



LETTER AGREEMENT NO. 01-34-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, DIRECTOR
AND CHIEF NEGOTIATOR

PERRY ZIMMERMAN, BUSINESS MANAGER

August 21, 2001

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

Attention: Mr. Perry Zimmerman, Business Manager

Dear Mr. Zimmerman:

The Company has been notified that Health Net intends to withdraw its HMO product in Butte, Humboldt, Lake, Sutter and Yuba counties effective January 1, 2002. This will result in only one medical plan option, a UnitedHealthcare administered plan, being available to employees and retirees who live in those counties.

While Health Net is withdrawing its HMO product, it has made available alternative coverage. This coverage is the Exclusive Provider Organization (EPO) product called Health Net Primary EPO and is provided by Health Net Life. As with Health Net's HMO product, Health Net Primary EPO plan members are required to select a primary care physician (PCP) to coordinate member care. The EPO benefits match the existing Health Net HMO plan benefits. The Department of Insurance (DOI) will license the EPO product and EPO plan materials distributed by Health Net will be based on the requirements of the DOI.

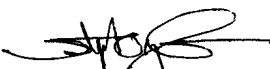
Health Net expects the provider network in these counties to remain largely unchanged. Any necessary recontracting is currently being pursued. It is also expected that the Mental Health network would remain largely unchanged; however, there may be a change in the way Mental Health is accessed. Provider information will continue to be available through the Company web site under the Health Net Primary EPO product name. Health Net's primary objective is to ensure continuity of care for employees, retirees and their dependents.

Based on the above information, Company proposes to make the Health Net Primary EPO plan available during the 2002 open enrollment for employees and retirees living in the above counties on a one-year trial basis. Current Health Net HMO members and current UnitedHealthcare members living in these counties will have the option to select either the UnitedHealthcare administered plan or the Health Net Primary EPO for 2002. This proposal is limited to the year 2002 and will only be extended beyond 2002 and/or to additional counties by agreement of the parties.

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: 

Stephen A. Rayburn
Director 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 28, 2001

By: 

Perry Zimmerman
Business Manager



**Pacific Gas and
Electric Company**

September 9, 2002

Stephen A. Rayburn
Director and Chief Negotiator
Industrial Relations

2850 Shadelands Drive,
Suite 100
Walnut Creek, CA 94598

925.974.4104
Fax: 925.974.4289

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P.O. Box 4790
Walnut Creek, CA 94598

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Attention: Mr. Perry Zimmerman, Business Manager

Dear Mr. Zimmerman:

This is to inform you that the Company has decided to cancel the Health Net Exclusive Provider Organization (EPO) product for Plan Year 2003. In Letter of Agreement 01-34-PGE, the parties agreed to a one-year trial of this health care product, after which time the EPO could be extended by mutual agreement of both parties.

This health care product currently covers Butte, Humboldt, Lake, Sutter, and Yuba counties. The EPO product was implemented on a trial basis due to the lack of HMO coverage in these counties, and because the product would be transparent to members. For Plan Year 2002, the rates of the EPO were blended with the commercial HMO rates and the benefit designs were identical.

Health Net has informed us that it will no longer allow these rates to be blended with the commercial HMO rates. The EPO must be treated like a separate plan. Health Net's proposed rates for this product are so high that the Company anticipates very limited membership. The EPO rates are substantially higher than the UHC rates. There are approximately 176 IBEW bargaining unit active employees and retirees enrolled in this plan. Retirees would be required to absorb the entire increase, while active employees would be required to pay the excess cost over the UnitedHealthcare plan in accordance with Section 5(c) of the Medical, Dental and Vision Agreement. We do not believe that employees would do so.

The following table provides a comparison of EPO rates and 2003 UnitedHealthcare rates.

Monthly Rates - Under Age 65	2002 EPO Rates	2003 Renewal Rates EPO	2003 Bargaining/Early Retiree Rates POS/PPO/OOA	Difference
Employee only	\$213.40	\$495.53	\$396.58	\$98.95
Employee + Spouse	\$448.15	\$1,040.62	\$832.82	\$207.80
Employee + Children	\$384.13	\$891.97	\$713.84	\$178.13
Employee + Family	\$618.87	\$1,437.05	\$1,150.09	\$286.96

Sincerely,

Stephen A. Rayburn
Director and Chief Negotiator

cc: Al Smullin
Robin Wythe