



LETTER AGREEMENT

No. 92-15-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

Ronald L. Bailey, Manager or
David J. Bergman, Director and Chief Negotiator

Jack McNally, Business Manager

February 5, 1992

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:

Pursuant to Part IV of the Benefit Agreement (Qualified Plans), Company proposes to amend the Savings Fund Plan by the addition of a new utility index fund investment option. Company proposes the addition of the Dreyfus Edison Electric Index Fund to the Savings Fund Plan. This fund is sponsored by the Edison Electric Institute and comprised of a portfolio of stocks of investor-owned electric and combination utility companies. A description of the fund is attached.

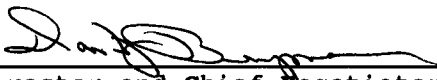
Additionally, pursuant to Section 4.04 of the Benefit Agreement, Company proposes to provide for diversification of Company-matching contributions and allow Savings Fund Plan participants to diversify existing and prospective Company-matching contribution balances into non-PG&E stock investment options. Under this proposal, Savings Fund participants will have the flexibility to invest the Company-matching contributions in any or all of the approved investment funds. Company-matching contributions will be invested as determined by the employee's investment elections and transfer rules will be the same as for employee contributions. This approach of providing plan participants with the flexibility to diversify existing and prospective Company-matching contributions is consistent with legislative trends towards ensuring Savings Fund participants a choice in their investment options, and is consistent with plan designs of comparable corporations.

In order to allow sufficient time for implementation, the addition of the utility index fund investment option and the adoption of diversification of Company-matching contributions are both to be effective July 1, 1992.

If you are in accord with the foregoing and 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 

Director and Chief Negotiator

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

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

March 10, 1992

By 

Business Manager

ATTACHMENT

Dreyfus Edison Electric Index Fund. The Dreyfus Edison Electric Index Fund is sponsored by the Edison Electric Institute (EEI) and administered and distributed by the Dreyfus group of mutual funds. The investment management responsibility for this fund rests with Wells Fargo Nikko Investment Advisors (WFNIA). The Edison Electric Index, which is the basis for the Dreyfus mutual fund, was developed jointly by EEI and WFNIA. It is composed of stocks of investor-owned companies engaged in the production, transmission or distribution of electric energy and that are also members of EEI. EEI member companies represent virtually the entire investor-owned electric utility industry. Some EEI member companies are combination electric and gas utilities, such as PG&E.

All companies in the fund are represented in proportion to their market capitalizations. PG&E, as the combination electric and gas utility with the highest market capitalization in the country, is the largest holding in the Dreyfus Edison Electric Index Fund making up approximately 5.5 percent of the fund.

Although the Dreyfus fund only became operational in late 1991, returns have been simulated going back to 1981. The performance of the Edison Electric Index is compared with the PG&E Stock Fund and the broad U.S. equity market indices in the table below:

	<u>9 mos</u> <u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>	<u>1986</u>	<u>Annualized</u> <u>thru 9/91</u>
Edison Electric Index Fund	17.2%	0.5%	29.1%	16.4%	(8.6)%	25.9%	13.2%
PG&E Stock Fund	23.6	21.6	35.3	20.1	(26.7)	31.9	16.1
S&P 500 Index	20.3	(3.2)	31.4	16.5	5.2	18.2	14.8