



LETTER AGREEMENT

No.

91-75-PGE



Pacific Gas and Electric Company
Industrial Relations Department
215 Market Street
San Francisco, California 94106
[415] 973-1125

International Brotherhood of
Electrical Workers, AFL-CIO
Local Union 1245, IBEW
P.O. Box 4790
Walnut Creek, California 94596
[415] 933-6060

David J. Bergman, Acting Manager

Jack McNally, Business Manager

May 16, 1991

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:

We are requesting your agreement to revise the transplant exclusion of the Medical, Dental, and Vision Benefit Agreement effective retroactive to October 1, 1990.

The current exclusion is, "Services for organ transplants except transplant of kidney, cornea or bone marrow or tissue from the body of the member when the recipient is a member covered by the plan." This exclusion is based on outdated Blue Cross medical policy and it excludes complex, but medically recognized transplants such as heart and liver transplants. Because the exclusion is outdated and we are the only client of Blue Cross that excludes these complex transplants, the exclusion has become difficult to administer.

We would like to revise the exclusion so that it is consistent with current medical policy. We propose that the exclusion be, "Services provided for organ or tissue transplants except noninvestigational and nonexperimental organ or tissue transplants that are provided in accordance with Blue Cross medical policy and guidelines, when the recipient or donor is a member of this plan."

This revised exclusion is more flexible as it provides coverage for the transplants already covered and it provides coverage for other types of transplants that have become or may become generally accepted by the medical community. In addition, it will ensure that the more complex transplants such as heart, liver and heart/lung transplants are performed under conditions that create higher odds of success. Under Blue Cross medical policy, complex transplants must be performed at hospitals approved by Blue Cross. Typically these are teaching hospitals such as Stanford that have proven track records combined with low mortality rates.

This exclusion also covers the expenses of a member who is recipient of an organ, a member who is a donor of an organ, and any expenses of the donor of an organ to a plan member that are not covered by the donor's medical plan. This change is consistent with current administrative practice.

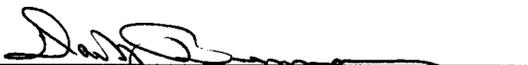
The need for a revised exclusion became apparent when an employee on PG&E's long term disability plan received a heart transplant. Unfortunately, he died. Blue Cross appropriately denied payment, but it was appealed under ERISA guidelines. We asked our law department to review the case as part of the appeals process. They recommended that we change the exclusion based on certain issues such as the hospital's claim that it received preauthorization, inconsistent employee communication material regarding which transplants are covered, the fact that Blue Cross may have been instructed to pay these types of transplants in the past, and concerns over Blue Cross' ability to consistently administer this provision.

The proposed effective date is retroactive to October 1, 1990 in order to cover the deceased employee's transplant bills.

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,

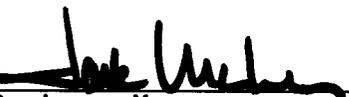
PACIFIC GAS AND ELECTRIC COMPANY

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

June 24, 1991

By 
Business Manager

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