



LETTER AGREEMENT NO. 00-37-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

RICK R. DOERING, MANAGER
AND CHIEF NEGOTIATOR

JACK McNALLY, BUSINESS MANAGER

July 25, 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

During 1999 general negotiations, the parties agreed to eliminate the Health Net Medicare Supplemental Plan effective January 1, 2001. At that time, there was a large overlap between the Health Net Medical Supplemental Plan and the Health Net Medicare + Choice Plan, Health Net Seniority Plus.

The Company has been notified that Health Net will be discontinuing the Medicare + Choice HMO plan, Health Net Seniority Plus, in Fresno and Sonoma counties. Current Health Net Seniority Plus members in these counties will remain enrolled until December 31, 2000. Effective July 3, 2000 no new enrollments for these counties will be accepted. This affects approximately 51 PG&E retirees who reside in these counties. In view of this information, Company proposes to add the Health Net Medical Supplemental plan back as an option for retirees effective January 1, 2001.

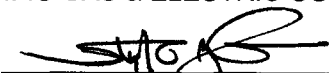
The Company has also been notified that Aetna has elected to discontinue the Medicare Risk business in Northern California. There are currently 89 people enrolled in this plan, with only retiree Norman Pourroy and his wife, Janet, living in an area (Bakersfield) that will continue to be eligible to participate in the Atena Golden Medicare Plan. Administratively, it is costly to continue a plan for only 2 participants.

Company is therefore proposing to discontinue the Atena Golden Medicare Plan effective 12/31/00. Currently, Secure Horizons, PacifiCare's Medicare + Choice plan for seniors, is offered in the Bakersfield area and has 46 primary care physicians. In addition, Seniority Plus, Health Net's Medicare + Choice plan for seniors, is available in the Bakersfield area and includes 82 primary care physicians. We have checked with PacifiCare and Health Net and both have indicated that do not expect any changes to these plans in 2001. Also, PG&E's Out-of-Area and MSP plan (the United Health Care Medicare option) is available to employees.

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

Very truly yours,

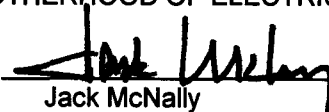
PACIFIC GAS & ELECTRIC COMPANY

By: 
Steve 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

Aug 1, 2000

By: 
Jack McNally
Business Manager