



**Pacific Gas and
Electric Company.**

LETTER AGREEMENT NO. 04-44-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

September 22, 2004

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

Dear Mr. Zimmerman:

During 2002-03 general negotiations, the parties agreed to eliminate Aetna as an HMO option and to evaluate HMO options for a replacement HMO. The Company has conducted an extensive evaluation of HMO options available and has determined that Blue Shield of California HMO is a viable option at this time. Therefore, the Company proposes to make the Blue Shield of California HMO product available to employees and retirees effective January 1, 2005. The plan design will be the plan design that Blue Shield allows that is most similar to PG&E's other HMO plan designs.

Blue Shield has not made commitments to certain terms beyond a two-year period, which could change the feasibility of continuing to offer this HMO beyond that time. Therefore, the Company proposes that either party may cancel the Blue Shield HMO option after the two-year period. Should a cancellation occur, it would occur at the end of the plan year and be effective on January 1 of the next year to provide employees and retirees adequate notice and allow them to make an alternate selection during the open enrollment period. Conditions that may cause the cancellation of the Blue Shield HMO would include but not be limited to:

- An unreasonable increase in rates which is not in line with the rates of the other medical plans offered.
- A change in contract terms that adversely affects the viability of continuing to offer the Blue Shield HMO product.
- A failure of Blue Shield to adhere to its commitments.
- Poor quality service.
- Major provider network issues

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

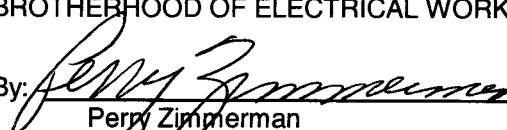
By: _____


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

Sept 29, 2004