



LETTER AGREEMENT NO. 96-63-PGE

IBEW



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, the parties propose the following modifications to the health care plan provisions contained in the benefit plans as outlined in the 1994 Medical, Dental and Vision Benefit Agreement.

The parties propose to consolidate the retail drug plan coverage currently offered through the Company's Managed Care Point-of-Service vendor with the Mail Service Prescription Drug Program outlined in Exhibit E of the Agreement effective January 1, 1997. Consolidated retail drug coverage will apply to the following plans (POS, PPO, OOA) offered by our current managed care vendor, Prudential HealthCare. Retail drug coverage for the MSP plan will also be provided by the new vendor.

After thorough review and analysis of information provided through the RFP process, and on-site visits by the parties to the drug distribution and customer services facilities, the parties propose the selection of Merck-Medco as the consolidated drug plan vendor.

The consolidation will be subject to the following terms and conditions:

- An extensive communication and transition program will be developed.
- All other provisions of the Plans remain the same.
- Retail prescription drug co-pays for Health Plan of the Redwoods and Kaiser South will remain status quo.

- Savings from this consolidation effort will result in the addition of retail drug coverage for active employees and their eligible dependents who belong to HMOs that do not currently offer this benefit. The co-pay for this new benefit will be set at \$10. The \$10 co-pay is the maximum amount that a participant will pay for an individual drug purchase. If the cost of the drug being purchased is less than \$10, the actual cost is what the participant will pay.
- Active employees and their eligible dependents that elect Kaiser North will also adopt the \$10 co-pay for retail drug coverage. The \$10 co-pay is the maximum amount that a participant will pay for an individual drug purchase. If the cost of the drug being purchased is less than \$10, the actual cost is what the participant will pay.
- Monthly update meetings with the IBEW, ESC, Medco and PG&E will be available to the parties upon signing of this Agreement and will be scheduled through June 1997. At that time, the frequency of future meetings will be determined.
- There will be no change in retail drug coverage for non-Medicare eligible retirees.
- In the spirit of the Partnership forged on April 5, 1995, the parties agree to continue to explore ways in which the Company, its Employees and Shareholders can all benefit from cost savings achieved through this project.

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.

Aug 1, 1996

By: _____
Business Manager