &  
6 Young’s Exhibit D for any reference to conflicts and/or connection checks or discussions.

7           **7. Skadden, Arps (“Skadden”).**

8           Skadden seeks \$7,287 for travel time at normal billing rates as follows: (a) Gohlke,  
9 4/6/01, 6 hours at \$330/hr. or \$1,980; (b) Christie, 4/6/01, 6.6 hours at \$580/hr. or \$3,828,  
10 and (c) Runyon, 7/23/01, 5.1 hours at \$290/hr. or \$1,479. The 4/06/01 time entry for  
11 Christie indicates travel was from San Francisco to London. Skadden’s expense  
12 reimbursement figure of \$17,990 includes a request for \$9,255 in April. See Exhibit D -  
13 Skadden Overview.

14           **8. Milbank, Tweed (“Milbank”) Regulatory.**

15           A critical analysis of Milbank’s fee application was difficult because the firm  
16 interspersed its services related to regulatory matters through three categories: business  
17 operations, other litigation, and business analysis. In an attempt to understand the firm’s  
18 efforts and potential benefit to the estate in the regulatory area, I printed Milbank’s time  
19 entries in these three categories, identified those professionals who worked primarily on  
20 regulatory matters, and identified in general terms the nature of the regulatory work.

21           Exhibit I is a summary of the three categories containing fees related to  
22 regulatory/legislative matters. It shows that of the 2651.3 hours or \$1,033,445 fees in these  
23 three categories, at least 1813.4 hours or \$659,810 is related to regulatory/legislative work.  
24 This special analysis also points out that in the category Business Operations, Exhibit I -  
25 Page 2, \$51,408 in fees are being charged for summer associates billed at \$160/hour.  
26 Moreover, the analysis shows that there were eight lawyers with billing rates exceeding  
27 \$375 per hour billing time to regulatory matters: Mr. Kramer (\$470/hr.), Ms. Urquhart  
28 (\$385/hr.), Mr. Feo (\$595/hr.), Mr. Neufeld (\$435/hr.), Mr. Sorochinsky (\$420/hr.), Mr.

1 McSpadden (\$415/hr.), Mr. Johnson (\$420/hr.) and Mr. Marks (\$450/hr.) Several of these  
2 lawyers billed more than 150 hours to regulatory/legislative matters: Mr. Kramer, Ms.  
3 Urquhart, Mt. Marks, Mr. Feo, and Mr. McSpadden.

4 **9. Milbank Commodities Trading Motion.**

5 Most of Milbank's charges for the securities and trading motion are found in the  
6 business operations category. (There are also charges found in the creditor committee  
7 category; however, they are interspersed with services related to the committee's by-laws  
8 and confidentiality agreements.) The securities and trading motion cost the estate  
9 approximately 250 hours or \$104,624. The trading or commodities portion cost 151 hours or  
10 \$57,447 assuming you use 6/12/01 as the bifurcating date. Exhibit J sets forth the fees  
11 related to the securities and trading motion.

12 **10. Milbank's Services Related to Rogers and Associates Employment.**

13 Exhibit K sets forth Milbank's fees associated with the committee's effort to employ a  
14 public relations firm, Rogers & Associates. The entries, which were identified by reviewing  
15 the firm's charges in its fee/employment category, totaled 33.9 hours or \$14,736. (This  
16 figure included incremental hours related to other fee/employment matters. A rough  
17 estimate of the Rogers & Associates related fees is \$13,000.)

18 **11. Milbank's Management of Pleadings, Intake and Distribution.**

19 Exhibit L sets forth the time entries for an individual who primarily tracked and distributed  
20 pleadings for a total of 64.5 hours or \$27,090 in fees.

21 **12. Milbank's Request for Reimbursement for a Printer.**

22 Exhibit M is an itemization of Milbank's expenses based on its electronic  
23 transmission(s) to the Office of the U.S. Trustee, from largest expense item to smallest. On  
24 5/21/01, there is an entry of \$3,275.03 for a printer expense.

25 **13. PricewaterhouseCoopers ("PWC") Multiple Professionals.**

26 A review of PWC's time entries indicated that a considerable portion of the firm's  
27 hours included conferences, meetings, and calls involving multiple professionals. For that  
28 reason, I prepared a special analysis which isolated time entries involving multiple

professionals. Of the total 4,544 hours or \$1,799,553 in fees being sought by PWC, at least 685 hours or \$361,233 in fees involve instances of multiple professionals. In an attempt to propose a reasonable adjustment to the multiple professional fees given the complexity of the case, I calculated that an adjustment of \$167,851 in fees or 46.5% of the fees being sought was a reasonable adjustment based on the following:

	As Requested		Sugg.Adj.
Creditor Committee Meetings	178.8 hrs	\$89,774.00	\$54,759.00
PwC in House Meetings	76.8 hrs	35,191.00	\$35,191.00
Comm.Conference Calls	225.8 hrs.	118,012.00	\$39,888.00
Calls/Mtgs-Other Prof.	44.4 hrs.	24,942.00	\$5,927.00
Meetings/Calls with PGE	135.9 hrs.	73,915.00	\$21,352.00
Court hearings	37.7 hrs.	19,399.00	10,824.00
<b>Total</b>	<b>685.1</b>	<b>\$361,233.00</b>	<b>\$167,941.00</b>

The suggested adjustment would allow two professionals to attend creditor committee meetings, committee conferences, meeting with other professionals and meetings with the debtor. All in-house conferencing would be disallowed. Court and other hearings would only be attended by one person. Exhibit N is the special analysis of PWC's multiple professionals' hours.

**14. PWC - Creation of Time and Expense Billing System.**

Exhibit O is a summary of the time entries related to PWC's fee application category. A review of the time entries for Ortwein (92 hours or \$18,400) and Perfit (126.6 hours or \$25,320) indicate that the firm is charging the estate roughly \$43,720 in fees creating a customized billing and time-reporting system.

I declare under penalty of perjury of the laws of the State of California that the foregoing is true and correct. Executed this \_\_\_ day of October, 2001, at San Francisco, California.

\_\_\_\_\_  
Patricia A. Martin