

PACIFIC GAS AND ELECTRIC COMPANY

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245 MARKET STREET • SAN FRANCISCO, CALIFORNIA 94106 • (415) 781-4211 • TWX 910-372-6587

March 3, 1987

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

Attention: Mr. Jack McNally, Business Manager

Gentlemen:

As a result of discussions between Company and Union which began in December 1986 and have continued through today, and to address the concerns of Company's employees relative to their job security during this period in which Company is downsizing its workforce in order to be a competitive supplier of choice to current and future customers, Company proposes the following:

1. Company will offer to eligible bargaining-unit employees in the Steam Generation Department (this does not include Humboldt Bay or Diablo Canyon Power Plants), Computer Operations Department, and Departments reporting to the Vice President and Comptroller its Voluntary Retirement Incentive program as described in the attached Special Provision K to the Retirement Plan contained in the Benefit Agreement between Company and Union dated January 1, 1969 as last amended January 1, 1984.
2. The Company will not layoff for lack of work during 1987 any employee in a bargaining-unit who is willing and able to accept retraining in another line of work and who is willing to relocate if necessary. To carry out this commitment Company will:
 - a) Provide a relocation allowance of up to \$10,000. if necessary for each employee who is so relocated. This increased allowance does not apply to relocations under Title 206 (Physical) or Title 19 (Clerical) of an Agreement between the parties.

- b) At the point where an employee is subject to layoff under the provisions of Title 206 (Physical) or Title 19 (Clerical), Company will offer a retraining package. Following such retraining ("if" necessary) Company will offer vacancies to qualified employees in order of service. If no employee accepts such vacancy, Company will layoff the qualified employee with the least service. Such employee will be offered the severance package described in Item 3 below.
 - c) Employees placed under these provisions will be paid at the pay rate of the newly assigned classification.
 - d) This Item 2 is not applicable to General Construction; however, Company will use its best efforts in cooperation with Union to place General Construction employees who are subject to layoff. Company will continue to use General Construction, where possible, ahead of contractors for its construction work.
 - e) An employee laid off due to lack of work and inability to pass a test required for changing into any other line of work will be eligible for preferential rehire for up to one year upon meeting the requirement for such transfer. Upon meeting such requirement the employee will be either placed in a vacancy or into the retraining pool.
3. Offer to employees who cannot be retrained or who elect not to be retrained or relocated under Item 2 above and who are not eligible for VRI in Item 1 above, a severance package consisting of:
- a) Four week's pay plus one week's pay for each year of service or major fraction thereof, and
 - b) A continuation of the employee's medical plan coverage (including currently enrolled dependents if any) for one year or until covered by another group health plan, whichever is sooner.

In the Bay Area, the Company's placement center (second floor of 1 California Street, San Francisco) is available as part

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of the severance package. If similar field centers are established, they too will be made available. The severance package is only available to employees who individually execute Company's release form.

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

Yours very truly,

PACIFIC GAS AND ELECTRIC COMPANY

By Alton Bright
Manager of Industrial Relations

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

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

March 4, 1987

By Jack Wehner
Business Manager

SPECIAL PROVISION K

I. Introduction

This Special Provision K, an amendment to the COMPANY'S RETIREMENT PLAN, adopted by the COMPANY'S Board of Directors on December 17, 1986, is the controlling and definitive statement of the Voluntary Retirement Incentive program ("VRI"). The purpose of the VRI is to reduce a surplus of COMPANY employees in certain designated operations. The VRI is a part of the RETIREMENT PLAN, and except as otherwise provided in this Special Provision K, shall be administered in accordance with and subject to the terms of the RETIREMENT PLAN. Terms in all capitals are defined in Section 3.22 of the RETIREMENT PLAN. Terms underlined are defined in Section VII of Special Provision K.

The decision of an Eligible Employee to elect to participate in the VRI is wholly voluntary, and an election not to participate in the VRI shall in no way affect benefits under the RETIREMENT PLAN to which an Eligible Employee might otherwise be entitled.

II. Eligibility to Participate in the VRI

Eligible Employees shall be any active employee of the COMPANY, born on or before January 1, 1937, who has at least 15 years of SERVICE on January 1, 1987, who is subject to an Agreement effective January 1, 1984, between UNION and COMPANY, and who is employed in one of the following departments:

- a. Steam Generation (but not including Humboldt Bay Power Plant or Diablo Canyon Power Plant);
- b. Computer Operations; and
- c. any department reporting to the Vice President and Comptroller.

For purposes of this VRI only, the term active employee shall not include an employee of the COMPANY (i) who, on January 1, 1987, is presently receiving benefits under Part B of the Group Life Insurance and Long Term Disability Plan; (ii) who, as of January 1, 1987, is on personal or medical leave, with or without pay; or (iii) who is a former employee whose ACTUAL RETIREMENT DATE was November 1, 1986, or earlier.

III. Election to Participate

An Eligible Employee must elect to participate in the VRI by submitting a completed and signed VRI enrollment form which is received by a designated COMPANY representative no later than April 30, 1987. An Eligible Employee who fails to submit a timely enrollment form shall be deemed to have elected not to participate in the VRI. The election of an Eligible Employee not to participate in the VRI, whether through failure to timely submit a VRI election form or otherwise, shall be conclusive and binding on the employee, employee's spouse, heirs, and assigns.

IV. VRI Benefit

- A. Basic VRI Benefit. An Eligible Employee who elects in a timely manner to participate in the VRI shall be entitled to receive a Basic VRI Benefit under the RETIREMENT PLAN equal to the BASIC PENSION benefit formula calculated under Subsection 3.06A, with the following adjustments:
1. BASIC WEEKLY PAY shall mean the PARTICIPANT'S BASIC WEEKLY PAY on January 1, 1986, increased by 5 percent;
 2. SERVICE shall mean the PARTICIPANT'S SERVICE as of the VRI Retirement Date selected by the PARTICIPANT, increased by five years; and
 3. The Basic VRI Benefit shall not include any amount attributable to the Additional Retirement Income provisions under Subsection 3.06A1 of the RETIREMENT PLAN.
 4. The EARLY RETIREMENT PENSION reduction provisions of Subsection 3.07B shall not apply to any Basic VRI Benefit payable under this Special Provision K.
- B. A Basic VRI Benefit shall be payable as of the VRI Retirement Date selected by the Eligible Employee and shall be paid as soon as practicable after the applicable VRI Retirement Date. Eligible Employees who elect to participate in the VRI shall not be subject to the age 55 requirement contained in Section 3.08.
- C. Section 3.10 of the RETIREMENT PLAN shall control the conditions under which other forms of pension may be substituted for the Basic VRI Benefit.

Thus, although a PARTICIPANT is entitled to receive a Basic VRI Benefit, if the PARTICIPANT is married, Subsection 3.10B of the RETIREMENT PLAN requires that the Basic VRI Benefit be converted to a MARITAL PENSION, unless the PARTICIPANT'S spouse consents to an alternative form of pension.

- D. The Basic VRI Benefit payable under this Special Provision K shall be in lieu of any benefit which might otherwise be payable under the RETIREMENT PLAN.
- E. A participant who elects to participate in VRI shall also be entitled to make the elections provided in Sections 3.10 (Forms of Pension), 3.12 (Withdrawal of Participant Contributions on Termination of Employment), 3.13 (Death Benefits), and 3.14 (Facility of Payment).

V. VRI Retirement Dates

At such time as an employee elects to participate in the VRI, he shall select a VRI Retirement Date. For purposes of this Special Provision K, a VRI Retirement Date shall mean one of the following:

- a. June 1, 1987; or
- b. The first of any month during the period commencing with July 1, 1987, and ending with and including December 1, 1987. This Subsection b shall only apply in the event that the COMPANY, in its sole discretion, determines that it has a business need which requires the retention of the Eligible Employee.

The VRI Retirement Date selected shall also be the date as of which an Eligible Employee ceases to be an employee of the COMPANY.

VI. Revocation of Election

An Eligible Employee who has elected to participate in the VRI may revoke his election, provided, however, that any such revocation shall only be effective if received by the COMPANY on or before May 15, 1987.

VII. Definitions

- A. Basic VRI Benefit: The benefit calculated under Section IV of this Special Provision K.
- B. Eligible Employee: An employee of the COMPANY who has met the eligibility criteria as set forth in Section II on January 1, 1987.
- C. VRI: The COMPANY'S Voluntary Retirement Incentive program as set forth in this Special Provision K.
- D. VRI Retirement Date: The date selected by an Eligible Employee under Section V of this Special Provision K.