

PACIFIC GAS AND ELECTRIC COMPANY

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December 11, 1978

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

Attention: Mr. Dean Cofer, Business Manager

Gentlemen:

As agreed during the 1976/77 negotiations leading up to the 1977 amendments to the Benefit Agreement, and as further agreed in our meeting of November 7, 1978, Company proposes to amend the Savings Fund Plan as contained in Part IV of the Benefit Agreement. The purpose of these amendments is to include the new 1/2% TRASOP Plan which is contained therein.

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

Yours very truly,

PACIFIC GAS AND ELECTRIC COMPANY

By *W. D. Bright*
Manager of Industrial Relations

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

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

12/22, 1978

By *Dean Cofer*
Business Manager

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PART IV

SAVINGS FUND PLAN

4.01 Introduction

This is the controlling and definitive statement of the Pacific Gas and Electric Company Savings Fund Plan in effect on and after January 1, 1978. The *Plan*,^{1/} which covers *Eligible Employees* of the *Company* and other *Employers*, is a further revision of the one originally placed in effect by the *Company* as of April 1, 1959. It has since been amended from time to time. The *Plan* as amended may be further amended retroactively in order to meet applicable rules and regulations of the Internal Revenue Service, the United States Department of Labor and all other applicable rules and regulations.

The *Plan* is comprised of three *Funds* to which contributions are made and from which benefits are paid: (1) the *Basic Fund*, (2) the *Diversified Investment Fund*, and (3) the Tax Reduction Act Stock Ownership Plan Fund (*TRASOP Fund*). For every dollar a participant contributes to the *Basic Fund*, the *Employer* contributes 50 cents. A participant who contributes to the *Basic Fund* may also contribute to the *Diversified Investment Fund*, but no *Employer Contributions* are made to the *Diversified Investment Fund*.

The 1975 amendments to the Federal tax laws entitle the *Company* to claim an additional 1% investment tax credit if it contributes *Company Stock* to the *TRASOP Fund* in an amount equal to such credit. The 1976 amendments to the Federal tax laws further entitle the *Company* to claim another 1/2% investment tax credit, provided this amount is matched by contributions of participating *Eligible Employees*. The *Company* elected to utilize both amendments for the benefit of participating *Eligible Employees*. As of January 1, 1978, the *TRASOP Fund* therefore is now comprised of two parts: the 1% *TRASOP* and the 1/2% *TRASOP*. Participants do not contribute to the 1% *TRASOP*. All such *TRASOP Contributions* made by the *Company* and other *Employers* for a *Year* are allocated among all *Eligible Employees* who received *Covered Compensation* at any time during that *Year* without regard to whether or not they contributed to the *Basic Fund* or the *Diversified Investment Fund*.

With respect to the taxable year 1978 and future years, *Eligible Employees* may make voluntary *Matching Contributions* to the *TRASOP Fund*, up to an aggregate maximum of the additional 1/2% investment tax credit which the *Company* is also now permitted to claim under the revised *TRASOP* law. Such contributions will be matched by the *Company* and other *Employers*. The *Employer Contributions* to the 1/2% *TRASOP* will be allocated among those participants who make *Matching Contributions*.

Participants may elect to have the contributions they make to the *Basic Fund* invested entirely in *Company Stock* or entirely in United States *Bonds*, or one-half in each. *DIF Contributions* are invested in the *Diversified Investment Fund*. All participants' contributions and their share of all *Employer Contributions*, and the *Trust* income they produce are unconditionally credited to participants' accounts. No part of a participant's interest in this *Plan* is ever subject to forfeiture.

^{1/} Words in italics are defined in Section 4.22.

The *Investment Manager* directs the day-to-day investment of the *Diversified Investment Fund*. However, the *Investment Manager* shall not direct the *Trustee* to invest any part of the *Diversified Investment Fund* in securities issued or guaranteed by the *Company* or any of its subsidiaries. The *Employee Benefit Finance Committee* appointed by the *Company's Board of Directors* has the sole responsibility to appoint and remove the *Trustee* and the *Investment Manager* and to supervise the overall financial administration and investment of the *Plan's* assets. The *Employee Benefit Administrative Committee*, also appointed by the *Company's Board of Directors*, is the *Administrator* of the *Plan* and is responsible for the overall administration of the *Plan*. Each committee may appoint one or more individuals, who need not be members of either committee, to handle the day-to-day administration of the *Plan*. Copies of the *Trust Agreement* and the investment policy are available for your review at the *Administrator's* office.

4.02 Eligibility

An employee becomes an *Eligible Employee* upon completion of three years of *Service*. Once eligibility occurs it continues as long as *Service* continues.

4.03 Participation

(a) Types of Participants. There are three kinds of participants:

- (1) a contributing participant is one who is currently contributing,
- (2) an inactive participant is one who has an interest in the *Plan* but is not contributing currently, and
- (3) a TRASOP participant is an *Eligible Employee* who received compensation from an *Employer* during a *Year* for which an *Employer TRASOP Contribution* is made. The latter also includes a participant who is currently making *Matching Contributions* to the *TRASOP Fund*.

(b) How to Join. To become a contributing participant an *Eligible Employee* must submit a completed *Application Form* to the *Administrator*. In the *Application Form*, the applicant:

- (1) authorizes payroll deductions of the desired percentage of *Covered Compensation* which is to be contributed to the *Trust*,
- (2) elects how it is to be invested, and
- (3) designates a *Beneficiary*.

Participation begins immediately upon acceptance of the *Application Form* by the *Administrator*. Participation in the 1% TRASOP is automatic for *Eligible Employees*.

CONTRIBUTIONS

4.04 Employee Contributions

To become a contributing participant, an *Eligible Employee* must contribute to the *Basic Fund* or make *Matching Contributions* to the 1/2% *TRASOP*. An *Eligible Employee* may also elect to contribute to the *Diversified Investment Fund*, but *DIF Contributions* are not permitted unless contributions are currently made to the *Basic Fund*. All of the authorized contributions withheld by the *Employer* from the *Covered Compensation* received during participation, as well as cash received from participants who make *Matching Contributions*, are paid over to the *Trustee*, unconditionally credited to the participant's accounts and invested in accordance with the participant's election.

(a) *Basic Fund Contributions*. An *Eligible Employee* may elect to contribute to the *Basic Fund* one of the following percentages of *Covered Compensation*:

- 1, 2 or 3 percent, with at least three but less than five years of *Service*;
- 1, 2, 3 or 4 percent, with at least five but less than 10 years of *Service*;
- 1, 2, 3, 4 or 5 percent, with at least 10 but less than 15 years of *Service*;
- 1, 2, 3, 4, 5 or 6 percent, with at least 15 years or more of *Service*.

A participant may elect to have contributions to the *Basic Fund* invested entirely in *Company Stock* or entirely in *United States Bonds*, or one-half in each, but a change of this election is permitted only as of January 1 of any *Year*. In order to change this election, an appropriate *Notice* must be submitted. Income from *Company Stock* is invested in more *Company Stock*, and income from *United States Bonds* is reflected in the greater redemption values of the *United States Bonds*.

- (b) *DIF Contributions*. Participants who contribute to the *Basic Fund* may elect to make *DIF Contributions* of 1, 2, 3 or 4 percent of *Covered Compensation*, to be invested in the *Diversified Investment Fund*, to which the *Employer* does not contribute.
- (c) *Matching Contributions*. An *Eligible Employee* may also elect to make *Matching Contributions* to the 1/2% *TRASOP*. Such contributions may be made by payroll deductions or in cash. All cash contributions must be made by check or money order made payable to Pacific Gas and Electric Company Savings Fund Plan, 77 Beale Street, San Francisco, California 94106. Such checks or money orders must also be identified as *Matching Contributions*. Such contributions shall be matched by *Employer Contributions*.

All *Matching Contributions* shall be paid in such installments and at such times as may be determined by the *Employee Benefit Finance Committee* provided, however, that all such contributions must be made before the 30th day following the due date, including extensions of time, for filing the *Company's* Federal income tax return for the *Plan Year* for which the contributions are made.

The minimum amount of *Matching Contributions* to the 1/2% *TRASOP* which an *Eligible Employee* may make with respect to a given *Plan Year* is an amount which bears the same proportion to the total amount of *Matching Contributions* permitted for all *Eligible Employees* as the amount of compensation paid to such *Eligible Employee* (as reported on Form W-2) bears to the total compensation paid to all *Eligible Employees* during such *Plan Year*. For purposes of this computation, a participant's compensation in excess of \$100,000, or pay prior to completion of three years' *Service*, shall be disregarded. Participants who elect to make *Matching Contributions* will be advised of the minimum dollar amount they may contribute and the time period during which such contributions must be made. A participant may not elect to make a *Matching Contribution* which is less than the minimum dollar amount determined under the provisions of Section 4.04(c). A participant may not elect to contribute only a portion of the *Matching Contributions* which the participant is entitled to contribute.

If the total *Matching Contributions* elected by participants is less than the permissible 1/2% of the qualified investment tax credit, then all participants who originally elected to contribute to the 1/2% *TRASOP* shall have the opportunity to make an additional *Matching Contribution* to the 1/2% *TRASOP*. If a participant fails to contribute the maximum amount of *Matching Contributions* permitted, such a participant's account will be credited with *Employer Contributions* only in an amount equal to the amount actually contributed by such a participant.

If the total *Matching Contributions* elected by participants would exceed the permissible 1/2% of qualified investment tax credit, then the amount of the total *Matching Contributions* shall be reduced to meet the 1/2% requirement, and in such a manner that each participant who elected to contribute to the 1/2% *TRASOP* will be permitted to contribute a percentage of his compensation equal to the percentage of every other participant who makes a *Matching Contribution*. In the event that *Matching Contributions* in excess of the permissible amounts are paid to the *Company*, they shall be returned to the participants.

- (d) *Change of Contributions*. By appropriate *Notice*, contributions to the *Basic Fund* and/or to the *Diversified Investment Fund* may be stopped at any time during a *Year*. By appropriate *Notice* a participant may resume making contributions or change the rate of contributions to either *Fund* as of any date selected. *Notices* to resume making contributions or to change the rate of contributions are considered changes, and participants are not permitted to make more than one change per *Year* as to each *Fund*. Anniversary year percentage increases are not considered changes. Participants may not make *DIF Contributions* during a period in which they are not contributing to the *Basic Fund*.

- (e) Contributions During Absence. Once participation begins, it continues during absence from work for any reason, provided *Service* continues. If during any such absence a participant is receiving temporary compensation under any state Workers' Compensation Law or under the *Company's Long Term Disability Plan*, such participant may elect to continue to contribute. To do so, written authorization to the *Employer* is required, specifying the amounts to be deducted from the disability compensation payments. Such deduction cannot be less than one percent of the participant's disability payments but not more than the dollar amount the participant was contributing immediately before participant's absence began.

4.05 Employer Contributions

- (a) *Basic Fund Contributions*. The *Company* shall contribute to the *Basic Fund* an amount equal to one-half of the total amount contributed to the *Basic Fund* by all participants. These contributions shall be made at the same time participant contributions are made. The *Company* shall charge to each *Employer* its appropriate share of the *Employer Contributions*.
- (b) *TRASOP Contributions*. (i) For each *Plan Year* with respect to which the additional 1% investment tax credit may be used, the *Company* shall make such a contribution, in cash or *Company Stock*, to the *TRASOP Fund*. The amount of such contribution shall be of an aggregate value equal to the investment tax credit permitted by the Internal Revenue Code. (ii) For each *Plan Year* with respect to which the additional 1/2% investment tax credit may be used, the *Company* shall make a contribution to the *TRASOP Fund*, in cash or *Company Stock*, equal to the participants' *Matching Contributions*.

If the investment tax credit earned for a *Year* exceeds the maximum investment tax credit that may be used in reducing the *Company's* Federal income tax liability for that *Year*, the *Company* and other participating *Employers* shall delay making the *TRASOP Contributions* which would exceed the usable investment tax credit until the time the *Company's* consolidated Federal income tax return is filed for a subsequent year in which the carryover is utilized.

- (c) *Payment of Employer Contributions*. *Employer Contributions* to the *Basic Fund* shall be paid over to the *Trustee* at the time participant contributions to the *Basic Fund* are paid to the *Trustee*. *TRASOP Contributions* for a *Year* shall be paid over to the *Trustee* and allocated to a participant's account on or before the 30th day following the due date for filing the *Company's* Federal income tax return for that *Year*, including any extension of such due date, but the allocation shall be not later than October 15 of any *Year*. Each *Employer Contribution* shall be made in cash or in whole shares of *Company Stock*, or partly in both. All cash contributed by an *Employer* shall be invested by the *Trustee* in whole shares of *Company Stock*.

- (d) Anything herein to the contrary notwithstanding, in no event shall the annual additions to a participant's accounts in a Year exceed the lesser of (1) 25 percent of the participant's *Covered Compensation* for the Year, or (2) \$50,000, adjusted for increases in the cost of living in accordance with regulations issued by the Secretary of the Treasury under Section 415 of the Internal Revenue Code. The annual additions which must be kept within the above limits mean the sum of: (i) *Employer Contributions*, and (ii) the lesser of one-half of the participant's total contributions to the *Diversified Investment Fund*, the *Basic Fund* and the *TRASOP Fund*, or all of the participant's contributions in excess of six percent. If a participant of this Plan is also a participant in the *Company's Retirement Plan*, Section 415 of the Internal Revenue Code imposes a combined benefit limitation. Contributions to this Plan will nevertheless be permitted to the maximum amount permitted by Section 415 of the Internal Revenue Code and the terms of this Plan. If the combined maximum benefit permitted would be exceeded, the benefit from the *Company's Retirement Plan* shall be reduced, so that the limitation will be met.

WHAT THE TRUSTEE DOES

4.06 Investment of the Trust Fund

- (a) Investment Generally. Whenever the *Trustee* is directed to invest cash in *Company Stock*, the *Employee Benefit Finance Committee* shall direct the *Trustee* to purchase the *Company Stock* either (i) directly from the *Company* at an averaged cost, (ii) at a public sale on a recognized stock exchange, or (iii) from a private source at a price no higher than the price that would have been payable under (ii). Investment of cash or in securities to be held in the *Diversified Investment Fund* shall be made by the *Trustee* only in accordance with directions received from the *Investment Manager*.
- (b) Investment of Participant Contributions. Upon receipt of participant contributions to the *Basic Fund*, the *Trustee* invests them in *Company Stock*, in *United States Bonds*, or one-half in each, in accordance with the participant's current election. Participant *Matching Contributions* to the *TRASOP Fund* are invested by the *Trustee* in *Company Stock*. *Company Stock* purchased directly from the *Company* with a participant's contributions shall be valued at the averaged cost. Upon receipt of *DIF Contributions*, the *Trustee* invests them in the *Diversified Investment Fund*. The assets of the *Diversified Investment Fund* are invested by the *Trustee* as directed by the *Investment Manager*. The *Investment Manager* shall exercise his discretion in accordance with the investment policy. The *Trustee* has no duty or responsibility to question the investment decisions of the *Investment Manager* except that the *Trustee* shall not invest any part of the *Diversified Investment Fund* in securities issued or guaranteed by the *Company* or any of its subsidiaries.

- (c) Investment of *Employer Contributions*. All *Employer Contributions* to the *Basic Fund* and to the *TRASOP Fund* received by the *Trustee* in cash are to be invested in *Company Stock*. All *Employer Contributions* received by the *Trustee* in shares of *Company Stock* shall be held in the form received and valued at the averaged cost.
- (d) Dividends. Cash dividends or other cash received by the *Trustee* on *Company Stock* shall be reinvested in additional *Company Stock* at the averaged cost.
- (e) Computation of Averaged Cost. The cost to the *Trustee* of all *Company Stock* purchased directly from the *Company* shall be the averaged cost. The averaged cost for all *Company Stock* held in the *Basic Fund* account is the average of the mid-points of the daily high and low composite prices as shown in the Pacific Coast Edition of the WALL STREET JOURNAL (subject to verification) for the period for which the money was contributed. Thus, *Company Stock* purchased with contributions to the *Basic Fund* made by participants who are paid for a two-week period, together with *Employer Contributions*, will be averaged over a two-week period, while the *Company Stock* purchased for participants paid on a monthly basis will be averaged over a monthly period. The averaged cost for *Company Stock* purchased with dividends will be averaged over the five trading days immediately preceding receipt of the dividends by the *Trustee*. The cost to the *Trustee* of all *Company Stock* transferred or allocated to the *TRASOP Fund* will be the average of closing prices on the New York Stock Exchange for the 20 consecutive trading days immediately preceding the date the *Company* makes the election to take the additional investment tax credit described in Section 4.05(b).

4.07 Voting Company Stock

Each and every time shareholders who are not participants in the *Plan* are entitled to vote *Company Stock*, participants shall have an absolute right to vote *Company Stock*. Whenever participants are given the opportunity to vote *Company Stock*, the *Trustee* shall inform each participant of all relevant material received by the *Trustee* with a written request for confidential voting instructions. The *Trustee* is required to vote the *Company Stock* credited to a participant's *Basic Fund* and *TRASOP Fund* accounts as the participant directs. If the participant does not give such instructions within the required time, the *Trustee* may vote the *Company Stock* in a participant's *Basic Fund* account in its sole discretion. The *Trustee* may not vote any *Company Stock* in a participant's *TRASOP Fund* account unless timely instructions are received.

PARTICIPANT'S INTEREST IN THE PLAN

4.08 Participant Accounts

All *Company Stock*, *United States Bonds*, cash and *Diversified Investment Fund Units*, together with all income attributable thereto, are at all times fully vested and unconditionally credited to the accounts of participants. Separate accounts are maintained for each participant, segregating the participant's contributions for a *Plan Year* in each of the three funds. *Company Stock* received by the *Trustee* as a stock dividend or from a stock split or bought with cash obtained from a stock right, warrant or option, is also at all times fully vested and unconditionally credited to the account of participants and shall not be treated as *Company Stock* acquired with *Trust* income. The *Administrator* maintains the following accounts to record a participant's interest in the *Plan*:

- (a) *Basic Fund* Account. This account records currently the number of shares of *Company Stock* and their cost to the *Trustee*, the number of *United States Bonds* and their cost and uninvested cash credited to the *Basic Fund*. A participant's *Basic Fund* account is charged with withdrawals, and it is credited with its appropriate share of the *Trust* income. A participant's contributions to the *Basic Fund* and one-half of that amount, contributed by the *Employer*, are also credited to this account.
- (b) *Diversified Investment Fund* Account. This account records a participant's *DIF Contributions* and the number of *Units* in the *Diversified Investment Fund* that they have purchased and the cost of each of those *Units* and any uninvested cash, less any withdrawals.
- (c) *TRASOP Fund* Account. This account records currently any shares of *Company Stock* allocated to a participant as a *TRASOP Contribution* to the 1% *TRASOP*, together with any shares of *Company Stock* acquired with dividends on such *Company Stock*, and any uninvested cash. For each *Year* that an *Employer Contribution* is made to the 1% *TRASOP* on behalf of a participant, the participant's *TRASOP* account is credited with the participant's share of the total 1% *TRASOP Contribution* for the *Year*. The total 1% *TRASOP Contribution* made for a *Plan Year* is allocated among all *Eligible Employees* who received compensation from an *Employer* at any time during the *Plan Year* for which an additional tax credit is taken pursuant to Section 4.05(b). The total 1% *TRASOP Contribution* shall be allocated in such a manner that each *Eligible Employee's* *TRASOP* account shall be credited with an amount which bears the same proportion to the total 1% *TRASOP Contribution* as the *Eligible Employee's* compensation from the *Company* or an *Employer* for the *Plan Year* (as reported on Form W-2) bears to the total compensation paid to all *Eligible Employees* for the *Plan Year*. For purposes of this allocation, a participant's compensation in excess of \$100,000, or pay prior to completion of three years' *Service*, shall be disregarded.

This account also records by *Plan Years* a participant's voluntary *Matching Contributions* to the 1/2% *TRASOP*, and an equal amount representing *Employer Contributions* to the 1/2% *TRASOP*.

4.09. Trust Income

All cash dividends received by the *Trustee* on *Company Stock* held in the *Trust Fund* are reinvested in *Company Stock* and credited to the account in which the *Company Stock* is held. *Company Stock* received by the *Trustee* as a stock dividend or from a stock split or bought with cash obtained from the sale of a stock right, warrant or option is similarly credited to the account in which the underlying *Company Stock* is held. The cost of this *Company Stock* is also entered in the account.

4.10 Annual Statement

As soon as practicable after the end of each *Year*, all participants will receive from the *Administrator* a statement of their interest in the *Plan*.

4.11 Withdrawal During Service

Except as provided in this Section, withdrawals or distributions of any part of a participant's interest in the *Plan* are not permitted as long as *Service* continues. A participant may never replace in the *Trust Fund* any *Company Stock*, United States Bonds or cash which have been withdrawn. By submitting a withdrawal *Notice*, a participant may make withdrawals from the various accounts as provided below.

(a) Withdrawal of Participant Contributions. Participants may at any time elect to withdraw part or all of their contributions as follows:

- (1) Withdrawals from the *Basic Fund* Account. By submitting a withdrawal *Notice*, participants may withdraw all or any part of the whole shares of *Company Stock* bought with their contributions, exclusive of income thereon and exclusive of *Company Stock* purchased with income derived therefrom, and all whole denomination United States Bonds credited to this account at the time the withdrawal *Notice* is received. Distribution will be made within 30 days of receipt of the *Notice*. If a participant so indicates, the *Trustee* will sell the *Company Stock* on the open market and pay the participant the proceeds less brokerage commissions, together with the proceeds of the redemption value of the United States Bonds. Withdrawals from the *Basic Fund* account are charged against the number of United States Bonds, or shares of *Company Stock* first credited to this account.

If a participant withdraws *Company Stock*, United States Bonds or cash credited to this account for the current *Year* or for the two *Years* immediately preceding the current *Year*, such participant automatically will be suspended from the *Plan* and will not be permitted to resume making contributions to the *Plan* for two *Quarters* following the *Quarter* in which such withdrawal *Notice* is received. After the suspension ends contributions may be resumed by submitting a new *Application Form*.

By submitting a withdrawal *Notice* before December 1 of any *Year*, a participant may irrevocably elect to withdraw as of December 31 all or any part of the whole shares of *Company Stock*, including income thereon and including *Company Stock* attributable thereto, bought with the participant's contributions which were made to the *Basic Fund* account during the second preceding *Year*. If a withdrawal is not made pursuant to this paragraph, all of the income and all of the *Company Stock* purchased with income derived from *Company Stock* bought with the participant's contributions for that *Year* shall remain in the participant's account and shall not be subject to distribution until after the participant's *Service* ends. For example, *Company Stock*, including the income and the *Company Stock* attributable thereto, purchased with a participant's contributions made in 1978 may be withdrawn as of December 31, 1980. If it is not withdrawn as of December 31, 1980, the income and the *Company Stock* attributable to *Company Stock* purchased with the participant's 1978 contributions shall remain in the participant's account and shall not be subject to distribution until after the participant's *Service* ends.

- (2) Withdrawals from the *Diversified Investment Fund* Account. Upon *Notice* received by the *Administrator*, a participant may withdraw from the *Diversified Investment Fund* cash in an amount which does not exceed either (1) total contributions to this account, less any amounts previously withdrawn, or (2) the value of the *Units* credited to this account at the time of any withdrawal. Distributions will be made within 30 days of receipt of *Notice*. On each withdrawal, the *Units* credited to this account will be reduced by a number of *Units* then equal to the value of the withdrawal.
- (3) Withdrawals from the *TRASOP Fund*. By submitting a withdrawal *Notice*, a participant may, on a one-time basis only, irrevocably elect to withdraw all or any part of the whole shares of *Company Stock* purchased with the participant's *Matching Contributions*, including the income and the *Company Stock* attributable thereto, standing in the participant's *TRASOP Fund* account 84 months following the month in which the *Matching Contributions* were allocated to the participant's account. If a withdrawal is not made pursuant to this paragraph (3), all of the income and the *Company Stock* attributable to *Company Stock* bought with a participant's *Matching Contributions* for that *Year* shall remain in the participant's account until after the participant's *Service* ends. Withdrawals of *Company Stock* purchased with a participant's *Matching Contributions* may be withdrawn, upon *Notice*, later than 84 months following the month in which the *TRASOP Contributions* were allocated to a participant on the same terms and conditions as provided in the first paragraph of Section 4.11(a)(1).

- (b) *Withdrawal of Employer Contributions.* Participants may withdraw *Employer Contributions* made to their accounts, as follows:
- (1) *Withdrawals from the Basic Fund Account.* By submitting a withdrawal *Notice* before December 1 of any *Year*, a participant may, on a one-time basis only, irrevocably elect to withdraw as of December 31 all or any part of the whole shares of *Company Stock*, including the income and the *Company Stock* attributable thereto, bought with *Employer Contributions* which were made to the *Basic Fund* account during the second preceding *Year*. If a withdrawal is not made pursuant to this paragraph (b), all of the *Company Stock*, and the income and *Company Stock* attributable thereto, bought with *Employer Contributions* for that *Year*, shall remain in participant's account and shall not be subject to distribution until after the participant's *Service* ends. For example, *Company Stock*, including the income and *Company Stock* attributable thereto, purchased with *Company* contributions made in 1978 may be withdrawn as of December 31, 1980. If it is not withdrawn as of December 31, 1980, *Company Stock*, including the income and *Company Stock* attributable thereto, purchased with the *Company's* 1978 contributions, shall remain in the participant's account and shall not be subject to distribution until the participant's *Service* ends.
 - (2) *Withdrawals from the TRASOP Fund Account.* By submitting a withdrawal *Notice*, a participant may, on a one-time basis only, irrevocably elect to withdraw all or any part of the whole shares of *Company Stock*, including the income and the *Company Stock* attributable thereto, standing in the participant's *TRASOP Fund* account 84 months following the month in which the *TRASOP Contributions* were allocated to the participant's account. If a withdrawal is not made pursuant to this paragraph (2), all the *Company Stock*, including the income and the *Company Stock* attributable thereto, purchased with *Employer Contributions*, shall remain in the participant's *TRASOP Fund* account and shall not be subject to distribution until after participant's *Service* ends.
- (c) *Financial Hardship Withdrawal.* All other withdrawal provisions notwithstanding, upon receipt of satisfactory proof by the *Administrator* that a participant needs immediate financial assistance to meet the health, educational or welfare needs of the participant or dependents of the participant, authorization may be granted to withdraw any *Company Stock*, United States *Bonds* and income attributable thereto credited to any of the participant's accounts, except what is credited to the *TRASOP Fund* account. While *Service* continues withdrawals from the *TRASOP Fund* account are not permitted except as provided in Sections 4.11(a)(3) and 4.11(b)(2), or unless a participant is disabled and is receiving benefits under the *Company's Long Term Disability Plan*.

4.12 Termination of Participation

- (a) *Basic Fund - Diversified Investment Fund.* If *Service* ends by retirement under the *Company's Retirement Plan*, participation nevertheless continues through the last day of the *Year* in which the participant retires. However, if the participant wants participation to end as of retirement date, *Notice* must be given at least one month in advance of the retirement date. If *Service* is ended by death, participation continues through the last day of the *Year* in which death occurs. However, by giving *Notice*, the *Beneficiary* may elect to have participation end by submitting a consent to transfer form before the end of the *Year*. If *Service* is ended by any cause other than retirement or death, participation will automatically end on the termination date. Although participation may continue in the *Basic Fund* for some months after *Service* ends, a participant may not contribute to the *Plan* after *Service* ends, except that contributions to the *Basic Fund* and the *Diversified Investment Fund* will be accepted with respect to retroactive wage payments.
- (b) *TRASOP Fund.* Upon termination from the *Company* for any reason, participation continues until the end of the *Year* in which termination occurs.

4.13 Distribution of Plan Benefits

- (a) *Basic Fund - Diversified Investment Fund - TRASOP Fund.* Upon termination of participation, a distribution shall be made of the balances allocated to a participant's accounts. Unless an installment distribution is elected, a lump sum distribution will be made. However, the *TRASOP Fund* amounts not yet allocated shall be distributed as soon as possible after the tax credit is allocated to the participant's account.

Unless a cash distribution is requested^{2/} the *Trustee* will distribute a certificate for the whole shares of *Company Stock*, the *United States Bonds* and the *Trustee's* check for the then current value of the balance of the *Units* held in the participant's *Diversified Investment Fund* account, plus any uninvested cash.

If a participant elects a cash distribution, upon receipt of *Notice* to that effect, the *Trustee* will sell the *Company Stock* on the open market and distribute the cash proceeds less brokerage commissions, together with the cash received on redemption of the *United States Bonds* and the then current value of the *DIF Units* and uninvested cash.

^{2/} *TRASOP* distribution can be made only in *Company Stock*.

- (b) **Installment Distribution.** In order to receive an installment distribution in cash or securities, a participant must submit a *Notice* irrevocably electing a payout in five, 10 or 15 annual installments. Before making such an election, the participant should consult a tax advisor concerning the tax consequences. Each installment will be paid in March with income accrued since the last distribution. Although an installment distribution election is irrevocable, in cases of unusual hardship the *Administrator* may authorize the distribution of the entire undistributed balance.

ADMINISTRATIVE PROVISIONS

4.14 Company's Powers and Duties

The *Company*, acting through its *Board of Directors* or Executive Committee, reserves to itself the exclusive power to amend, suspend or terminate the *Plan* as provided below and to appoint and remove from time to time:

- (a) The individuals comprising the *Employee Benefit Finance Committee*;
- (b) The individuals comprising the *Employee Benefit Administrative Committee*; and
- (c) The *Employers* whose employees may participate in the *Plan*.

All powers and duties not reserved to the *Company* are delegated to the *Employee Benefit Finance Committee* and to the *Employee Benefit Administrative Committee*. Action of either committee shall be by vote of a majority of the members of the committee at a meeting, or in writing without a meeting and evidenced by the signature of any member who is so authorized by the committee. The *Company* indemnifies each member of each committee against any personal liability or expense arising out of any action or inaction of the committee or of any member of the committee or of such individual, except that due to his own willful misconduct.

4.15 Funding and Investment Provisions

The *Employee Benefit Finance Committee* appointed by the *Company's Board of Directors* to serve at its pleasure has the express powers and duties described in this section.

- (a) **Appointments.** The *Employee Benefit Finance Committee* has the sole power and duty from time to time to appoint and remove the *Trustee*, the *Investment Manager*, actuaries, accountants and such other advisors and consultants as may be needed for the proper financial administration and investment of the assets of the *Plan*. Supplementing such appointments, the *Employee Benefit Finance Committee* may enter into appropriate agreements with each *Trustee*, *Investment Manager* or other advisors appointed under this paragraph and delegate to them appropriate powers and duties. The *Employee Benefit Finance Committee* may appoint and delegate to one or more individuals the power and duty to handle the day-to-day financial administration of the *Plan*. Such individuals need not be members of the committee and shall serve at the pleasure of the committee.

- (b) Investment Policy. The funding policy is set forth in Sections 4.04 and 4.05. The *Employee Benefit Finance Committee* has the sole power and duty to establish the investment policy and to review and revise it from time to time as the committee shall determine in its sole discretion. A copy of the current investment policy will be available for participants' review in the *Administrator's* office. Any revision of the investment policy shall not be an amendment of the *Plan*.

4.16 Administration

The *Employee Benefit Administrative Committee*, appointed by the *Company's Board of Directors* to serve at its pleasure, is the *Administrator* of the *Plan* and is responsible for the overall administration of the *Plan*. The *Administrator* has the sole power and duty to establish, and from time to time revise, such rules and regulations as may be necessary to administer the *Plan* in a nondiscriminatory manner for the exclusive benefit of participants and all other persons entitled to benefits under the *Plan*.

The *Administrator* shall also maintain such records and make such computations, interpretations and decisions as may be necessary or desirable for the proper administration of the *Plan*. The *Administrator* shall maintain for participants' inspection copies of the *Plan*, *Trust Agreement*, investment policy, each agreement with an *Investment Manager*, the latest annual report, *Plan* description and summary description and any amendments or changes in any of these documents. On written request, participants may obtain from the *Administrator* a copy of any of these documents at a cost established by the *Administrator* from time to time.

The *Administrator* shall issue to each retiring or terminating participant who is entitled to a distribution under the *Plan* a certificate showing the amount of the distribution to which the participant is entitled. The certificate shall also show the name and address of any individual to whom a distribution may be payable after the participant's death. All distributions due under the *Plan* shall be payable only out of the *Plan's* assets as directed by the *Administrator*.

The *Administrator* may appoint and delegate to one or more individuals the power and duty to handle the day-to-day administration of the *Plan*. Such individuals need not be members of the committee and shall serve at the pleasure of the committee.

4.17 Claims and Appeals Procedure

If a claim is denied in whole or in part, the *Administrator* shall furnish to the claimant a written notice setting forth:

- (a) Specific reason(s) for the denial,
- (b) The *Plan* provision(s) on which the denial is based,

- (c) A description of any material or information, if any, necessary for the claimant to perfect the claim, and an explanation of why such material or information is necessary, and
- (d) Information concerning the steps to be taken if claimant wishes to submit a claim for review.

The above information shall be furnished to the claimant within 60 days after the claim is received by the *Administrator*.

If a claimant is not satisfied with the written *Notice* described in the preceding paragraph, such claimant may request a full and fair review by so notifying the *Administrator* in writing within 90 days after receiving such *Notice*. If a review is requested the claimant shall also be entitled, upon written request, to review pertinent documents and to submit issues and comments in writing. The *Employee Benefit Administrative Committee* shall furnish the claimant with a written final decision within 30 days after receipt of the request for review.

Alternatively, a participant who is a member of a bargaining unit under any Collective Bargaining Agreement between an *Employer* and any Union may use the grievance or adjustment procedure of the appropriate Collective Bargaining Agreement to resolve any dispute concerning any question of *Service*, status or membership under the *Plan*.

4.18 Lost Participant or Beneficiary

If, after three years, the *Administrator* cannot locate a participant or *Beneficiary* who is entitled to a distribution from an account, the cash, stock or *Bonds* in the account shall be applied to reduce the amount of future *Employer Contributions* payable to the *Basic Fund*. A participant or *Beneficiary* who is entitled to a distribution from an account which has previously been applied to reduce *Employer Contributions* under this Section 4.18 shall, upon filing a written claim, have the account reinstated in full and upon such reinstatement shall receive a distribution of the balance in the reinstated account, with interest at the prevailing legal rate accrued from the date his account was applied to reduce *Employer Contributions*.

4.19 Benefits Are Not Assignable

Except as may be required by law, participant's interest in the *Plan* and that of participant's *Beneficiary* or spouse shall not be subject in any manner to assignment, anticipation, alienation, sale, transfer, pledge, encumbrance or charge, whether voluntary or involuntary, and any attempt to so assign, anticipate, sell, transfer, pledge, encumber or charge the same shall be void.

4.20 Facility of Payment

If the *Administrator* determines that any individual entitled to any payment under the *Plan* is physically or mentally incompetent and no guardian or conservator has been appointed to receive such payment, the *Administrator* may cause all payments thereafter becoming due to such individual to be applied for and on behalf of and for the benefit of such individual. Payments made pursuant to this provision shall completely discharge the *Employer*, the *Administrator*, the *Trustee* and all fiduciaries of all further responsibility with respect to such individual.

4.21 Future of the Plan

If participation in the *Plan* is ended because a substantial portion of an *Employer's* property is sold or otherwise disposed of or because an *Employer* withdraws from the *Plan*, a participant's interest is determined in accordance with the provisions of the next paragraphs as if the *Plan* itself has been terminated.

The *Company* hopes and expects to continue this *Plan* indefinitely, but because future conditions cannot be foreseen, its *Board of Directors* necessarily reserves the right to amend or terminate the *Plan* at any time. However, no amendment, merger or consolidation of the *Plan* may be made which would reduce the right that any individual may then have with respect to the *Plan's* assets then being held under the *Plan* or permit any funds to revert to an *Employer* or to be used for any purpose except for the exclusive benefit of participants, spouses and *Beneficiaries*.

Under the present Federal tax laws, *Employer Contributions* to the *TRASOP Fund* will cease to be a tax credit after 1980 and, unless the tax laws are amended, no further *Employer Contributions* nor participant *Matching Contributions* will be made or permitted to be made with respect to subsequent years.

If the *Plan* is terminated, all contributions to the *Plan* shall cease but the *Plan* shall continue to operate in all other respects until all of the *Trust* assets have been distributed in accordance with the provisions of the *Plan* in effect on the date of its termination.

4.22 Definitions

Administrator:

Employee Benefit Administrative Committee
Room 920, 245 Market Street
San Francisco, California 94106

Application Form:

A form prepared by the Administrator which must be completed to become a contributing participant.

Basic Fund: The fund in which Employee Contributions and Employer Contributions are held and invested in Company Stock and United States Bonds.

Beneficiary: The person or persons a participant designates to receive any distribution due under the Plan, in the event of a participant's death. A participant designates a Beneficiary on the original Application Form. This designation may be changed by a participant at any time by submitting an appropriate written Notice.

Board of Directors: The Board of Directors of Pacific Gas and Electric Company.

Bonds: Series "E" Savings Bonds issued by the United States Treasury. If the issuance of Series "E" Bonds is discontinued, Bonds will refer to any other Bond issued by the United States Treasury which the Employee Benefit Finance Committee selects for purchase under the Plan.

Company: Pacific Gas and Electric Company.

Company Stock: The common stock issued by Company.

Covered Compensation: Earnings from an Employer, including straight-time pay for hours worked, shift and nuclear premiums at the straight-time rate, straight-time pay for temporary upgrades, vacation pay (including vacation pay upon retirement), inclement weather pay, sick leave pay, holiday pay, differential pay for military training, pay for other time off with permission carrying full pay, payments under Part B of the Group Life Insurance and Long Term Disability Plan, or supplemental benefits for industrial injury. Covered compensation shall not include pay or shift and nuclear premiums for more than 40 hours per week, overtime bonuses, other special fees or allowances, per diem allowances, payments made under any Worker's Compensation Law, voluntary wage benefit or state disability plans, or any other benefit plan.

DIF: Diversified Investment Fund.

<u>DIF Contributions:</u>	Contributions made to the Diversified Investment Fund.
<u>Diversified Investment Fund:</u>	The fund to which only participants contribute. Employee Contributions to this fund are invested in diversified securities.
<u>Eligible Employee:</u>	One entitled to become a contributing participant.
<u>Employee Benefit Administrative Committee:</u>	The Employee Benefit Administrative Committee referred to in Section 4.16.
<u>Employee Benefit Finance Committee:</u>	The Employee Benefit Finance Committee referred to in Section 4.15.
<u>Employee Contributions:</u>	Any contributions to the Plan made by an employee.
<u>Employer:</u>	For purposes of the Basic Fund and the Diversified Investment Fund, the following are Employers: Pacific Gas and Electric Company, Pacific Service Employees Association, Standard Pacific Gas Line Incorporated, Pacific Gas Transmission Company, Alaska California LNG Company, Pacific Gas Marine Company, Pacific Gas LNG Terminal Company and any other company or association designated by the Board of Directors as eligible to participate in this Plan. For purposes of the TRASOP Fund, Pacific Service Employees Association and Pacific Gas Transmission Company are not Employers.
<u>Employer Contributions:</u>	Any contributions to the Plan by Company.
<u>Fund:</u>	The Basic Fund, the Diversified Investment Fund and the TRASOP Fund, or any of them.
<u>Investment Manager:</u>	Dodge & Cox, 1 Post Street, San Francisco, California 94104, or such other firm or individual as may be selected from time to time by the Employee Benefit Finance Committee.
<u>Long Term Disability Plan:</u>	Part B of the Group Life Insurance and Long Term Disability Plan of Pacific Gas and Electric Company as amended January 1, 1977.

Matching Contributions:

Voluntary Employee Contributions to the TRASOP Fund which are matched by Employer Contributions to the TRASOP Fund. (See Sections 4.04 and 4.05.)

Notice:

Written notification on a form prepared by the Administrator, mailed or delivered to the Employer at least 30 days but not more than 60 days before the date specified in any preceding section, unless the text provides to the contrary.

Plan:

This Company's Savings Fund Plan as amended, revised and set forth herein.

Quarter:

Any calendar Quarter beginning January 1, April 1, July 1 or October 1.

Retirement Plan:

The Company's Retirement Plan as revised from time to time.

Service:

The length of an employee's employment with an Employer or Employers. If an employee with less than three years of Service is rehired after a break in Service which extends for 12 months or more, the employee shall be treated as a new employee for all purposes, and the Service and compensation before the break in Service shall not be recognized for any purpose of the Plan. Service is not broken by layoff unless the layoff extends for a continuous period of more than 12 months. The following periods of absence shall count as Service for purposes of the Plan and shall not constitute a break in Service:

(a) Absence on a leave of absence authorized by the Employer.

(b) Absence because of illness or injury as long as an employee is entitled to receive sick leave pay or entitled to receive benefits under the provisions of the Voluntary Wage Benefit Plan, a state disability plan, Part B of the Group Life Insurance and Long Term Disability Plan, or a Workers' Compensation Law.

(c) Absence for military service or service in the Merchant Marine so long as reemployment rights are protected by law.

years of Service and who are later rehired immediately become Eligible Employees, entitled to contribute in accordance with their total years of Service.

TRASOP Contributions:

Company contributions made to the TRASOP Fund.

TRASOP Fund:

The trust fund established to hold all Company Stock contributed or purchased with TRASOP Contributions and Matching Contributions and the income attributable thereto.

1% TRASOP:

That part of the TRASOP Fund to which the Company contributes stock or cash in an amount equal to one percent of the Company's usable qualified investment tax credit for the Year.

1/2% TRASOP:

That part of the TRASOP Fund to which the Company contributes stock or cash in an amount equal to one-half percent of the Company's usable qualified investment tax credit for the Year and to which participants make Matching Contributions.

Trust:

That Trust into which all contributions are deposited and from which all distributions are made. It is composed of the Basic Fund, the Diversified Investment Fund and the TRASOP Fund.

Trustee:

The Bank of California, National Association, 400 California Street, San Francisco, California 94104, or such other bank or trust company selected by the Employee Benefit Finance Committee which agrees to act as Trustee or successor Trustee of the Trust pursuant to the Trust Agreement.

Trust Agreement:

The agreement between the Company and the Trustee.

Unit:

A measurement of participant's interest in the Diversified Investment Fund. At the outset of this Plan, each Unit was valued at \$5.00. Thereafter, the Unit value shall be the then value of the Fund assets, as determined by the Investment Manager from time to time, less any liabilities (other than the interest of participants in the Fund) divided by the number of Fund Units. Each payment into the Fund of participant's contributions shall increase, and each payment out of the Fund to participant shall decrease the number of Fund Units by a number equal to the amount of the payment divided by the last Unit value determination preceding the date of the payment. Units shall be valued at least weekly.

Year:

The calendar year beginning January 1 and ending December 31.