



LETTER AGREEMENT NO. 96-62-PGE



PACIFIC GAS AND ELECTRIC COMPANY
INDUSTRIAL RELATIONS DEPARTMENT
375 NORTH WIGET LANE, SUITE 150
WALNUT CREEK, CALIFORNIA 94598
(510) 746-4282

INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS, AFL-CIO
LOCAL UNION 1245, I.B.E.W
P.O. BOX 4790
WALNUT CREEK, CALIFORNIA 94596
(510) 933-6060

MEL BRADLEY, MANAGER OR
DAVID J. BERGMAN, CHIEF NEGOTIATOR

JACK MCNALLY, BUSINESS MANAGER

July 9, 1996

Local Union No. 1245
International Brotherhood of
Electrical Workers, AFL-CIO
P.O. Box 4790
Walnut Creek, CA 94598

Attention: Mr. Jack McNally, Business Manager

Gentlemen:

As a result of a joint review of the current medical plan options available for Medicare eligible participants, the parties propose to add three new Medicare Risk health plans for individuals who qualify for these plans. Medicare Risk plans are managed care plans for individuals who are eligible for Medicare. After thorough review and analysis of the information provided to the parties, along with the final vendor presentations, the parties propose the selection of FHP Health Care, Prudential HealthCare and Secure Horizons as new Medicare Risk vendors effective January 1, 1997.

PG&E currently offers three mandated Medicare Risk plans - Aetna, Kaiser North and Kaiser South. The offering of these existing plans will remain status quo.

The addition of the new Medicare Risk health plans will be subject to the following terms and conditions:

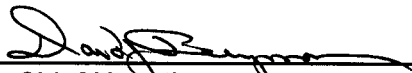
- A. An annual open enrollment period will be held for all individuals covered by PG&E medical plans.
- B. Medicare Risk participants will be eligible for an automatic deferral to a Medicare Supplemental plan for any Medicare Risk disenrollment that occurs during the year, including voluntary disenrollments, as outlined on Attachment A, *Disenrollment Options*.
- C. Medicare Risk coverage is optional with the exception of the existing mandated plans - Aetna, Kaiser North and Kaiser South.
- D. All existing medical plan choices will continue to be offered.

- E. Provide individuals who attain age 65 or become Medicare eligible (e.g. "age-in") Medicare Risk options as described in Attachment B, *Options for Medicare Eligible Individuals*.
- F. Add PacifiCare as an option for basic medical benefits for non-Medicare eligible active employees and non-Medicare eligible participants in all areas except San Luis Obispo and Fresno. However, if a Medicare eligible participant elects Secure Horizons, his/her under age 65 dependents are eligible for coverage with PacifiCare in the San Luis Obispo and Fresno areas.
- G. Adopt the Medicare Risk plan design developed by the parties which includes an unlimited drug benefit for all Medicare Risk plans. Medicare Risk office visit co-pays will be \$5 except for Prudential and Kaiser South which will be \$3.
- H. If a drug program is provided under the HMO Medicare Risk arrangement that is comparable to PG&E's current mail order drug program, Company reserves the right not to offer a duplicative mail order drug program.
- I. An extensive communication program will be developed that includes complete descriptions of the Medicare Risk offerings, costs to members, network coverage and aspects of the "safety net" to disenroll.
- J. The parties agree to review the existing Medicare supplemental provision as outlined in the Medical, Dental and Vision Agreement with respect to the Company's subsidy for Medicare eligible participants through the 94-53 committee that was established to address benefits-related issues.
- K. All terms and conditions become effective with the signing of this Agreement except for the three new Medicare Risk vendors which become available January 1, 1997.

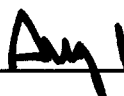
If you are in accord with the foregoing and agree thereto, please so indicate in the space provided and return one executed copy of this letter to the Company.

Very truly yours,

PACIFIC GAS & ELECTRIC COMPANY

By: 
Chief Negotiator

The Union is in accord with the foregoing and agrees thereto as of the date hereof.

, 1996

By: 
Business Manager

Disenrollment Options

- If a participant is enrolled in one of the following Medicare Risk plans, and elects to disenroll, the participant will be moved to the Prudential Out-Of-Area Plan:
 - Aetna Senior Choice
 - Kaiser North Senior Advantage
 - Kaiser South Senior Advantage
 - Prudential Senior Care
 - Secure Horizons
- If a participant is enrolled in FHP Health Care and elects to disenroll, the participant will be moved to FHP Health Care Medicare Supplemental Plan.
- Member and dependents must be covered by the same carrier. For example, if a member in Aetna Senior Choice disenrolls, the member and his/her dependents must be enrolled in the appropriate Prudential Plan.

Options for Medicare Eligible Individuals

Medical plan options for participants who become Medicare eligible are as follows. Participants must meet the eligibility requirements of the Medicare Risk plans as set forth by the vendors:

Current Medical Plan	Option(s)
Aetna	Aetna Senior Choice
Kaiser North / South	Kaiser Senior Advantage
FHP Health Care	FHP Health Care Medicare Risk * FHP Health Care Medicare Supplemental Plan
Prudential (POS, PPO, OOA)	Prudential Senior Care (Medicare Risk) * Prudential Out-Of-Area Plan (Medicare Supplemental) MSP (available to bargaining unit employees only) **
Foundation	Foundation Medicare Supplemental Plan
Health Plan of the Redwoods	Health Plan of the Redwoods Medicare Supplemental Plan
Lifeguard	Lifeguard Medicare Supplemental Plan
HealthNet	HealthNet Medicare Supplemental Plan
PacifiCare	Secure Horizons *

* Plans effective 1/1/97

** The retiree must be 65 years of age and Medicare eligible to enroll

If a Medicare eligible participant does not return his/her Medicare Risk election form by the date designated, he/she will default to his/her current plan's Medicare Supplemental Plan. Aetna and Kaiser North/South members will automatically be enrolled in their respective Medicare Risk mandated plans contingent upon the return of his/her Medicare Risk election form. If no Medicare Supplemental Plan is available and the participant does not return his/her Medicare Risk election form by the date designated, he/she will be moved to Prudential's Out-Of-Area Plan.

Member and dependents must be covered by the same carrier.