

Martin, Lita

From: Mitchell, Darrel
Sent: Monday, February 28, 2000 8:27 PM
To: Martin, Lita
Subject: FW: 401(k) Communications

please index in pg&e savings fund plan

Thank you.

Darrel Mitchell

-----Original Message-----

From: Mitchell, Darrel
Sent: Monday, February 28, 2000 7:44 PM
To: Administrative & Field Staff
Subject: FW: 401(k) Communications

The attached is a result of the 1999 general negotiations.

Thank you.

Darrel Mitchell

-----Original Message-----

From: Smullin, Albert [<mailto:ADS3@pge.com>]
Sent: Friday, February 11, 2000 4:01 PM
To: Mitchell, Darrel
Subject: FW: 401(k) Communications

Darrel

The attachment is a message that will be mailed to IBEW employees next week about the PG&E stock trading restriction (the rest of the email is ESC/IUSO stuff). Missed you yesterday - hope to talk to you soon. Have a good weekend.

Al

-----Original Message-----

From: Smullin, Albert
Sent: Friday, February 11, 2000 1:40 PM
To: HR HRS Advisors; HR IR List; HR Benefit Staff Call Ctr
Cc: HR Leadership Team; HR Benefits Staff
Subject: 401(k) Communications

Hi, All

Here's an update on some communications that are going to be mailed out to union employees in the next couple of months. This is just an FYI.

State Street Bank will be sending out a notice to all the Savings Fund Plan participants (basically all the union employees, retirees, and terminated employees still in the plan) informing them of the restrictions on trading PG&E Corporation Stock. Hopefully the attached is pretty self-explanatory.



Pacific Gas and Electric Company™

PG&E Savings Fund Plan

February 2000

Change to PG&E Corporation Stock Fund Transfer Policy

Effective March 1, participants will be limited to one transfer, either into or out of the PG&E Corporation Stock Fund (Fund), every seven days. In other words, participants who transfer into or out of the Fund from any of the other investment options may not make another transfer transaction involving the PG&E Corporation Stock Fund for seven calendar days. Since employee payroll and employer contributions are not considered to be transfer transactions, they are not affected by this limitation.

Example

If you transfer into or out of the PG&E Corporation Stock Fund on Monday, March 6:

The first day that you can make another transfer involving the PG&E Corporation Stock Fund is Monday, March 13.

Why is this modification being made?

The PG&E Corporation Stock Fund has experienced periods of excessive trading by a few Plan participants attempting to capitalize on short-term swings in the stock price. Although only a small number of SFP participants are excessively trading units of the Fund, these trades can adversely affect PG&E Corporation Stock Fund performance. Additionally, excessive participant transfers within the Fund for any reason could cause the fund manager to restrict or refuse all participant activity for a period of time.

How will this change affect plan performance?

The objective of the PG&E Corporation Stock Fund is to match the investment return of PG&E Corporation common stock. However, like mutual funds, the PG&E Corporation Stock Fund must hold a portion of assets in cash equivalents to facilitate participant-directed transactions on a daily basis. (Without the liquidity provided by cash equivalents, the Fund would have to sell actual shares of stock and participant transactions would take several days to process.) Funds with higher transfer activity must hold larger cash reserves, which jeopardizes the achievement of the PG&E Corporation Stock Fund's objective. With this transfer restriction in place, the cash reserves are expected to be reduced, resulting in the Fund's return more closely matching the return of PG&E Corporation common stock.

Does this change affect payroll contributions into the fund?

No, this transfer restriction does not apply to employee payroll or employer contributions. A transfer transaction is a participant-initiated reallocation of accumulated balances from one investment option to another. The initial investment of the most recent employee payroll and employer contributions are not considered transfer transactions.

If you have any questions regarding this change, please call 1-800-401K-PGE and speak with a State Street Bank Customer Service Representative.

This document dated February 2000, constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1993



PG&Estock.ppt

Note that the restriction becomes effective March 1. The reason we will be including ESC and IUSO members in the mailing is that the transfer of their accounts to the Retirement Savings Plan at Fidelity won't be completed until around the end of April.

As part of the conversion to Fidelity, ESC and IUSO employees/retirees will be mailed a series of communications nearly identical to what management and A&T employees received last year.

Here are some key dates:

February 28 - the Transition Brochure will be mailed

March 27 - the Hold Period begins (no transactions will be possible until the Hold Period ends)

March 27 - Plan Highlights Brochure, Investment Brochure, and Access Guide will be mailed

April 24 - Approximate date for the Hold Period to end

On April 5, employee's will be able to call Fidelity at 1-800-PGE-401K and set up a PIN number or ask general questions, but they won't be able to ask questions about their accounts until the Hold Period ends.

Hope this information is of some value. Again - it's just an FYI; there's nothing you need to do.

AI