



**Pacific Gas and
Electric Company**

LETTER AGREEMENT NO. 06-08-PGE

IBEW



PACIFIC GAS AND ELECTRIC COMPANY
INDUSTRIAL RELATIONS DEPARTMENT
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INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS, AFL-CIO
LOCAL UNION 1245, I.B.E.W.
P.O. BOX 2547
VACAVILLE, CALIFORNIA 95696
(707) 452-2700

STEPHEN A. RAYBURN,
DIRECTOR AND CHIEF NEGOTIATOR

PERRY ZIMMERMAN,
BUSINESS MANAGER

February 6, 2006

Mr. Perry Zimmerman, Business Manager
Local Union No. 1245
International Brotherhood of
Electrical Workers, AFL-CIO
P.O. Box 2547
Vacaville, CA 95696

Dear Mr. Zimmerman:

Hunters Point Power Plant is scheduled to be shut down some time in the second quarter of 2006, depending upon the completion of certain transmission projects in the Bay Area. In an effort to safely operate the plant until shutdown, to provide employees with information to assist them in making career decisions and to minimize disruption, Company proposes the following plant closure process:

AB 1890 Enhancements

According to the 2000 General Negotiations agreement, HPPP employees are eligible for some of the provisions of Letter Agreement 97-53 where Company and Union jointly agree that a workforce reduction is recoverable under AB 1890. Company has determined that costs associated with these items are recoverable under AB1890 as long as they are incurred before 12/31/06.

Those provisions include:

- Enhanced relocation (206.8): Employees who must relocate to secure an employment opportunity will be provided with reimbursement for moving expenses as defined in Section 206.8 of the Physical Agreement up to a maximum of \$5,000.
- Extended rehire rights (206.13): The reemployment provisions in 206.13 are modified as follows. Notwithstanding any other provision of this Agreement a regular employee who has been laid off for lack of work pursuant to the provisions of this Agreement for a period not in excess of sixty months and who had one or more years of Service at the time of layoff.
- Retraining assistance: As of the 206.1 notification date (1/19/06), employees will be eligible for the retraining assistance provisions of Letter Agreement 97-143 as applicable to the Hunters Point shut down. In addition, Company has implemented the Hunters Point Power Plant Employee Transition Plan which includes conducting informational meetings with affected employees to explain and discuss the various benefit programs, options, and strategies available to employees.
- Early retirement program (Special Provision P): Eligible employees who are 50 years of age or older will be given five additional years of service or age or a combination of age and service under the provisions of the Retirement Plan as outlined in the current Benefit Agreement. Special Provision P will apply to Hunters Point Power Plant. Employee Severance and Displacement program payments are not considered "benefits" in Section II.(iii) of Special Provision P. Attachment 1 is Special Provision P.

Early Retirement Incentive Offering and Title 206 Assignments

In Letter Agreements 00-01, 00-13 and 00-53, the parties agreed to a modified Title 206 displacement process for employees at Phase I steam plants (Moss Landing and Morro Bay) and Phase II steam plants (Pittsburg, Contra Costa, Potrero and Geysers). The process provided for the scheduling of Title 206 to correspond to various employment opportunities that were available to employees from divested plants. Company proposes, pursuant to Section 206.12 of the Physical Agreement, to apply a similar process for Title 200 employees at Hunters Point Power Plant (HPPP). Details of this proposal are as follows:

1. All HPPP employees were given their Section 206.1 notification on January 19, 2006 so that they may begin exercising their accelerated bidding and transfer rights (206.9). Employees accepting lower-paid positions following 206.1 notification will be eligible for wage protection pursuant to Subsection 204.6(d). Report dates for employees who are awarded jobs may be delayed by Company depending on operational need.
2. Company will make every effort to identify current URA, NQB and entry level vacancies that may be opportunities for HPPP employees, and work with the respective departments to hold those vacancies for qualified HPPP employees to consider.
3. The 30 day Early Retirement Incentive (ERI) offer period will begin in February, 2006. The release date for employees electing ERI will be determined by the Company. ERI is only available after plant shut down. Therefore, should the plant closure be delayed beyond an employee's projected retirement date, May 1st for example, the Company would adjust the employee's retirement date to a later month, such as June 1st or July 1st.
4. After the conclusion of the ERI offer period, all employees, except those electing ERI, will be given 14 days notice (206.2) of an impending Title 206 action. During this period, employees will have the opportunity to update their Employee Election Forms. Employees electing 206.7 layoff with severance should indicate this in Section C of their Employee Election Form.
5. The Title 206 job assignment process will begin immediately after the 14 day notice period. Employees will be notified of job assignments approximately one week later, and will then have 7 days to accept or decline the assignment. Should there be more than one employee assigned to the same classification in a Demotion Area, Demotion Unit or the System, they will have an additional 7 days to select a headquarters.
6. Hiring Hall positions in the Department (Humboldt Bay Power Plant and Diablo Canyon Power Plant) that are not relieving behind an absent employee will be considered as regular job vacancies for the purpose of Title 206. Any Hiring Hall positions or Temporary Additional employees (106.12 T.A.) hired exclusively for an overhaul at either Humboldt Bay or Diablo Canyon that is in progress at the time of displacement will be excluded from being used as vacancies for the Title 206 process.
7. The parties agree that the provisions outlined in Letter Agreement R3-00-03, Demotion and Layoff Procedure Applicable to Operators in Steam and Nuclear Generation Departments, no longer applies because the three remaining plants are in three separate Demotion Areas.
8. In order to minimize the impact, once the first 206 assignments are determined, Company will stop the process so that Company and Union may assess the need for additional 206.2 notifications. At this point, impacted departments will have the option to absorb additional employees instead of proceeding with further displacements and layoffs.

- 9. Report dates to 206 assignments will be delayed until employees are released from Hunters Point, although for the purpose of any future displacement activity an employee will be considered as being in the position to which he or she was assigned.
- 10. The Company will specify the number and classifications of employees who will be needed to remain working for a period of time beyond plant shut down in order to prepare for dismantling. Company will ask for volunteers by classification, and in the event there are more volunteers than needed, Company will assign the work to the volunteers with the most service. For employees who have accepted a 206 assignment, their report dates will be delayed until the work is completed. For employees who have elected to retire, their effective retirement date will be adjusted to a later month as needed.

This process has been discussed with Assistant Business Manager Ken Ball and Business Representative Landis Marttila.

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 & ELECTRIC COMPANY

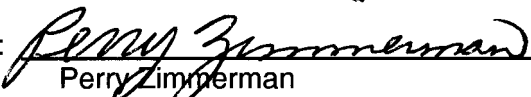
By: 

 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

Feb 10-, 2006

By: 

 Perry Zimmerman
 Business Manager

SPECIAL PROVISION P

I. Introduction

This Special Provision P, an amendment to the COMPANY'S RETIREMENT PLAN, authorized by the COMPANY'S Board of Directors on February 19, 1997, is the controlling and definitive statement of the Special Retirement ("SR") Benefit program for certain Power Generation bargaining unit employees. The purpose of the SR Benefit program is to provide SR Benefits for EMPLOYEES whose employment is terminated because of the Sale of Eligible Plants. The SR Benefit program is part of the RETIREMENT PLAN, and except as otherwise provided in this Special Provision P, shall be administered in accordance with and subject to the terms of the RETIREMENT PLAN. Terms in all capitals are defined in Section 23 of the RETIREMENT PLAN. Terms underlined are defined in Section IV of Special Provision P.

II. Eligibility for Special Retirement Benefits

An Eligible Employee shall meet all of the following criteria: (1) the EMPLOYEE is an active EMPLOYEE of the COMPANY represented by the International Brotherhood of Electrical Workers, Local 1245, AFL-CIO or the Engineers and Scientists of California, MEBA, AFL-CIO; (2) the COMPANY has eliminated the EMPLOYEE'S job because of the Sale of an Eligible Plant; (3) the EMPLOYEE'S base position on the date the EMPLOYEE'S job is eliminated is headquartered at an Eligible Plant in the Power Generation line of progression; (4) the EMPLOYEE was born on or before the date that is fifty (50) years prior to the last day of the month in which the EMPLOYEE'S job is eliminated; (5) the EMPLOYEE has at least five (5) full years of SERVICE on the last day of the month in which the EMPLOYEE'S job is eliminated; and (6) the EMPLOYEE elects to retire from employment with the COMPANY within thirty (30) days after receiving notice from the Company that his or her job has been eliminated. For purposes of this Special Provision P only, the term active EMPLOYEE shall not include an EMPLOYEE of the COMPANY (i) who, on the date of job elimination, is receiving benefits under Part B of the Group Life Insurance and Long Term Disability Plan; (ii) who is on a leave of absence, with or without pay, which began prior to the date of job elimination; (iii) who has received or is scheduled to receive severance benefits under the COMPANY'S Workforce Management Program, Letter Agreement No. 93-42-PGE, or under any other written agreement between the COMPANY and the EMPLOYEE in which the EMPLOYEE has received benefits in connection with the elimination of such EMPLOYEE'S job and the subsequent termination of his or her employment; or (iv) who is terminated for cause.

SPECIAL PROVISION P - continued

III. Special Retirement Benefit

- A. SR Benefit. An Eligible Employee who elects to retire within thirty (30) days after receiving notice from the COMPANY that his or her job has been eliminated shall receive a benefit equal to the BASIC PENSION BENEFIT calculated under Section 3.06 of the RETIREMENT PLAN with the following adjustments:
1. An additional five (5) years credit under the RETIREMENT PLAN to be applied, at the Eligible Employee's option, in either or any combination of both of the following ways, to:
 - i. Increase the Eligible Employee's AGE for purposes of Section 3.07 of the RETIREMENT PLAN; and/or
 - ii. Increase the Eligible Employee's SERVICE for purposes of Section 3.03 of the RETIREMENT PLAN.

The SR Benefit shall equal the Eligible Employee's BASIC PENSION benefit calculated under Section 3.06 of the RETIREMENT PLAN as adjusted above.

- B. The SR Benefit shall be payable as of the first of the month following the date on which the job is eliminated. Eligible Employees who elect the SR Benefit shall not be subject to the age 55 requirement contained in Section 3.08 of the RETIREMENT PLAN.
- C. Section 3.10 of the RETIREMENT PLAN shall control the conditions under which other forms of pension may be substituted for the SR Benefit.
- D. The SR Benefit payable under this Special Provision P shall be in lieu of any benefit which might otherwise be payable under the RETIREMENT PLAN.

IV. Definitions

- A. Eligible Employee: An EMPLOYEE of the COMPANY who has met the eligibility criteria as set forth in Section II. EMPLOYEES of any subsidiary or affiliate of the COMPANY are not Eligible Employees for purposes of this SR Benefit program. Eligible Employees shall not include hiring hall employees, leased employees, or persons performing services for the COMPANY under an agreement that denominates them independent contractors.
- B. Eligible Plant: The Morro Bay Power Plant, the Moss Landing Power Plant, or the Hunter's Point Power Plant.
- C. Sale: The transfer by the COMPANY of ownership of and title to an Eligible Plant to a successor owner.
- D. Special Retirement or SR Benefit: The COMPANY'S SR Benefit program as set forth in this Special Provision P.