



**Pacific Gas and
Electric Company.**

LETTER AGREEMENT NO. 04-21-PGE

IBEW



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 A. RAYBURN,
DIRECTOR AND CHIEF NEGOTIATOR

PERRY ZIMMERMAN,
BUSINESS MANAGER

March 23, 2004

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:

Since 1988, outage recognition programs which award paid time off for achieving defined outage goals have been offered to employees performing work on refueling outages at the Diablo Canyon Power Plant (DCPP). The most recent agreement, 03-01, covered the eleventh refueling outage for Unit 2 (2R11).

Performing safer, shorter and less expensive outages remain primary and important goals of PG&E and for that reason the Company is proposing an outage recognition program for the twelfth refueling outage of Unit 1 (1R12) scheduled to begin in February 2004 and the twelfth refueling outage of Unit 2 (2R12) scheduled to begin in October 2004. The structure of the proposed program is the same as the program agreed to for 2R11 with the exception that the scheduling of any earned time off will be taken as specified by the Company but in no case later than June 1, 2005.

The specifics of the program are attached. The award applies to employees in regularly authorized positions who directly support the outage or employees in regularly authorized positions at Diablo Canyon whose normal job function must continue through the outage. The award will not apply to temporary additional employees, hiring hall employees or contractors.

If you are in accord with the foregoing 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: _____

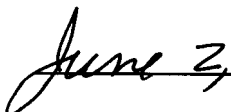

Stephen A. Rayburn
Director and Chief Negotiator

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

 _____, 2004

**Diablo Canyon Power Plant
1R12 and 2R12 Outage Recognition Program
PG&E Active Status Employees**

ADMINISTRATIVE GUIDELINES

A. General Eligibility

All Generation Business Unit employees and PG&E employees who are matrixed or assigned to Diablo Canyon Power Plant (DCPP) operations in support of the Unit 1 twelfth or Unit 2 twelfth refueling outage will be eligible for participation in the program.

Other PG&E employees who work at the plant site during the outage are eligible for the award at the discretion of their management.

The award will not apply to contractors, temporary additional employees, and building trades personnel.

Participants who leave before the end of their outage assignment or who are discharged will not be eligible for an outage recognition award. Specific employee eligibility will be determined by Generation Business Unit management and Human Resources.

B. Individual Award Determination

The 1R12 and 2R12 Outage Recognition Programs provide for an option of additional paid time off, similar to the 2R11 Outage Award program.

1. Individual awards will be determined by the final award determination of the Senior Vice President of Generation Business Unit based on the program criteria outlined in the 1R12 and 2R12 Outage Performance Recognition Program for PG&E Active Status Employees.
2. The individual award basis applicable to the employee's organization and status is as follows:
 - a) Generation Business Unit regular full-time employees and other matrixed PG&E employees who work at DCPP full time, who are on active payroll at the end of the outage, will receive the full recognition earned. Employees on rotation outside of DCPP during the outage may be excluded at management's discretion.
 - b) Other PG&E regular full-time employees will receive a pro-rated award based on the number of days worked in support of the outage as outlined under "Pro-Rated Incentives" below. Generation Business Unit employees who do not support DCPP Operations may not be eligible.
 - c) Employees in full-time equivalent job share arrangements will receive an award the same as full-time employees, but allocated according to the job share arrangements.
 - d) Generation Business Unit part-time employees will receive a pro-rated award equivalent to full-time days worked in support of the outage.

C. Pro-Rated Awards

For eligible employees who work a number of days not equal to the actual time between "breaker open to Mode 4," the individual award will be determined by dividing the total number of days worked in direct support of the outage* by the total number of days from breaker open to Mode 4. Awards will be rounded to the nearest whole hour.

Example: If the final award hours earned determined by the Sr. VP - Generation Business Unit is 18 hours;
And, if the "breaker open to Mode 4" actual duration is 20 days;
And, if a matrixed employee works 17 days in support of the outage:

Individual Award = $\frac{(17 \text{ days worked in support of the outage})}{(20 \text{ days} = \text{actual breaker open to Mode 4})} \times 18 \text{ hours}$

Final Award = 15 hours earned

* The number of days worked in direct support of the outage may include time worked just prior to the breaker open period, if the individual's assignment is scheduled to complete before we reach Mode 4.
Examples: Access & Badging personnel, trainers, planners and schedulers.

D. Award

After the vacation hours have been determined by the NPG officers, the award will be administered as follows:

- Regular PG&E employees who directly supported 1R12 or 2R12 whose normal job function continued throughout 1R12 or 2R12:

Award will be provided as time off with pay only. Any award hours for 1R12 or 2R12 will be specified by the NPG officers as to when it will be taken but in no case will it be later than June 1, 2005.

- Contractors, temporary additional employees, and building trades personnel:

Award is not applicable to this population of workers.

E. Term

This program applies only to the Unit 1 and Unit 2 Twelfth Refueling Outages (1R12 and 2R12).

F. Exceptions

All exceptions will be directed to the Outage Performance Recognition Program Administrator, DCPH Human Resources, and will be subject to Officer approval.

DIABLO CANYON POWER PLANT**UNIT 1 AND UNIT 2 TWELFTH
REFUELING OUTAGES****PERFORMANCE RECOGNITION****PROGRAM**

The 1R12 and 2R12 Outage Performance Recognition Programs have been designed to recognize the performance of the organization in the areas of Safety, Cost, Generation, and Reliability.

Both 1R12 and 2R12 programs have two components:

- (1) Immediate recognition of individuals or groups with non-monetary awards during the outage based on excellent performance in the achievement of specific milestones.
- (2) Recognition of the outage team as a whole after the outage based on total plant performance and meeting our goals in the three key areas of safety, cost, and generation.

Based on benchmarking data of other utilities' outage incentive awards, 20 hours of vacation can be earned if 1R12 is completed safely, within 48 days, runs reliably for 30 days, and at a cost of \$40.2M. For 2R12, 20 hours of vacation can be earned if 2R12 is completed safely, within 42 days, runs reliably for 30 days, and at a cost of \$45.4M. A few additional hours may be earned for each outage if the outage is of shorter duration and/or costs less than the goal.

This award applies to regular PG&E employees who directly support the outage or whose normal job function must continue through the outage. The award will not apply to contractors, temporary additional employees, and building trades personnel. The award will be paid as additional time off with pay. In the past, we allowed the sale of vacation hours since shorter and less expensive outages delivered increased revenues to PG&E that could be shared with employees. With the new rate case for DCP, this direct relationship does not exist since no additional cash is generated by shorter outages. Nonetheless, having safe, short, and less expensive outages is our goal as an industry leader, has value to PG&E and our customers, and is an effort that should be rewarded.

I. Recognition During the Outage

During the outage, groups and/or individuals will be recognized as successes linked to our goals occur. Departments are encouraged to recognize groups from other departments. Recognition can be by various non-cash methods.

II. Recognition After the Outage

After each outage, the NPG officers will determine an overall recognition award, based on performance against pre-established outage goals. If 1R12 is completed with all safety goals met, in 48 days' duration, \$40.2M in cost, power ascension is completed within the goal, and runs reliably for 30 days, 20 hours of vacation will be awarded. If 2R12 is completed with all safety goals met, in 42 days' duration, \$45.4M in cost, power ascension is completed within the goal, and runs reliably for 30 days, 20 hours of vacation will

be awarded. At this time the cost and duration for 2R12 are not final so they will be reviewed based on the projected cost and duration at the start of 2R12. When we evaluate the performance, roughly a third of this award will be based on cost, a third on duration, power ascension, and a 30-day reliable run, and a third on safety. A few additional hours may be earned for each outage if the outage is of shorter duration and/or costs less than the goal.

If significant events occur that dramatically affect safety, the NPG officers reserve the right to adjust this amount accordingly, up to elimination of the award for very serious events.

III. Outage Goals

Goals have been established in areas that are in alignment with the NPG Triangle of Safety, Cost, and Generation and apply to all individuals supporting the outage. The award hours are aligned accordingly.



AREA	GOAL
Safety <ul style="list-style-type: none"> • Industrial Safety • Radiological Safety • Nuclear Safety • Human Performance 	Zero (0) DI's ≤ 140 Person-Rem For 1R12 < 120 Person-Rem For 2R12 No Challenges to Decay Heat Removal No Significant Equipment Damage No Significant Security Violations No Significant Human Performance Events
Reliability <ul style="list-style-type: none"> • Power Ascension • 100% Power 	≤ 5.5 Days ≥ 30 days
Generation <ul style="list-style-type: none"> • Schedule 	≤ 48 Day Goal For 1R12 < 42 Day Goal For 2R12
Cost <ul style="list-style-type: none"> • Incremental Expense 	≤ \$40.2 Million For 1R12 < \$45.4 Million For 2R12

IV. Performance Award

During Outage

During the outage, individuals or groups will be recognized as successes linked to our goals are achieved. This type of recognition can take many forms and the decision of what is appropriate will be left to the individual or department responsible for or benefiting from the accomplishment.

After Outage

Following the completion of power ascension, the NPG officers will assess overall outage performance against the outage goals to determine the distribution of the 20 hours of available award. More specific details regarding this assessment are provided in Section II.

V. Administration

After the vacation hours have been determined by the NPG officers, the award will be administered as follows:

- Regular PG&E employees who directly supported 1R12 or 2R12 or whose normal job function continued throughout each outage:

Award will be provided as time off with pay only. Any award hours for 1R12 or 2R12 will be specified by the NPG officers as to when it will be taken but in no case will it be later than June 1, 2005.

- Contractors, temporary additional employees, and building trades personnel:

Award is not applicable to this population of workers.