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ATTORNEYS FOR THE DEBTORS AND DEBTORS-IN-POSSESSION

**THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION**

_____)	
In re)	Chapter 11 Case
)	
MIRANT CORPORATION, <u>et al.</u> ,)	Case No. 03-46590-DML-11
)	Jointly Administered
Debtors.)	
_____)	

**APPLICATION FOR ENTRY OF AN ORDER PURSUANT TO 11 U.S.C. §§ 327(e) AND
328 EXPANDING THE SCOPE OF EMPLOYMENT AND RETENTION OF PAUL,
HASTINGS, JANOFSKY & WALKER LLP AS SPECIAL COUNSEL FOR THE
DEBTORS, AS OF FEBRUARY 18, 2004**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Mirant Corporation (“Mirant”) and its affiliated debtors (collectively, the “Debtors”), as debtors-in-possession, file this Application for Entry of an Order Pursuant to 11 §§ 327(e) and 328 Expanding the Scope of Employment and Retention of Paul, Hastings, Janofsky & Walker LLP as Special Counsel for the Debtors As of February 18, 2004 (the “Application”), and in support of this Application, the Debtors respectfully represent as follows:

PROCEDURAL BACKGROUND

1. The Cases. Mirant Corporation and 82 of its direct and indirect subsidiaries (the “Debtors”) filed voluntary chapter 11 petitions and manage and operate their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The first of the voluntary chapter 11 petitions was filed on July 14, 2003 (the “Petition Date”).

2. The Cases are Jointly Administered. This Court has entered orders approving the joint administration of the Debtors’ chapter 11 cases.

3. The Committees. Three official committees (collectively, the “Committees”) have been appointed by the Office of the United States Trustee for the Northern District of Texas in these administratively consolidated cases.

4. On July 24, 2003, the Debtors filed the “Application for Entry of an Order Pursuant to 11 U.S.C. § 327(e) Authorizing the Employment and Retention of Paul, Hastings, Janofsky & Walker LLP as Special Counsel for the Debtors Nunc Pro Tunc to the Petition Date” (the “Original Employment Application”). In support thereof, Paul, Hastings, Janofsky & Walker LLP (“Paul Hastings” or the “Firm”) submitted the “Affidavit of Jonathan Birenbaum in Connection with the Retention of Paul, Hastings, Janofsky & Walker LLP as Special Counsel to the Debtors” (the “First Affidavit”). On September 23, 2003, the Debtors filed the “First Supplemental Affidavit of Jonathan Birenbaum in Connection with the Employment of Paul, Hastings, Janofsky & Walker LLP as Special Counsel for the Debtors” (the “First Supplemental Affidavit”).

5. On September 24, 2003, the Court signed the “Final Order Pursuant to 11 U.S.C. § 327(e) Authorizing the Employment and Retention of Paul, Hastings, Janofsky & Walker LLP as Special Counsel for the Debtors Effective as of the Petition Date.”

6. In October 2003, Paul Hastings received a list of additional interested parties from the Debtors to run through the Firm’s conflict database. In connection therewith, on November 14, 2003, the Firm submitted the “Second Supplemental Affidavit of Jonathan Birenbaum in Connection with the Employment of Paul, Hastings, Janofsky & Walker LLP as Special Counsel for the Debtors” (the “Second Supplemental Affidavit”). In accordance with the Firm’s continuing disclosure obligations under the Bankruptcy Code, on February 10, 2004, the Firm submitted the “Third Supplemental Affidavit of Jonathan Birenbaum in Connection with Paul Hastings’ Representation of the Debtors as Special Counsel” (the “Third Supplemental Affidavit”). The First Affidavit, the First Supplemental Affidavit, the Second Supplemental Affidavit, and the Third Supplemental Affidavit are collectively referred to herein as the “Affidavits.”

7. In late January 2004, the Debtors requested that Paul Hastings represent them in a new matter. The Debtors requested that the Firm represent them in connection with an investigation (the “Investigation”) by the United States Senate Permanent Subcommittee on Investigations (“PSI”) concerning tax credits provided under Section 29 of the Internal Revenue Code for the sale of coal-based synthetic fuel. Mirant purchases coal-based synthetic fuel for use in its electric generating facilities, and has received an interview request in connection with the Investigation. Subject to the Court’s approval, Paul Hastings has agreed to represent the Debtors in connection with the Investigation. The Firm would, among other things, assist the Debtors

with their preparation for the interview, appear at the interview with the Mirant witness selected to attend, and work with the Debtors and the PSI to coordinate the Debtors' response to any further requests for information and/or documents.

8. While the Original Employment Application and the Affidavits include in the scope of Paul Hastings' services "operational matters that arise in connection with the Debtors' investments and interest" in several projects, neither specifically addresses the Investigation. While the Debtors believe that the Investigation fits within the scope of Paul Hastings' employment, out of an abundance of caution, the Debtors hereby request authorization to expand the scope of Paul Hastings' retention and employment to include representing the Debtors as special counsel in connection with the Investigation.¹

FACTUAL BACKGROUND

9. The Debtors hereby incorporate by reference the factual background included in the Original Employment Application.

RELIEF REQUESTED

10. Pursuant to Section 327(e) of the Bankruptcy Code, the Debtors respectfully request an order expanding the scope of Paul Hastings' employment as special counsel to include (a) the services authorized under the Original Employment Application, and (b) the services required in connection with the Investigation. Appended hereto as Exhibit 1 is a list of the services Paul Hastings is authorized to render under the order approving the Original Employment Application.

¹ The Debtors first notified the Court on February 18, 2004 that they would seek to expand the scope of Paul Hastings' employment to include matters related to the Investigation.

11. As shown in the Original Employment Application, the Debtors believe that they will continue to need Paul Hastings' representation in matters they have or may encounter and that Paul Hastings will efficiently handle such matters. Expanding the scope of Paul Hastings' employment in these cases will avoid unnecessary litigation and reduce the overall expenses of administering these cases.

12. The Debtors have selected Paul Hastings as their special counsel because of the Firm's extensive experience with and knowledge of the Debtors' businesses and financial affairs. Paul Hastings has been rendering advice to the Debtors since September, 2000. Additionally, certain attorneys represented Mirant and its affiliates while at other firms prior to joining Paul Hastings. Due to Paul Hastings' familiarity with the Debtors' financial structure, contractual relationships and business operations and affairs, as well as its recognized national reputation and expertise in the areas for which it is being retained, the Debtors believe that Paul Hastings is uniquely qualified to assist them in these matters.

13. Paul Hastings will continue to coordinate its efforts with bankruptcy counsel and other professionals retained by the Debtors and clearly delineate its duties to prevent any duplication of effort. The Debtors believe that rather than resulting in any extra expense to the Debtors' estates, the efficient coordination of efforts of counsel will greatly add to the effective administration in these chapter 11 cases.

14. It is necessary for the Debtors to expand the scope of Paul Hastings' employment as described herein. Paul Hastings has stated its desire and willingness to act in these cases as special counsel for the Debtors and render those necessary services that are approved by the Court. To the best of the Debtors' knowledge, Paul Hastings and its partners,

counsel and associates do not have any connection with or any interest adverse to the Debtors, their creditors, or any other party in interest, or their respective attorneys and accountants, except as set forth in the Affidavits.

15. The Debtors understand that Paul Hastings intends to continue applying to the Court for allowance of compensation and reimbursement of expenses in accordance with the applicable provisions of the Bankruptcy Code (or as otherwise allowed by order of this Court), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Bankruptcy Rules for the Northern District of Texas (the “Local Rules”) for all services performed and expenses incurred after the Petition Date.

16. Pursuant to Section 328(a) of the Bankruptcy Code, the Debtors may retain Paul Hastings on any reasonable terms and conditions. The Debtors submit that the most reasonable terms and conditions are those charged by Paul Hastings to the Debtors and other clients on a daily basis in a competitive market for legal services. Therefore, the Debtors and Paul Hastings have agreed that the Debtors shall continue to pay Paul Hastings’ customary hourly rates for services rendered that are in effect from time to time, as set forth in the First Affidavit, and reimburse Paul Hastings according to its customary reimbursement policies.

17. The Debtors have been informed that Jonathan Birenbaum, as well as other partners in, counsel to and associates of Paul Hastings who have performed and will continue to perform services for the Debtors during these chapter 11 cases, are members in good standing of the courts in which they are admitted to practice. Any of the Paul Hastings attorneys who are not already admitted to practice before this Court, and whose appearance before the Court is necessary and appropriate, will seek admission pro hac vice.

18. Paul Hastings represented the Debtors on a prepetition basis in connection with other non-bankruptcy related matters including, without limitation, (i) those described in paragraph 5 of the First Affidavit, (ii) a majority of the acquisitions and divestitures the Debtors have concluded in the two and one-half years prior to the Petition Date, (iii) a number of corporate and project financings, (iv) general corporate governance matters, and (v) federal energy regulatory matters.

19. To the best of the Debtors' knowledge, information and belief, Paul Hastings represents no interest adverse to the Debtors or to their estates in the matters for which Paul Hastings is retained and seeks to be retained. The Debtors submit that expanding the scope of Paul Hastings' employment is in the best interests of the Debtors, their estates and creditors. The Affidavits, executed on behalf of Paul Hastings in accordance with the provisions of Section 327 of the Bankruptcy Code, Federal Rule of Bankruptcy Procedure 2014, Local Bankruptcy Rule 2016(b) and U.S. Trustee Guidelines, are incorporated herein by reference. The Debtors' knowledge, information and belief regarding the matters set forth in this Application are based, and made in reliance, upon the Affidavits.

20. The Debtors firmly believe that Paul Hastings is the most qualified firm to represent the Debtors with respect to the matters on which it has been engaged and seeks to be engaged. If the Debtors were required to retain counsel other than Paul Hastings with respect to such matters, the Debtors, their estates and all parties in interest would be unduly prejudiced by the time and expense necessarily attendant to such counsel's familiarization with the intricacies of the factual and legal issues associated with such matters.

21. In the event that any affiliates of the Debtors subsequently commence chapter 11 cases, which are jointly administered with these cases, the Debtors request that the relief requested herein apply to such debtors and their respective estates. Paul Hastings agrees to file such additional affidavits as necessary pursuant to sections 327(e) and 328 of the Bankruptcy Code with regard to such debtors and their estates.

WHEREFORE, the Debtors respectfully request entry of an order (i) expanding the scope of Paul Hastings' retention and employment as special counsel for the Debtors pursuant to Sections 327(e) and 328 of the Bankruptcy Code to include (a) the services authorized under the Original Employment Application, and (b) the services required in connection with the Investigation as of February 18, 2004, and (ii) granting the Debtors such other and further relief as is just.

RESPECTFULLY SUBMITTED this 9th day of March, 2004.

HAYNES AND BOONE, LLP

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-and-

By Michelle C. Campbell

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AND DEBTORS-IN-POSSESSION

CERTIFICATE OF SERVICE

The undersigned hereby certifies that he has authorized BSI as service agent to cause to serve a true and correct copy of the foregoing Application upon all parties on the attached service list via United States first class mail, postage prepaid, on the 9th day of March, 2004 in accordance with the Federal Rules of Bankruptcy Procedure.

Michelle C. Campbell

Exhibit 1

Approved Scope As of the Petition Date:

- Paul Hastings will continue to represent Mirant Mid-Atlantic in connection with its ongoing collective bargaining negotiations (and federally supervised mediation) with Local 1900 of the International Brotherhood of Electrical Workers.
- Paul Hastings will continue to represent Mirant NY in connection with its collective bargaining agreement executed June 2003 post-execution and ancillary issues arising therefrom.
- Paul Hastings will continue to represent Mirant in connection with the sale of its Shady Hills, West Georgia and Wrightsville projects, including the formulation and preparation of applicable transitional documents.
- Paul Hastings will continue to represent Mirant in connection with minority ownership of entities located in the Caribbean, which representations includes advising Mirant on corporate governance and shareholder matters with respect to these entities.
- Paul Hastings will continue to represent an employee of Mirant in connection with an ongoing SEC investigation into Mirant's accounting policies.
- Paul Hastings will also represent Mirant and the other Debtors in connection with operational matters that arise in connection with the Debtors' investments and interest in the following projects:

1st Rochdale Cooperative
Group, Ltd.
Barry Street
Birchwood
Bordon
Bronx Energy Center
Curacoa Investment Ltd.
Heenah
Kendall
Mint Farm
Perryville
River Valley
Roanoke
Shady Hills

Shoreham Project
State Line Energy
Staten Island
Thermo Ecotek
Thoroughbred
Toltec Project
Trinidad
Valencia Energy
Western Power Distribution
Holdings, Ltd.
West Georgia
Wichita Falls
Wrightsville Project