



LETTER AGREEMENT NO. 02-45-PGE



PACIFIC GAS AND ELECTRIC COMPANY
INDUSTRIAL RELATIONS DEPARTMENT
2850 SHADELANDS DRIVE, SUITE 100
WALNUT CREEK, CALIFORNIA 94598
(925) 974-4104

INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS, AFL-CIO
LOCAL UNION 1245, I.B.E.W.
P.O. BOX 4790
WALNUT CREEK, CALIFORNIA 94596
925-933-6060

STEPHEN A. RAYBURN
DIRECTOR AND CHIEF NEGOTIATOR

PERRY ZIMMERMAN
BUSINESS MANAGER

September 17, 2002

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

Attention: Mr. Perry Zimmerman, Business Manager

Dear Mr. Zimmerman:

The Company learned that on Friday, September 13, 2002, the California Department of Managed Healthcare (DMHC) seized the operations of the Lifeguard HMO because the HMO's net assets and cash reserves fell below the level that the DMHC deems "safe." The DMHC has appointed a conservator to evaluate the situation and operate Lifeguard on a "business as usual" basis until the conservator can determine the correct actions to protect consumers.

Due to the uncertainty of the future of Lifeguard and service quality issues associated with their financial situation, the Company proposes to eliminate Lifeguard as one of the HMO's provided to employees effective January 1, 2003.

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: 
Stephen A. Rayburn
Director and Chief Negotiator

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

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

September 23, 2002

By: 
Perry Zimmerman
Business Manager