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International Brotherhood of Electrical Workers, AFL-CIO

LOCAL UNION 1245

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Jack McNally
Business Manager

Howard Stiefer
President

27 October 1999

Pacific Gas and Electric Company
Industrial Relations Department
2850 Shadelands Drive, Suite 100
Walnut Creek, California 94598

Attention: Mr. Rick R. Doering
Manager and Chief Negotiator

Gentlemen:

This letter and its attachments will confirm the Union's understanding of the tentative settlement reached on October 15, 1999, between the Union's Negotiating Committee and the Company's Negotiating Committee in the 1999 Negotiations with respect to the IBEW Agreements between Local Union 1245, IBEW and Company. This settlement agreement is subject to ratification vote by Local 1245 bargaining unit members at PG&E.

1. Wages

The Company will grant a general wage increase, rounded up to the nearest nickel, of three percent (3.0%), effective January 1, 2000; three percent (3.0%) effective January 1, 2001; and three percent (3.0%), effective January 1, 2002.

2. Committees

Union and Company have agreed to the formation of the following committees as described below. Any recommendations of these committees will be forwarded to the Union's Business Manager and the Company's Manager of the Industrial Relations Department for their approval.

a. Rewrite Committee

A joint Company/Union Committee will be established to review the current Physical and Clerical Agreements. The purpose of the review will be to identify ways to make the agreements more user-friendly, easily navigable and incorporate the most significant letter agreements into both agreements. It is not intended to change the meaning of the language in the Agreements.

b. Clerical LOP Committee

This Committee will conduct a review of the clerical lines of progression, classifications, and departments that are listed in the Clerical Agreement and recommend changes as appropriate, including the deletion of obsolete classifications and correcting of department names.

c. Title 200 Gas T&D Committee

The parties will conduct a review of the Title 200 Gas T&D Lines of Progression, Reverse Lines of Progression, and Job Descriptions. This review will be completed by the end of the second quarter of 2000. The purpose of the review is to ensure that the Lines of Progression and the Reverse Lines of Progression as well as the Job Descriptions and compensation are appropriate and reflect the current work force and job duties.

d. Overtime Committees

Clerical: The parties will conduct a review of the application of the Overtime provisions of Title 12 of the Clerical Agreement. The Committee's charge will be to determine a practical, consistent and understandable procedure in the administration of this Title. It is not the charge of this Committee to modify or make any changes to the Agreement.

Physical (GC): The parties will conduct a review of the application of the Overtime provisions of Title 308 of the Physical Agreement. The Committee's charge will be to determine a practical, consistent and understandable procedure in the administration of this Title. It is not the charge of this Committee to modify or make any changes to the Agreement.

e. Premiums Standardization Committee

A joint Company/Union Committee will be established to agree to standardizing the calculations of premiums using percentages to facilitate the implementation of an SAP/HR Payroll module. In addition, the Committee will determine a method of converting all bargaining unit pay from a weekly wage rate to an hourly rate to streamline the implementation of an SAP/HR Payroll module. The Committee will complete this task by the end of March, 2000.

f. Working Foreman/Lead Committee

This Committee is charged with:

- Clarifying the job expectations of Lead positions
- Identifying qualifications necessary for the positions
- Identifying a selection process to ensure that employees are qualified for Lead positions
- Using the Wage Committee Report as a basis for any compensation recommendations

The Committee will ensure that their recommendations are consistent with the language in Subsection 205.14(a) of the Physical Agreement and Section 18.13 of the Clerical Agreement.

g. Switching Assignments

The Company and Union agree to establish an interim committee to determine the need for training, certification, and ongoing re-certification of classifications involved and agree with the concept that the following classifications, when qualified and depending on the type of switching involved may have switching as a common duty, including switching performed on overtime, replacing existing protocols.

- • Troublemens
- • Transmission Troublemens
- • Electrician (Title 200 and 300)
- • Electrical Technician (Title 200 and 300)
- • System Operator/Relief Operator/Roving Operator

3. 94-53 Communications Committee

The parties will establish a 94-53 Communications Committee that will be chaired by the Vice-President of Human Resources and Union's Business Manager. The Committee will meet as needed to discuss and determine the most effective means of communicating current issues that have significant impact or interest to bargaining unit employees. Either the Company or Union may request a committee meeting.

4. Change from Clerical to Physical Contract

Company and Union have agreed to move 2785 Meter Reader and 2782 Senior Meter Reader classifications from the Clerical Agreement to the Physical Agreement and adjust the Lines of Progression accordingly.

Clerical employees shall maintain their current Title 19 rights into these classifications for the term of the Agreement effective January 1, 2000.

5. Conversion of Hiring Hall Meter Reading Position to Regular Status

a. Letter of Agreement 95-146 shall be canceled with the understanding that the provisions may be reinstated in any headquarters where automated meter reading (AMR) is imminent. Reinstatement of these provisions will only be made after the Company and Union meet to discuss the expansion of AMR.

b. The Company will fill Meter Reader positions in order to attain a system-wide ratio of at least 85% regular full-time Meter Reader positions compared to Hiring Hall positions.

The following sequence shall be utilized in the filling of regular full-time Meter Reader positions:

1. Employees exercising (a) preferential bidding rights;

2. Other employees who submitted transfers;

3. Unrestricted appointments by the Company including the consideration of hiring hall meter reader employees;

c. Existing provisions of the Agreements will apply to the hiring of hiring hall Meter Readers into regular positions.

6. Meter Reader Provisions

a. The Company and Union will meet within the next 6 months to review the provisions of Exhibit C (Meter Reader Agreement) and this exhibit shall be moved from the Clerical Agreement to the Physical Agreement. A section on vacation scheduling will be added to the exhibit which will provide for the continued use of vacation scheduling provisions that are currently in place.

b. The combination classifications of Credit Representatives and Meter Reader, Service Representative and Meter Reader, and Meter Reader and Utility Clerk will remain in the Clerical Agreement.

c. The Company and Union recognize that some regular Meter Readers may have voluntary bid out of the classification due to the expected imminent implementation of AMR. Employees who left the Meter Reader classification on December 1, 1995 or later shall be given Subsection 18.5(a) transfer rights if they wish to return to meter reading.

d. Each headquarters will conduct route bidding for all migrated work (e.g. change of party routes).

7. Field Service Work

The job definition for Gas Service Representative, Meter Reader, Senior Meter Reader, and Troublemens will be modified to reflect new job duties.

No current Troublemens, Gas Service Representatives, Reserve Gas Service Representatives, Service Mechanics, or Relief Service Operators will be displaced as a result of this agreement. Incumbents in these classifications on December 31, 1999 will maintain their wage and classification, unless they voluntarily vacate their position. Both parties recognize that there may be other conditions outside of this agreement that independently may affect the number of employees in these

classifications. If conditions outside this agreement would result in reductions in a headquarters, the parties agree to meet and discuss the following: (1) the impact on this agreement (2) moving the work back to the original classifications.

8. Title 19 and 206 Administrative Procedures

The parties shall negotiate revisions to the administrative procedures for Title 19 of the Clerical Agreement and Title 206 of the Physical Agreement.

9. AB 1890 Enhancements

The following provisions of Letter Agreement 97-53 shall apply where the Company and Union jointly agree that a workforce reduction is recoverable under AB 1890:

- Enhanced Relocation (19.8 and 206.8)
- Extended Rehire Rights (19.13, 206.13, and 306.14)
- Retraining Assistance
- Early Retirement Program (Special Provision P)

Employees at Hunter's Point Power Plant and Humboldt Bay Power Plant are eligible for these provisions. The provisions will trigger when a workforce reduction is required at the plant due to unit shutdown. This application will not go into effect unless the CPUC approves the "Settlement Agreement between Pacific Gas and Electric Company, the Office of Ratepayer Advocates and the Coalition of California Utility Employees resolving all issues in the 1998 annual transition cost proceeding." (Application No. 98-09-003)

10. Apprenticeship Opportunities

Both Master Apprenticeship Agreements shall be amended to provide a third apprenticeship opportunity to allow an employee displaced or demoted from a journeyman classification into another line of progression, who at the time of the displacement or demotion had exhausted his or her two apprenticeship opportunities, an additional opportunity to enter an apprenticeship program.

11. Tuition Refund

Exhibit I of the Physical Agreement and Exhibit B of the Clerical Agreement will be amended to extend tuition refund for twelve months following layoff pursuant to Sections 206.7, 306.7 and 19.7 for lack of work.

12. Contracting

The effective date of Exhibit XVI (Contracting) is July 1, 2000, in order to implement the reporting requirements of this Exhibit.

13. Family Sick Leave

The parties agree to maintain minimum legal requirements for family sick leave provisions.

14. Medical Reimbursement

Medical Care Reimbursement Accounts shall be made available to bargaining unit employees effective January 1, 2001.

15. PG&E Medical Plan Vendor

The parties shall jointly review the vendor of the PG&E Medical Plan on an annual basis.

16. Health Net Medicare Supplement Plan

The Health Net Medicare Supplemental Plan will no longer be an option for members on Medicare. Health Net's Medicare + Choice, Seniority Plus, will remain an option.

17. Drug Coverage for HMO Retirees

All retirees who are members of HMO's will be eligible for outpatient prescription drug coverage provided by the HMO.

18. Medical, Dental and Vision Plan Changes

- a. The Kaiser \$5.00 co pay provision will become effective May 1, 2000.
- b. All other medical plan changes will become effective January 1, 2001.
- c. Dental and Vision Plan changes will become effective January 1, 2000.

19. Employee Discount

Company and Union agree that should either party become aware of any threat to the employee discount, the parties shall meet to discuss how to address the threat, and agree to bargain in good faith should such discount be taken away.

20. DCPP Commute Allowance

Company and Union agree to the elimination of the \$3.50/day commute allowance established in Letter of Agreement R1-84-108-PGE.

21. Outside Employment Policy

The Company and the Union have agreed that employees must comply with the following Outside Employment Policy:

As the energy business becomes more complex and competitive, employees must take special care when engaging in outside employment activities. Employees are not permitted to have outside activities that compete with the products or services offered by the Company's lines of business. The types of activities to avoid include the planning, design, installation, or maintenance of any commodity, equipment or service.

In addition, even if employees are not engaged in the activities described above, precautions must be taken to avoid conflict of interest.

22. Attachments

Attached are amended contract sections as agreed to during the negotiations as follows:

- a. Physical Agreement and its Exhibits, Supplements and Clarifications
- b. Clerical Agreement and its Exhibits, Supplements and Clarifications
- c. Medical, Dental, Vision.
- d. Benefits

If any of the above or the attachments thereto are not in accordance with your understanding of our settlement, please let me know immediately.

Sincerely,

/s/ Jack McNally

JACK McNALLY
Business Manager