



**Pacific Gas and
Electric Company**

LETTER AGREEMENT NO. 05-26-PGE

IBEW



PACIFIC GAS AND ELECTRIC COMPANY
INDUSTRIAL RELATIONS DEPARTMENT
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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

June 10, 2005

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:

The Company and Union recognize that California is a sophisticated energy marketplace and that customer expectations are high and increasing. Customers demand PG&E to be a quality service provider, in as cost efficient a manner as possible. For PG&E to continue to provide the type of service customers want and expect, it must make significant investment to replace existing infrastructure in its 100 year old system, as well as build new facilities. At the same time, PG&E must pursue and maintain operational excellence in key operating areas, including service delivery, power quality and reliability, billing, and revenue collection. Both the Company and the Union recognize that all interested stakeholders in PG&E's business – customers, employees, regulators and the communities it serves – have significant interests in the Company's ongoing success.

In parallel with its planning to make much needed infrastructure investment, the Company has also embarked on "Business Transformation," an enterprise-wide effort to conduct a thorough examination of its critical customer-based operations, to identify innovative processes to maximize their effectiveness, and to explore the redeployment of available resources for infrastructure upgrades.

Proper implementation of Business Transformation will result in the introduction of new tools and the adoption of coordinated processes. In addition, available resources will be redeployed to enhance the Company's infrastructure. To maximize the effectiveness of Business Transformation and to achieve the necessary infrastructure investments, the effective use of staffing resources are essential.

Over the past weeks, the Company and Union have discussed the infrastructure investment and the Business Transformation activities. During those meetings, the parties also discussed their respective rights and obligations under the Labor Agreements and, in doing so, creatively explored ideas to promote proper implementation of Business Transformation and infrastructure investment consistent with relevant contractual provisions.

As a result of these meetings, the parties recognize that PG&E's ability to attain customer service excellence is directly tied to appropriate infrastructure investment and the proper design and implementation of Business Transformation. Therefore, in accordance with the spirit and intent of the labor-management cooperation agreement signed by the parties on September 24, 2001, the Company and Union have reached agreement on the following items:

Employee Involvement and Initiative Implementation

While the Company has identified the initiatives that will be moving forward, it recognizes that it may be beneficial to have subject matter experts participate in the design and implementation phases of the specific initiatives that impact bargaining unit employees. Therefore, for selected initiatives, the Company shall consult with the IBEW Business Manager to identify bargaining unit employees and/or union representatives for participation.

Participation of bargaining unit members in design and implementation team efforts shall be considered as time worked, and the Company shall be responsible for the costs associated with employees' participation on the design and implementation teams.

The Company and the Union shall mutually support bargaining unit participation in the design of initiatives. After their design, the parties shall work cooperatively to facilitate their implementation. The Company recognizes the importance of effective implementation of initiatives and, to further that effort, has developed comprehensive change management activities as part of Business Transformation. The parties shall coordinate their mutual support of initiative implementation with those change management activities.

Support

The Company and Union are committed to working cooperatively to achieve the benefits of Business Transformation, consistent with the Physical and Clerical Labor Agreements as modified by this Letter Agreement. The Union acknowledges that Business Transformation activities support the Company's desire to provide employees with necessary tools and resources needed to meet customer expectations and to lead the industry by delivering the vital services to energize California. Accordingly, the Union agrees to support the reasonableness of this Letter Agreement and each of its terms.

Operational Flexibility

In refining Business Transformation initiatives for effective implementation, the Company and Union recognize that the adoption of new processes and tools may impact the existing job duties and/or work rules and procedures of bargaining unit employees. To adopt these changes, the parties shall apply the provisions of Sections 206.18 and 306.15 of the Physical Agreement and Section 19.17 of the Clerical Agreement. Specifically, the Company shall provide the Union and impacted employees as much advance notice as practicable of any minor change before implementation and the Union will agree to minor job changes as a result of new technology, tools, or processes. However, minor changes that will result in reallocating work between existing lines of progression or in the assignment of duties that are exclusively in one job classification to a lower level position will require discussion and agreement by the Joint Overview Committee before implementation.

Employment Security/Job Opportunities

The Company's goal through Business Transformation is to achieve customer service and operational excellence in a cost-effective manner. PG&E fully understands that its employees and the Union must play essential roles to support its pursuit of that goal.

The Company and Union acknowledge that implementation of some Business Transformation initiatives will lead to infrastructure investment and new operating structures, resulting in the redeployment of assets and revenues and in the geographical realignment of available bargaining unit job opportunities.

As a general matter, the Company shall meet with the Union to discuss employment security provisions on a case-by-case basis as Business Transformation Initiatives are implemented.

The following provisions apply to the Advanced Metering Infrastructure Initiative:

Existing Meter Reader Workforce

- All future Meter Reader vacancies will be filled with Hiring Hall Meter Readers.
- Existing Sr. Meter Readers and Meter Readers may voluntarily convert to Hiring Hall status effective the date this agreement is signed by both parties.
- The parties will discuss timing of the Section 206.1 notice.
- The parties will meet and confer over implementation of Title 206.

- The Company shall offer Sr. Meter Readers and Meter Readers an employment opportunity if they are mobile and qualified. An employee who is not mobile and qualified for any available employment opportunity or who declines an offer under this Letter Agreement shall be afforded all displacement and severance rights under the governing Labor Agreements. If such an employee's exercise of his or her displacement rights results in the potential layoff of a regular employee, the Company shall offer to that latter employee an employment opportunity if that employee is mobile and qualified, in addition to the alternative of his/her severance rights under the governing Labor Agreements.
- Any impacted employee who accepts an employment offer under this Letter Agreement shall receive wage protection in accordance with the provisions of Subsections 19.9(d)/204.6(d)/304.1(c) of the parties' Labor Agreements.
- The Company will develop a Meter Reader career guide to assist Meter Readers in job placement.

Jobs After Installation of AMI

- All maintenance and reading work will be performed by the Company designated bargaining unit classification.

Partial or Total Cancellation of AMI

Should unforeseen circumstances occur to cause the partial or total cancellation of AMI the following provisions shall apply:

- Any regular full-time Meter Readers who bid out of their job prior to being displaced may exercise "A" rights to return to their former job in their former headquarters.
- All Hiring Hall Meter Readers remaining after return of regular full-time Meter Readers from other positions may elect to be converted to regular employees with their date of hire being effective on the date of conversion.

Joint Overview Committee and Expedited Grievance-Arbitration

Within fifteen (15) calendar days after the execution of this Letter Agreement, the Company and the Union shall establish a Joint Overview Committee to address and resolve design and implementation issues related to Business Transformation initiatives. The Committee shall consist of three (3) Company members and three (3) Union members. A Company member shall serve as Chair of the Committee to arrange meetings and to handle administrative matters. Consistent with the parties' acknowledgement of the critical importance of Business Transformation, the Committee shall strive to develop mutually-agreeable approaches to ensure maximum benefits of the initiatives under consideration are consistently achieved.

If Joint Overview Committee members, despite their best efforts, are unable to agree on a specific design or implementation issue and the disagreement is a matter encompassed by the grievance-arbitration provisions of the parties' Labor Agreements, the Joint Overview Committee members may submit the matter to mediation at the Company's expense. Should the matter not be resolved at mediation and the disagreement is a matter encompassed by the grievance-arbitration provisions of the parties' Labor Agreements, the Union retains the right to submit the disagreement for resolution by filing a Business Manager's grievance under those provisions. Both parties commit to resolving any such grievance filed on an expedited basis. Specifically, for any issue submitted to arbitration, the parties shall request the issuance of an arbitration decision within thirty (30) calendar days after the filing of the grievance, absent an agreement to the contrary.

Enabler

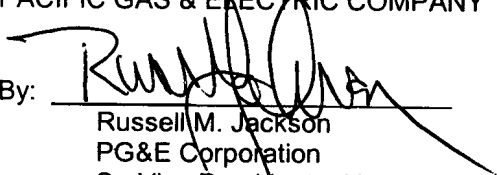
The Company and Union agree that other provisions may be substituted for the provisions of this Letter Agreement with the approval in writing of both parties.

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.

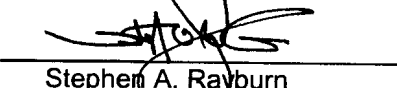
Very truly yours,

PACIFIC GAS & ELECTRIC COMPANY

By:


Russell M. Jackson
PG&E Corporation
Sr. Vice President – Human Resources

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

June 10, 2005

By:


Perry Zimmerman
Business Manager