



LETTER AGREEMENT

No. R1-90-229-PGE



Pacific Gas and Electric Company
Industrial Relations Department
215 Market Street
San Francisco, California 94106
[415] 973-1125

International Brotherhood of
Electrical Workers, AFL-CIO
Local Union 1245, IBEW
P.O. Box 4790
Walnut Creek, California 94596
[415] 933-6060

Richard Bradford, Manager

Jack McNally, Business Manager

December 10, 1990

Pacific Gas and Electric Co.
215 Market Street, Room 916
San Francisco, CA 94106

**Attention: Mr. Richard Bradford
Manager of Industrial Relations**

Gentlemen:

This letter agreement confirms our agreement, reached on October 3, 1990 regarding the IBEW Physical and Clerical Bargaining Units' participation in the Management Incentive Plan which, in the future, will be retitled to Performance Incentive Plan.

Effective January 1, 1991 and continuing through December 31, 1993, each employee covered by the IBEW Physical or Clerical Labor Agreement becomes a participant in the Company's annual Performance Incentive Plan. The funding mechanisms and the performance measures for determining payouts under this plan are to be determined and communicated by the Company each year. As discussed, the parties acknowledged the need to separate the utility business from Diablo Canyon as related to these measures. Also, in accordance with the Performance Incentive Plan, the final authority to modify or eliminate final incentive payouts, due to extraordinary events, rests with the Company. All IBEW bargaining unit participants will be compensated at the same rates and factors with the exception of employees at Diablo Canyon Power Plant. DCPPE employees shall be compensated at the same rates and factors within such group.

The Union will be notified of the provisions of the plan as soon as they are developed.

Mr. Richard Bradford
December 10, 1990

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For the plan year 1991, the target participation rate will be 1.5% of 1991 W-2 earnings. For the plan year 1992, the target participation rate will be 2.0% of 1992 W-2 earnings. For the plan year 1993, the target participation rate will be 2.5% of 1993 W-2 earnings. The annual payments given under this plan will be made as soon as practicable after the close of the plan year, and usually on or before March 14 of the year following each plan year.

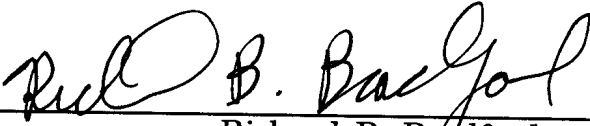
Very truly yours,

LOCAL UNION NO. 1245, INTERNATIONAL
BROTHERHOOD OF ELECTRICAL WORKERS, AFL-CIO

By: 
Jack McNally, Business Manager

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

PACIFIC GAS AND ELECTRIC COMPANY

12/28, 1990 By: 
Richard B. Bradford
Manager, Industrial Relations Dept.