



**Pacific Gas and
Electric Company.**

LETTER AGREEMENT NO. 05-66-PGE

IBEW



PACIFIC GAS AND ELECTRIC COMPANY
INDUSTRIAL RELATIONS DEPARTMENT
2850 SHADELANDS DRIVE, SUITE 100
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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

December 13, 2005

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

Dear Mr. Dalzell:

As the Company and Union have discussed, to achieve customer service and operational excellence, the Company 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 necessary infrastructure upgrades. The Company has identified initiatives for design and implementation in six focus areas: Energy Delivery, Asset Management, Customer Management, Supply Chain, Human Resources and Information Technology.

While the Company has identified the initiatives that will be moving forward, the Company and Union both recognize that it is beneficial to have employee subject matter experts participate in the design and implementation phases of the specific initiatives that impact bargaining unit employees. Therefore, the Company and Union have agreed to bargaining unit employee engagement on the Business Transformation Initiative Teams.

The Company and Union acknowledge that implementation of some Business Transformation initiatives will lead to infrastructure investment and new operating structures and processes, resulting in the redeployment of assets and revenues and in the geographical realignment of available bargaining unit job opportunities. Although specific staffing decisions have not been made, the Company is committed to maximizing the employment opportunities of employees directly impacted by future Business Transformation Initiatives and associated realignment activities.

To fulfill the foregoing commitment, the Company proposes to provide the following workforce transition benefits to employees whom the Company identifies as directly impacted by implementation of a Business Transformation Initiative.

To minimize the number of directly impacted employees (hereinafter referred to as EMPLOYEES), the Company will fill all future vacancies with Hiring Hall employees in impacted workgroups once Section 206.1/306.1/19.1 notice has been given or earlier by mutual agreement.

Prompt Written Notice

The Company will inform the Union prior to providing employees notification that they are subject to displacement. As soon as possible after the Company has identified EMPLOYEES, the Company will provide them with Section 206.1/306.1/19.1 written notification of their status and inform them of the specific workforce transition benefits available to them under this Letter Agreement. EMPLOYEES may elect severance after receiving their Section 206.1/306.1/19.1 written notice. The Company may place a cap on the number of employees who may elect severance based on business needs.

When Company gives Section 206.2/19.2 notice, the filling of bargaining unit vacancies pursuant to Title 205/18 will be suspended until released by those administering the displacement activity.

Career Planning

The Company will make available career planning assistance. Such assistance may include discussion of job requirements, assistance with employee goals/direction/interest, information on testing requirements, review of apprenticeship options, skill assessment/interest match, and realistic job preview opportunities.

Financial Planning Seminars

The Company will make available financial planning seminars through the services of Fidelity Investments.

Bargaining Unit Vacancies

The Company will make available unrestricted IBEW bargaining unit vacancies and IBEW entry-level bargaining unit vacancies designated as Company-appointed vacancies to qualified EMPLOYEES before filling those available vacancies with external hires. Vacancies will be awarded to the senior qualified IBEW-represented employee. ESC-represented employees will have the opportunity to be considered for any remaining vacancies. IBEW-represented employees will have the opportunity to be considered for remaining ESC vacancies after ESC-represented employees have been considered. The IBEW will continue to approve any provisional appointments during this period and every effort will be made to match EMPLOYEES with appropriate skills to provisional positions. The application of this provision will be subject to the rights of any employee consistent with applicable employment discrimination laws.

Administrative and Technical (A&T) Vacancies

The Company will consider qualified EMPLOYEES for available A&T vacancies, before filling them with external hires. To receive consideration, EMPLOYEES must express their interest by using the on-line JOBS Posting System.

Pre-Employment Tests

The Company will remove the two-time limitation on the number of times each pre-employment test may be taken subject to reasonable frequency and conditions-based limitations the Company may implement.

Test Preparation

The Company will provide test preparation workshops after hours and/or on weekends to assist employees in preparing for tests. EMPLOYEES will participate in tutoring and/or workshops on their own time on an unpaid basis. Dates, times and locations of workshops to be determined by mutual agreement.

Job Placement

On a one-time basis, EMPLOYEES who accept another bargaining unit position in a different line of progression before receiving their contractual displacement notice may, within 60 days of beginning their new assignment: (1) elect severance; (2) return to their previous classification by displacing any Hiring Hall employee doing the same work at their previous headquarters unless there is an active displacement activity in progress; or (3) with Company agreement, return to their previous classification by displacing a Hiring Hall employee doing the same work at a different headquarters unless there is an active displacement activity in progress.

Increased Relocation Allowance

Provided all other requirements are met, the maximum reimbursement of reasonable moving expenses under Sections 206.8/19.8 will be \$5,000.

Transitional Leaves of Absence

EMPLOYEES will have their severance payment converted to a fully paid or, if necessary, a 50% partially paid leave of absence if doing so will enable them to reach the minimum retirement age of 55. The length of the leave of absence will be based on 100% or 50% funding of the severance payment. EMPLOYEES on a leave of absence at 50% of their pay will be required to pay 50% of the cost of their benefits. EMPLOYEES on a leave of absence at 100% of their pay will receive medical, dental, and vision benefits at the same rate as employees on full-time, regular status for plan purposes. EMPLOYEES on a leave of absence at 50% of their pay will receive medical, dental and vision benefits at the same rate as employees on part-time, regular status. EMPLOYEES may elect to cancel their medical, dental or vision coverage consistent with current plan provisions. In addition, EMPLOYEES on a 50% leave of absence will accrue half the service of a full-time employee during the period of their leave of absence. EMPLOYEES whose leave of absence is for a period less than their converted severance payment would provide will be paid for any unconverted portion of their severance when beginning the leave of absence. To obtain this benefit, EMPLOYEES must sign a severance agreement to that effect.

Educational Leave of Absence

EMPLOYEES may take an educational leave of absence, for up to a maximum of two years at 50% of their current base pay. EMPLOYEES must provide proof of enrollment and meet all eligibility requirements in accordance with Exhibit I of the Physical Agreement and Exhibit B of the Clerical Agreement as amended by the Tuition Refund/Educational Assistance paragraph below. The duration of any educational leave cannot extend beyond the equivalent of 75% of an EMPLOYEE'S severance amount, because 25% of the severance amount will be used to offset benefit provisions during the leave period. Benefits will be provided consistent with the treatment of part-time employees on a leave of absence. EMPLOYEES on educational leave will have no future displacement and bidding rights, but they may continue their internal job search while on leave and will be considered for unrestricted vacancies. Upon conclusion of the leave, EMPLOYEES will not receive any severance benefits and will be terminated. EMPLOYEES may not engage in full time employment while on an educational leave.

Non-impacted Employees

The Company may, at its discretion, create opportunities for EMPLOYEES by offering non-impacted employees the opportunity to elect severance thereby creating vacancies for qualified EMPLOYEES.

Tuition Refund/Educational Assistance

Provided all other requirements are met, the maximum Educational Assistance under the Physical and Clerical Agreements will be \$5,250. In addition, the Company will allow EMPLOYEES to obtain Education Assistance for study to pursue other internal and external employment opportunities or careers.

External Job Development

The Company will work with external organizations to help identify and make available job opportunities for EMPLOYEES.

Severance Agreement and Release

The Severance Agreement and Release in the parties' Labor Agreement will be revised to reflect certain transition benefits available to EMPLOYEES under this Letter Agreement. To obtain their severance and transition benefits, EMPLOYEES must sign the appropriate Severance Agreement and Release that applies to those benefits.

This Letter Agreement will apply to EMPLOYEES impacted by the Business Transformation and will expire on December 31, 2008.

Mr. Tom Dalzell

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December 13, 2005
L/A 05-66-PGE

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

12/13/05, 2005

By: 

Tom Dalzell
Senior Assistant Business Manager