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LETTER AGREEMENT NO. 00-25-PGE



PACIFIC GAS AND ELECTRIC COMPANY
INDUSTRIAL RELATIONS DEPARTMENT
2850 SHADELANDS DRIVE, SUITE 100
WALNUT CREEK, CALIFORNIA 94598
(925) 974-4104

INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS, AFL-CIO
LOCAL UNION 1245, I.B.E.W.
P.O. BOX 4790
WALNUT CREEK, CALIFORNIA 94596
925-933-6060

STEPHEN A. RAYBURN, MANAGER
AND CHIEF NEGOTIATOR

JACK McNALLY, BUSINESS MANAGER

May 30, 2000

Local Union No. 1245
International Brotherhood of
Electrical Workers, AFL-CIO
P. O. Box 4790
Walnut Creek, CA 94598

Attention: Mr. Jack McNally, Business Manager

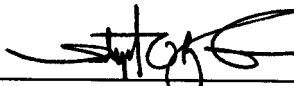
Dear Mr. McNally:

Company proposes to modify Special Provision P of the Retirement Plan pursuant to Section 3.21 of the Benefit Agreement. The Company proposes to modify Special Provision P to include in the provision additional plants that have been sold and to include employees headquartered at the plants that are in the Materials Distribution, Warehouse Operations, and the Garage Departments. The revised Special Provision P is attached.

If you are in accord with the foregoing and attachments and agree thereto, please so indicate in the space provided below and return one executed copy of this letter to the Company.

Very truly yours,

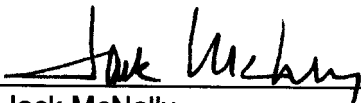
PACIFIC GAS & ELECTRIC COMPANY

By: 
Stephen A. Rayburn
Manager and Chief Negotiator

The Union is in accord with the foregoing and agrees thereto as of the date hereof.

LOCAL UNION NO. 1245, INTERNATIONAL
BROTHERHOOD OF ELECTRICAL WORKERS, AFL-CIO

July 6, 2000

By: 
Jack McNally
Business Manager

SPECIAL PROVISION P

(revised 5/22/00)

I. Introduction

This Special Provision P, an amendment to the COMPANY'S RETIREMENT PLAN, authorized by the COMPANY'S Board of Directors on February 19, 1997, is the controlling and definitive statement of the Special Retirement ("SR") Benefit program for certain Power Generation, *Garage, and Materials Distribution* bargaining unit employees. The purpose of the SR Benefit program is to provide SR Benefits for EMPLOYEES whose employment is terminated because of the Sale of Eligible Plants. The SR Benefit program is part of the RETIREMENT PLAN, and except as otherwise provided in this Special Provision P, shall be administered in accordance with and subject to the terms of the RETIREMENT PLAN. Terms in all capitals are defined in Section 23 of the RETIREMENT PLAN. Terms underlined are defined in Section IV of Special Provision P.

II. Eligibility for Special Retirement Benefits

An Eligible Employee shall meet all of the following criteria: (1) the EMPLOYEE is an active EMPLOYEE of the COMPANY represented by the International Brotherhood of Electrical Workers, Local 1245, AFL-CIO or the Engineers and Scientists of California, MEBA, AFL-CIO; (2) the COMPANY has eliminated the EMPLOYEE'S job because of the Sale of an Eligible Plant; (3) the EMPLOYEE'S base position on the date the EMPLOYEE'S job is eliminated is headquartered at an Eligible Plant in the Power Generation, *Garage, or Materials Distribution* line of progression; (4) the EMPLOYEE was born on or before the date that is fifty (50) years prior to the last day of the month in which the EMPLOYEE'S job is eliminated; (5) the EMPLOYEE has at least five (5) full years of SERVICE on the last day of the month in which the EMPLOYEE'S job is eliminated; and (6) the EMPLOYEE elects to retire from employment with the COMPANY. For purposes of this Special Provision P only, the term active EMPLOYEE shall not include an EMPLOYEE of the COMPANY (i) who, on the date of job elimination, is receiving benefits under Part B of the Group Life Insurance and Long Term Disability Plan; (ii) who is on a leave of absence, with or without pay, which began prior to the date of job elimination; (iii) who has received or is scheduled to receive severance benefits under the COMPANY'S Workforce Management Program, Letter Agreement No. 93-42-PGE, or under any other written agreement between the COMPANY and the EMPLOYEE in which the EMPLOYEE has received benefits in connection with the elimination of such EMPLOYEE'S job and the subsequent termination of his or her employment; or (iv) who is terminated for cause.

SPECIAL PROVISION P - continued

III. Special Retirement Benefit

A. SR Benefit. An Eligible Employee who elects to retire after receiving notice from the COMPANY that his or her job has been eliminated shall receive a benefit equal to the BASIC PENSION BENEFIT calculated under Section 3.06 of the RETIREMENT PLAN with the following adjustments:

1. An additional five (5) years credit under the RETIREMENT PLAN to be applied, at the Eligible Employee's option, in either or any combination of both of the following ways, to:
 - i. Increase the Eligible Employee's AGE for purposes of Section 3.07 of the RETIREMENT PLAN; and/or
 - ii. Increase the Eligible Employee's SERVICE for purposes of Section 3.03 of the RETIREMENT PLAN.

The SR Benefit shall equal the Eligible Employee's BASIC PENSION benefit calculated under Section 3.06 of the RETIREMENT PLAN as adjusted above.

- B. The SR Benefit shall be payable as of the first of the month following the date on which the job is eliminated. Eligible Employees who elect the SR Benefit shall not be subject to the age 55 requirement contained in Section 3.08 of the RETIREMENT PLAN.
- C. Section 3.10 of the RETIREMENT PLAN shall control the conditions under which other forms of pension may be substituted for the SR Benefit.
- D. The SR Benefit payable under this Special Provision P shall be in lieu of any benefit which might otherwise be payable under the RETIREMENT PLAN.

IV. Definitions

- A. Eligible Employee: An EMPLOYEE of the COMPANY who has met the eligibility criteria as set forth in Section II. EMPLOYEES of any subsidiary or affiliate of the COMPANY are not Eligible Employees for purposes of this SR Benefit program. Eligible Employees shall not include hiring hall employees, leased employees, or persons performing services for the COMPANY under an agreement that denominates them independent contractors.
- B. Eligible Plant: The Morro Bay Power Plant, the Moss Landing Power Plant, *Pittsburg Power Plant*, *Contra Costa Power Plant*, *Geysers Power Plant*, *Potrero Power* or the Hunter's Point Power Plant.
- C. Sale: The transfer by the COMPANY of ownership of and title to an Eligible Plant to a successor owner.
- D. Special Retirement or SR Benefit: The COMPANY'S SR Benefit program as set forth in this Special Provision P.