



LETTER AGREEMENT NO. 05-55-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 A. RAYBURN,
DIRECTOR AND CHIEF NEGOTIATOR

PERRY ZIMMERMAN,
BUSINESS MANAGER

October 28, 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:

Company has purchased new software, SAP, for its Payroll and Human Resources data and processing needs. The capabilities and limitations of this software created a need for the parties to assess contractual provisions which would be difficult or impossible to administer in SAP. The Premium Standardization Committee was charged with this review and for making recommendations. The Committee met over several months and on October 7, 2005 reached agreement on the following:

- 1. Simplify Wage Rate Rules**
Each classification with a unique wage schedule will be given a separate classification code.
- 2. In Lieu Meal Payments**
Will be paid and taxed on regular bi-weekly paycheck instead of weekly check from Accounts Payable with taxes withheld from the next paycheck. Employees may designate the gross of these payments go to a separate direct deposit account than their primary direct deposit account. Employees who receive a pay check may request a separate check for the gross of their In-Lieu meals.
- 3. Premiums**
Will generally be converted to hourly payment and included with each pay period.
- 4. Wages Expressed as Hourly**
Wages will be converted to an hourly rate. The hourly rate will be rounded to the next higher penny when the initial conversion from weekly to hourly takes place and the hourly rate will round to the next higher penny for each General Wage Increase thereafter. This provision will be effective with the January 1, 2006 GWI if ratified prior to that date.
- 5. Factoring**
Factoring will be eliminated on 9 and 10 hour schedules. Overtime will not be paid during regularly scheduled work hours unless the employee starts work early and exceeds 12 hours worked during regular hours or is required to work after earning a rest period.

6. Contractual Departments

A list/table of department names to be used for administering contractual provisions such as bidding, demotion and lay-off, contracting out reporting, grievance tracking, rehire pool, and wage schedules will be developed. Each employee will be mapped to one such department to facilitate contract administration and avoid problems created by frequent Company reorganizations.

7. Vacation

Beginning in July 2006, vacation will be awarded to employees as it is earned based on the allowance schedules outlined in Subsection 111.2(a) (b) (8.2a&b). New employees will not be eligible to take vacation until one year of service.

In January 2006, employees will receive vacation earned in 2005, and in July 2006, employees will receive vacation that was earned between January and July 2006. To provide time for employees to adjust to this change, employees will be allowed to defer up to two times their annual vacation allowance in 2006 and 2007. This will allow employees to have up to three times their annual allowance available for use. In 2008, the maximum deferral will return to one times the annual allowance. Excess vacation will be paid out as it accumulates. Otherwise, the employee would stop accruing vacation until their balance is less than the maximum.

8. Bonus Vacation

Service anniversary, sick leave usage based vacation awards, outage incentive vacation awards, and any other vacation that may be negotiated will be grouped and tracked together (but apart from regular vacation) as these vacation days must be taken in the calendar year in which they are granted.

9. Holidays

Every employee will see 8 hours of holiday time posted to their account and on their pay stub immediately prior to each of the 10 fixed holidays. In addition 24 hours of Requested Holiday time will be posted in January. (This replaces the present Floating Holidays and is covered by the same use and scheduling rules as apply today.)

If an employee does not work on a holiday which falls on a workday, 8 hours of holiday time will be deducted and paid for that day.

If an employee works on a holiday which falls on a workday, the employee will receive overtime. The first authorized day off following the holiday, the holiday time will be deducted and paid; however, this will not apply to a day the employee takes off due to being sick.

If the holiday occurs on the employee's non-workday, the holiday time will be deducted and paid the next time the employee is authorized time off work on a workday, except for sick leave.

Employees on 10-hour schedules who presently are not required to supplement their holiday pay with vacation or floating holiday time, in addition to the above, will receive 1 hour of holiday time per pay period in keeping with the current holiday practice.

Employees on 9-hour schedules will supplement holiday pay with 1 hour of vacation or Requested Holiday time at their option.

Employees on 12-hour schedules will still need to designate 6 holidays per year that they will observe.

10. Group Life Insurance

The current employee options are non-standard, i.e., 1/3 or 2/3 times twice annual salary, or 2 times annual. The default is \$10,000. The conversion will assign those that have elected 1/3 to \$50,000; 2/3 to 1.5 times the base annual salary. Those with the default of \$10,000 and those with 2 times the annual coverage will remain unchanged. Employees will have the option of changing their election.

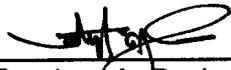
These provisions will be effective with the implementation of the SAP HR/Payroll system, expected to be July 2006, unless otherwise noted.

The above will provide the basis for a review of contractual language that may need to be amended to reflect the above agreements. The parties agree to prepare for the 2008 General Negotiations the appropriate contractual amendments.

If you are in accord with the foregoing and agree thereto, please so indicate in the space provided below and return one executed copy to 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

Jan. 20, _____, 200⁶₅

By: 

Perry Zimmerman
Business Manager