

PACIFIC GAS AND ELECTRIC COMPANY

PG&E



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July 28, 1987

Local Union No. 1245
 International Brotherhood of
 Electrical Workers, AFL-CIO
 P.O. Box 4790
 Walnut Creek, CA 94596

Attention: Mr. Jack McNally, Business Manager

Gentlemen:

The Company proposes to amend certain provisions of the Retirement Plan and the Savings Fund Plan, effective January 1, 1987. These amendments are required by the Retirement Equity Act of 1984.

I. Retirement Plan

The Company proposes that Part III of the Benefit Agreement be amended as follows:

A. Add a new Subsection A to Section 3.04:

- A. If a PARTICIPANT has a BREAK IN SERVICE starting on or after January 1, 1987, the SERVICE of such PARTICIPANT prior to the BREAK IN SERVICE will be canceled unless such prior SERVICE was at least 10 years or, in the event that such prior SERVICE was less than 10 years, such prior SERVICE will be canceled if the period of the BREAK IN SERVICE is equal to or exceeds the greater of (i) five years or (ii) the period of SERVICE prior to the BREAK IN SERVICE.

Redesignate Subsections A and B as Subsections B and C and change the newly designated Subsection B to read (additional language is underscored):

- B. If a PARTICIPANT has a BREAK IN SERVICE starting on or after January 1, 1976, but before January 1, 1987, the SERVICE of such PARTICIPANT prior to the BREAK IN SERVICE will be canceled

unless such prior SERVICE was at least 10 years or, in the event that such prior SERVICE was less than 10 years, if the period of the BREAK IN SERVICE was less than the prior SERVICE. If the PARTICIPANT's contributions to the PLAN have been withdrawn, restoration of the PARTICIPANT's prior SERVICE will be in accordance with the provisions of Section 3.12.

- B. Amend Section 3.11 of the Benefit Agreement by designating the first paragraph of Section 3.11 with an A and redesignating the existing A, B, and C clauses as 1, 2, and 3, respectively. In addition, the following new Subsection B will be added immediately following the newly redesignated clause 3:
- B. The surviving SPOUSE of a PARTICIPANT or of a former EMPLOYEE who dies prior to actual retirement date shall be entitled to receive a SPOUSE's PENSION under this Section 3.11B if, at the time of the death of the PARTICIPANT or former EMPLOYEE, (i) the PARTICIPANT or former EMPLOYEE had at least 10 years of SERVICE, and (ii) the surviving SPOUSE does not qualify for a SPOUSE's PENSION under Section 3.11A, above.

A SPOUSE's PENSION under this Section 3.11B shall be payable on the first day of the month following the later of (i) the date of death or (ii) the month in which the deceased PARTICIPANT or former EMPLOYEE would have attained his 55th birthday. By submitting an election form to the PLAN ADMINISTRATOR, a SPOUSE may elect to begin receiving a SPOUSE's PENSION at a specified later date.

1. For a PARTICIPANT who is less than 55 years of age at the time of his death, the SPOUSE's PENSION will be an amount equal to the MARITAL PENSION that would have been payable to the PARTICIPANT's SPOUSE if the PARTICIPANT had terminated employment at the date of death, had lived until age 55, had begun to receive PENSION payments, and had subsequently died.

2. For a former EMPLOYEE, age 55 or older at the time of his death, who is not yet receiving PENSION payments, the SPOUSE'S PENSION will be equal to the monthly PENSION that would have been payable to the SPOUSE calculated as though the former EMPLOYEE had elected a 50 percent JOINT PENSION with a non-spouse under Special Provision C and had begun receiving a PENSION immediately prior to his death.
3. For a former EMPLOYEE, who is less than 55 years of age at the time of his death, the SPOUSE'S PENSION will be equal to the monthly PENSION that would have been payable to the SPOUSE calculated as though the former EMPLOYEE had survived until age 55, had elected a 50 percent JOINT PENSION with a non-spouse under Special Provision C, had begun receiving a PENSION, and had subsequently died.

C. Amend Section 3.14 by striking "\$1,750.00" and substituting "\$3,500.00."

II. Savings Fund Plan

The Company proposes that the definition of Beneficiary in Section 4.25 of Part IV of the Benefit Agreement be amended to read as follows (additional language is indicated by underscore):

Beneficiary: The person or persons the participant designates to receive any distribution due under the Plan in the event of a participant's death. For a married participant, the participant's spouse shall automatically be the Beneficiary unless the participant, with the written consent of his spouse, elects to designate another person or persons to be Beneficiary. The consent of the spouse shall be in writing, shall acknowledge the effect of the consent, and shall be witnessed by a notary public or Plan representative. A participant designates a Beneficiary on a Designation of Beneficiary Form available from his Division or General Office Personnel Department.

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III. TRASOP AND PAYSOP PLAN

The Company proposes that the definition of Beneficiary in Section 5.22 of Part V of the Benefit Agreement be amended to read as follows (additional language is indicated by underscore):

Beneficiary: The person or persons the participant designates to receive any distribution due under the Plan in the event of a participant's death. For a married participant, the participant's spouse shall automatically be the Beneficiary unless the participant, with the written consent of his spouse, elects to designate another person or persons to be Beneficiary. The consent of the spouse shall be in writing, shall acknowledge the effect of the consent, and shall be witnessed by a notary public or Plan representative. A participant designates a Beneficiary on a Designation of Beneficiary Form available from his Division or General Office Personnel Department.

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

Very truly yours,

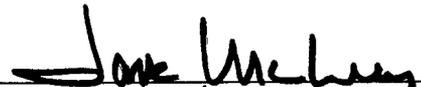
PACIFIC GAS AND ELECTRIC COMPANY

By 
Manager of Industrial Relations

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

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

July 29, 1987

By 
Business Manager