



**Pacific Gas and
Electric Company.**

LETTER AGREEMENT NO. 06-46-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

TOM DALZELL,
BUSINESS MANAGER

August 29, 2006

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

Dear Mr. Dalzell:

The Company proposes to include the Grace Period provided under IRS Notice 2005-42 for the Health Care Reimbursement Accounts (HCRA) beginning in 2007. In 2005, the IRS approved the Grace Period as a way to encourage greater participation in HCRA-type plans and to help participants avoid forfeiting money. This Grace Period allows members, who participate in HCRA for both the current year and prior year, to have current year eligible expenses incurred before March 15 applied to any remaining account balance from the prior year. All claims documentation must be received by the claims administrator, currently Ceridian, by March 31.

Either party may cancel this agreement upon 30 days advance written notice for the subsequent year.

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: _____


Tom Dalzell
Business Manager

18 Sept 2006, 2006