



LETTER AGREEMENT NO. 03-40-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 2547
VACAVILLE, CALIFORNIA 95696
(707) 452-2700

STEPHEN RAYBURN
DIRECTOR AND CHIEF NEGOTIATOR

PERRY ZIMMERMAN
BUSINESS MANAGER

December 9, 2003

Local Union No. 1245
International Brotherhood of
Electrical Workers, AFL-CIO
P. O. Box 2547
Vacaville, CA 95696

Attention: Mr. Perry Zimmerman, Business Manager

Dear Mr. Zimmerman:

In Letter Agreement 03-09-PGE, the parties agreed to new appeals procedures for health care benefit plans as mandated by the Department of Labor. In addition, a voluntary review process was piloted for 2003. The voluntary review process was provided as an option to employees for PG&E's self-funded plans (UnitedHealthcare, Medco Health, ValueOptions, Delta Dental and Vision Service Plan) after employees exhaust the respective health care vendor's appeal process.

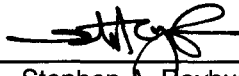
The Company proposes that the voluntary review process agreed to in Letter Agreement 03-09-PGE be extended until December 31, 2004.

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

By: _____


Perry Zimmerman
Business Manager

2-6-, 2004