



# LETTER AGREEMENT NO. R1-97-47-PGE



PACIFIC GAS AND ELECTRIC COMPANY  
INDUSTRIAL RELATIONS DEPARTMENT  
375 NORTH WIGET LANE, SUITE 150  
WALNUT CREEK, CALIFORNIA 94598  
(510) 746-4282

INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, AFL-CIO  
LOCAL UNION 1245, I.B.E.W.  
P.O. BOX 4790  
WALNUT CREEK, CALIFORNIA 94596  
(510) 933-6060

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MEL BRADLEY, MANAGER OR  
DAVID J. BERGMAN, CHIEF NEGOTIATOR

JACK MCNALLY, BUSINESS MANAGER

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June 5, 1997

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

Attention: Mr. Jack McNally, Business Manager

Gentlemen:

It is the Company's desire to ensure that the benefits offered to its employees are comparable with the outside market and achieved at a reasonable cost to both the Company and its employees. With the transition to a more competitive environment brought on by the deregulation of our core businesses, it is more important than ever that our benefit package be seen by our employees and potential hires as a well rounded package that balances their current and future needs. With this goal in mind, the Company and Union met through Ad Hoc Negotiations to discuss the following changes to the Savings Fund Plan (SFP) program:

- improve the array of investment options, using predominantly "indexed" strategies
- add the ability to accept rollovers from other qualified retirement plans

Additionally, the Company proposes to eliminate the one-year service requirement for plan participation. Employees will be eligible to participate in the Savings Fund Plan program upon attainment of regular status. The provisions of Section 4.04 of the Benefit Agreement, *Employer Contributions*, remain the same. Regular employees are eligible for matching employer contributions upon completion of three years of service.

The proposed changes to the Savings Fund Plan are as follows:

### **Improve the Array of Investment Options**

The investment option array will consist of six core options and three asset allocation funds. Savings Fund Plan recordkeeping, trusteeship, and most investment management will be consolidated within a single full-service organization using predominantly passive investment strategies. The Stable Value Fund is the only fund that will be actively managed by another provider. See Attachment 1 for more detail.

**Rollover Acceptance From Other Qualified Retirement Plans**

Savings Fund Plan participants with assets in a previous employer's retirement plan will be able to transfer those assets (in the form of a check) into the SFP program at any time after they achieve regular status with PG&E and will be able to withdraw those transferred assets from the SFP program at any time subject to SFP guidelines. Individual Retirement Accounts cannot be rolled over into the Savings Fund Plan.

The proposed plan language for inclusion in the Benefits Agreement is contained in Attachment 2.

Investment management costs would continue to be shared between the Company and SFP participants. There will be no shifting of costs under the proposed changes. Attachment 3 provides additional information regarding Savings Fund Plan costs.

An extensive program will be developed by the parties to communicate these plan modifications and educate SFP participants on investment and retirement planning matters.

The effective date for these changes will be October 1, 1997.

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:   
Chief Negotiator

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

 , 1997

By:   
Business Manager

Current investment options are managed by six different investment managers in a mix of active and passive strategies:

<b>PG&amp;E Stock Fund</b> <i>State Street Bank</i> Passive	<b>Diversified Equity Fund</b> <i>JPMorgan Inv Mgmt</i> Active	<b>Utility Stock Fund</b> <i>Mellon Equity Assocs</i> Passive	<b>Stock and Bond Fund</b> <i>Columbia Mgmt Co</i> Active	<b>Bond Index Fund</b> <i>The Vanguard Group</i> Passive	<b>Guaranteed Income Fund</b> <i>PRIMCO Cap Mgmt</i> Active
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Recordkeeping and trusteeship is currently done by State Street Bank and Trust Company.

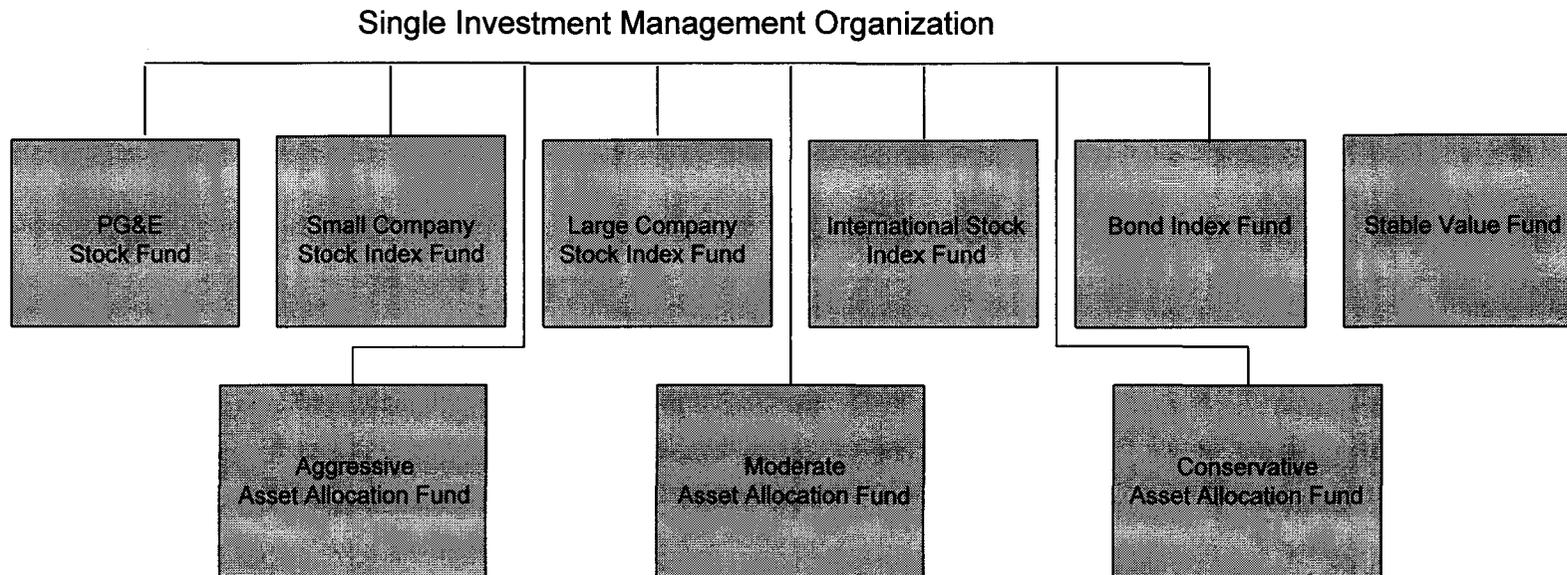
Under the recommended approach, SFP recordkeeping, trusteeship and most investment management would be consolidated within a single full-service organization using predominantly passive investment strategies.

Compared to active management, passive approaches:

- highlight the importance of asset allocation
- provide reliable and predictable results, which provides comfort in committing all SFP investment management to a single organization
- are easy for participants to understand
- have low investment management fees

## Recommended investment structure:

- **Nine funds:**
  - **Six core options, five of which will be passively managed by a single full-service provider**
    - **The Stable Value Fund will continue to be actively managed by another provider**
  - **Three asset allocation funds composed of the four core index options with varying splits between equities and fixed income**



# **BENEFIT AGREEMENT**

## **PART IV SAVINGS FUND PLAN**

### **4.01 ELIGIBILITY**

A union-represented Employee becomes an Eligible Employee upon ~~completion of one year of Service~~ attainment of regular status. Once eligibility occurs it continues as long as the Employee remains a union-represented Employee and Service continues.

(Amended 10/1/97)

## CONTRIBUTIONS

### 4.05 ROLLOVER CONTRIBUTIONS (Added 10/1/97 - All Subsequent Sections Renumbered)

- a) With the approval of the Plan Administrator, an Eligible Employee may make a rollover to the Plan in cash an amount which constitutes all or part of an eligible rollover distribution (as defined in Section 402(c)(4) of the Code). However, a direct or indirect transfer to this Plan from another qualified plan will not be permitted if such transfer would subject this Plan to the qualified joint and survivor rules of Code Section 401(a)(11).
- b) The Employer, the Plan Administrator and the Trustee have no responsibility for determining the propriety of, proper amount or time of, or status as a tax-free transaction of any transfer under Subsection (a) above.
- c) The Plan Administrator shall develop such procedures, and may require such information from the individual who is requesting to make a rollover to the Plan, as necessary or desirable in order to determine that the proposed rollover will meet the requirements of this Section 4.05.
- d) A rollover will be credited to the participant's account and will be recorded separately as a Rollover Contribution by the Plan Administrator as soon as practicable following the receipt thereof by the Trustee.
- e) The Plan Administrator in its discretion may direct the return to the participant (or the transfer to another trustee or custodian designated by the participant) of any Rollover Contribution and any earnings thereon to the extent the Plan Administrator determines that such return may be necessary to insure the continued qualification of this Plan under Section 401(a) of the Code.
- f) Rollover Contributions shall not be eligible for matching Employer Contributions as described in Section 4.

## THE INVESTMENT FUNDS

### 4.09\_10 ~~Diversified Equity Fund (DEF) Large Company Stock Index Fund (LCSF)~~

This FUND is maintained for the purpose of investing in a diversified portfolio consisting principally of common stock of large US companies and securities convertible into common stock. However, at no time shall the ~~DEF LCSF~~ be invested in securities issued or guaranteed by the COMPANY or any of its subsidiaries, except to the extent that any such securities are held in a commingled account invested in by the ~~DEF LCSF~~ INVESTMENT MANAGER.

The ~~DEF LCSF~~ INVESTMENT MANAGER directs the day-to-day investment of the FUND. Contributions to this FUND are paid over to the TRUSTEE and invested in accordance with instructions received from the ~~DEF LCSF~~ INVESTMENT MANAGER. A participant's account is credited with the number of ~~DEF LCSF~~ UNITS purchased with contributions allocated to his account. ~~All Diversified Investment Fund Units attributable to participant contributions made to the PLAN as it existed prior to April 1, 1984 are held in this FUND under the new designation of DEFUNITS.~~

- (a) Cost of ~~DEF LCSF~~ UNITS. The cost of a ~~DEF LCSF~~ UNIT shall be the current value of a UNIT as determined by the ~~DEF INVESTMENT MANAGER TRUSTEE~~ as of the valuation date immediately preceding the date that the TRUSTEE invests contributions in the ~~DEF LCSF~~.
- (b) Value of ~~DEF LCSF~~ UNITS. The value of a ~~DEF LCSF~~ UNIT is the value of the FUND assets, as determined each BUSINESS DAY by the TRUSTEE, less any liabilities (other than the interests of participants in the FUND), divided by the number of ~~DEF LCSF~~ UNITS. Each payment into the FUND of contributions shall increase, and each payment out of the FUND shall decrease, the number of FUND UNITS by a number equal to the amount of the payment divided by the last UNIT value determination immediately preceding the date of the payment.

4.10. ~~Utility Stock Fund (USF) (Entire Section Deleted 10/1/97)~~

~~This FUND is maintained for the purpose of investing in an index fund consisting of common stocks of publicly traded electric utility companies that are members of the Edison Electric Institute. However, at no time shall the FUND be invested in securities issued or guaranteed by the COMPANY or any of its subsidiaries, except to the extent that any such securities are held in a commingled account invested in by the USF INVESTMENT MANAGER. The FUND seeks to provide investment results that correspond to the price and yield performance of common stocks of selected utilities engaged in the generation, transmission, or distribution of electric energy, as represented by an index comprising the common stocks of companies that are members of the Edison Electric Institute. Stocks in the FUND's portfolio are generally held in the same proportions that each stock has within the index. Seeking to duplicate the index as closely as possible, the portfolio is monitored and adjusted by computer; no attempt is made to manage the portfolio in the traditional sense using economic, financial, and market analyses.~~

~~Contributions to the USF are paid to the TRUSTEE and invested in accordance with the instructions from the USF INVESTMENT MANAGER. A participant's account is credited with the number of USF UNITS purchased with contributions allocated to his account.~~

- ~~a) — Cost of USF UNITS. The cost of a USF UNIT shall be the current value of a UNIT as determined by the TRUSTEE as of the valuation date immediately preceding the date that the TRUSTEE invests contributions in the USF.~~
- ~~b) — Value of USF UNITS. The value of a USF UNIT is the value of the assets, as determined each BUSINESS DAY by the TRUSTEE, less any liabilities (other than interests of participants in the USF), divided by the number of USF UNITS. Each payment into the USF of contributions shall increase, and each payment out of the USF shall decrease the number of USF UNITS by a number equal to the amount of the payment divided by the last UNIT value determination immediately preceding the date of payment.~~

**4.11 Small Company Stock Index Fund (SCSF) (Added 10/1/97 -  
All Subsequent Sections Renumbered)**

This FUND is maintained for the purpose of investing in a diversified portfolio consisting principally of common stock of small capitalization US companies and securities convertible into common stock. However, at no time shall the SCSF be invested in securities issued or guaranteed by the COMPANY or any of its subsidiaries, except to the extent that any such securities are held in a commingled account invested in by the SCSF INVESTMENT MANAGER.

The SCSF INVESTMENT MANAGER directs the day-to-day investment of the FUND. Contributions to this FUND are paid over to the TRUSTEE and invested in accordance with instructions received from the SCSF INVESTMENT MANAGER. A participant's account is credited with the number of SCSF UNITS purchased with contributions allocated to his account.

- (a) Cost of SCSF UNITS. The cost of a SCSF UNIT shall be the current value of a UNIT as determined by the TRUSTEE as of the valuation date immediately preceding the date that the TRUSTEE invests contributions in the SCSF.
- (b) Value of SCSF UNITS. The value of a SCSF UNIT is the value of the FUND assets, as determined each BUSINESS DAY by the TRUSTEE, less any liabilities (other than the interests of participants in the FUND), divided by the number of SCSF UNITS. Each payment into the FUND of contributions shall increase, and each payment out of the FUND shall decrease, the number of FUND UNITS by a number equal to the amount of the payment divided by the last UNIT value determination immediately preceding the date of the payment.

**4.12 International Stock Index Fund (ISF) (Added 10/1/97 -  
All Subsequent Sections Renumbered)**

This FUND is maintained for the purpose of investing in a diversified portfolio consisting principally of non--US common stock and securities convertible into common stock. However, at no time shall the ISF be invested in securities issued or guaranteed by the COMPANY or any of its subsidiaries, except to the extent that any such securities are held in a commingled account invested in by the ISF INVESTMENT MANAGER.

The ISF INVESTMENT MANAGER directs the day-to-day investment of the FUND. Contributions to this FUND are paid over to the TRUSTEE and invested in accordance with instructions received from the ISF INVESTMENT MANAGER. A participant's account is credited with the number of ISF UNITS purchased with contributions allocated to his account.

- (a) Cost of ISF UNITS. The cost of a ISF UNIT shall be the current value of a UNIT as determined by the TRUSTEE as of the valuation date immediately preceding the date that the TRUSTEE invests contributions in the ISF.
- (b) Value of ISF UNITS. The value of a ISF UNIT is the value of the FUND assets, as determined each BUSINESS DAY by the TRUSTEE, less any liabilities (other than the interests of participants in the FUND), divided by the number of ISF UNITS. Each payment into the FUND of contributions shall increase, and each payment out the FUND shall decrease, the number of FUND UNITS by a number equal to the amount of the payment divided by the last UNIT value determination immediately preceding the date of the payment.

~~4.13. Stock and Bond Fund (Entire Section Deleted 10/1/97)~~

~~The SBF is maintained for the purpose of investing in a diversified portfolio consisting principally of U.S. equities and U.S. fixed income investments. At no time shall the SBF be invested in securities issued or guaranteed by the COMPANY or any of its subsidiaries, except to the extent that any such securities are held in a commingled account invested in by the SBF INVESTMENT MANAGER. The SBF INVESTMENT MANAGER directs the day to day investment of the SBF.~~

~~Contributions to the SBF are paid over to the TRUSTEE and invested in accordance with instructions received from the SBF INVESTMENT MANAGER. A participant's account is credited with the number of SBF UNITS purchased with contributions allocated to his account.~~

~~(a) Cost of SBF UNITS. The cost of an SBF UNIT shall be the current value of a UNIT as determined by the TRUSTEE as of the valuation date immediately preceding the date that the TRUSTEE invests contributions in the SBF.~~

~~(b) Value of SBF UNITS. The value of an SBF UNIT is the value of the assets, as determined each BUSINESS DAY by the TRUSTEE, less any liabilities (other than the interests of participants in the SBF), divided by the number of SBF UNITS. Each payment into the SBF of contributions shall increase, and each payment out of the SBF shall decrease, the number of SBF Units by a number equal to the amount of the payment divided by the last UNIT value determination immediately preceding the date of payment.~~

#### 4.41 13 Guaranteed Income Fund Stable Value Fund (GIF SVF)

This FUND is designed to provide participants with preservation of principal while earning a stable and consistent rate of return. The FUND is made up of investment contracts with a diversified group of insurance companies, banks, and other financial institutions which provide for credited interest rates and terms that are negotiated at the time of purchase.

Contributions made to the GIF SVF are invested in a portfolio of investment contracts. The GIF SVF INVESTMENT MANAGER directs the day-to-day investment of the FUND. The blended interest earned on all contracts held in the portfolio is posted daily to the participant's account.

- (a) COST OF GIF SVF UNITS. The cost of a GIF SVF UNIT shall be the current value of a UNIT as determined by the TRUSTEE as of the valuation date immediately preceding the date that the TRUSTEE invests contributions in the GIF SVF.
- (b) VALUE OF GIF SVF UNITS. The value of a GIF SVF UNIT is the value of the GIF SVF assets, as determined each BUSINESS DAY by the TRUSTEE, less any liabilities (other than the interests of participants in the GIF SVF), divided by the number of GIF SVF UNITS. Each payment into the GIF SVF of contributions shall increase, and payments out of the GIF SVF shall decrease, the number of GIF SVF UNITS by a number equal to the amount of the payment divided by the last UNIT value determination immediately preceding the date of payment.

4.15 Conservative Asset Allocation Fund (CAAF) (Added 10/1/97 - All Subsequent Sections Renumbered)

The FUND is maintained for the purpose of investing in a diversified portfolio with a primary emphasis on bonds and a secondary emphasis on stocks. This Fund has an allocation to each of the following Funds: the Small Company Stock Index Fund (SCSF), the Large Company Stock Index Fund (LCSF), the International Stock Index Fund (ISF), and the Bond Index Fund (BIF). At no time shall the CAAF be invested in securities issued or guaranteed by the COMPANY or any of its subsidiaries, except to the extent that any such securities are held in a commingled account invested in by the CAAF INVESTMENT MANAGER.

The CAAF INVESTMENT MANAGER directs the day-to-day investment of the FUND. Contributions to this FUND are paid over to the TRUSTEE and invested in accordance with instructions received from the CAAF INVESTMENT MANAGER. A participant's account is credited with the number of CAAF UNITS purchased with contributions allocated to his account.

- (a) Cost of CAAF UNITS. The cost of a CAAF UNIT shall be the current value of a UNIT as determined by the TRUSTEE as of the valuation date immediately preceding the date that the TRUSTEE invests contributions in the CAAF.
- (b) Value of CAAF UNITS. The value of a CAAF UNIT is the value of the FUND assets, as determined each BUSINESS DAY by the TRUSTEE, less any liabilities (other than the interest of participants in the FUND), divided by the number of CAAF UNITS. Each payment into the FUND of contributions shall increase, and each payment out of the FUND shall decrease, the number of FUND UNITS by a number equal to the amount of the payment divided by the last UNIT value determination immediately preceding the date of the payment.

4.16 Moderate Asset Allocation Fund (MAAF) (Added 10/1/97 -  
All subsequent sections renumbered)

This FUND is maintained for the purpose of investing in a diversified portfolio with an emphasis on stocks and bonds. This Fund has an allocation to each of the following Funds: the Small Company Stock Index Fund (SCSF), the Large Company Stock Index Fund (LCSF), the International Stock Index Fund (ISF) and the Bond Index Fund (BIF). However, at no time shall the MAAF be invested in securities issued or guaranteed by the COMPANY or any of its subsidiaries, except to the extent that any such securities are held in a commingled account invested in by the MAAF INVESTMENT MANAGER.

The MAAF INVESTMENT MANAGER directs the day-to-day investment of the FUND. Contributions to this FUND are paid over to the TRUSTEE and invested in accordance with instructions received from the MAAF INVESTMENT MANAGER. A participant's account is credited with the number of MAAF UNITS purchased with contributions allocated to his account.

- (a) Cost of MAAF UNITS. The cost of a MAAF UNIT shall be the current value of a UNIT as determined by the TRUSTEE as of the valuation date immediately preceding the date that the TRUSTEE invests contributions in the MAAF.
- (b) Value of MAAF UNITS. The value of a MAAF UNIT is the value of the FUND assets, as determined each BUSINESS DAY by the TRUSTEE, less any liabilities (other than the interest of participants in the FUND), divided by the number of MAAF UNITS. Each payment into the FUND of contributions shall increase, and each payment out of the FUND shall decrease, the number of FUND UNITS by a number equal to the amount of the payment divided by the last UNIT value determination immediately preceding the date of the payment.

4.17 Aggressive Asset Allocation Fund (AAAF) (Added 10/1/97 -  
All Subsequent Sections Renumbered)

This FUND is maintained for the purpose of investing in a diversified portfolio with a primary emphasis on stocks and a secondary emphasis on bonds. This Fund has an allocation to each of the following Funds: the Small Company Stock Index Fund (SCSF), the Large Company Stock Index Fund (LCSF), the International Stock Index Fund (ISF) and the Bond Index Fund (BIF). However, at no time shall the AAAF be invested in securities issued or guaranteed by the COMPANY or any of its subsidiaries, except to the extent that any such securities are held in a commingled account invested in by the AAAF INVESTMENT MANAGER.

THE AAAF INVESTMENT MANAGER directs the day-to-day investment of the FUND. Contributions to this FUND are paid over to the TRUSTEE and invested in accordance with instruction received from the AAAF INVESTMENT MANAGER. A participant's account is credited with the number of AAAF UNITS purchased with contributions allocated to his account.

- (a) Cost of AAAF UNITS. The cost of an AAAF UNIT shall be the current value of a UNIT as determined by the AAAF INVESTMENT MANAGER as of the valuation date immediately preceding the date that the TRUSTEE invests contributions in the AAAF.
- (b) Value of AAAF UNITS. The value of an AAAF UNIT is the value of the FUND assets, as determined each BUSINESS DAY by the TRUSTEE, less any liabilities (other than the interests of participants in the FUND), divided by the number of AAAF UNITS. Each payment into the FUND of contributions shall increase, and each payment out of the FUND shall decrease, the number of FUND UNITS by a number equal to the amount of the payment divided by the last UNIT value determination immediately preceding the date of the payment.

#### 4.47\_21 WITHDRAWAL DURING SERVICE

##### (d) ROLLOVER CONTRIBUTIONS (Added 10/1/97 - All Subsequent Subsections Renumbered)

A participant may at any time elect to withdraw all or any part of the UNITS including income thereon bought with the participant's Rollover Contributions to the PLAN. Such an election will not cause suspension from the PLAN. (Added 10/1/97)

##### ~~(d)~~ (e) ORDERING OF WITHDRAWALS

Whenever the Plan Administrator is required to make a distribution under this Section 4.21 or Section 4.22, the Plan Administrator shall first withdraw Units and earnings thereon attributable to a Participant's Non-401(k) Contributions made prior to 1987, followed by Units and earnings thereon attributable to Non-401(k) Contributions made after 1986, followed by Units and earnings thereon attributable to Rollover Contributions, followed by Units withdrawable under Subsection 4.21(c)(1) followed by Units withdrawable under Subsection 4.21(c)(2), but only if available for withdrawal under that subsection, followed by Units and earnings thereon attributable to a Participant's 401(k) Contributions, but only to the extent that such Units can be withdrawn by the Participant under Subsection 4.21(a). (Amended 10/1/97)

4.28 32DEFINITIONS

DEF:	<del>The Diversified Equity Fund.</del>
DIVERSIFIED EQUITY FUND:	<del>A fund invested in a diversified portfolio of securities. (See Section 4.09)</del>
FUND:	<del>The Company Stock Fund, The Bond Fund, the Diversified Equity Fund, the Guaranteed Income Fund, the Bond Index Fund, the Stock and Bond Fund, the Large Company Stock Index Fund, the Small Company Stock Index Fund, the International Stock Index Fund, the Stable Value Fund, the Conservative Asset Allocation Fund, the Moderate Asset Allocation Fund and the Utility Stock Fund Aggressive Asset Allocation Fund or any of them. (Amended 10/1/97)</del>
GIF:	<del>The Guaranteed Income Fund.</del>
GUARANTEED INCOME FUND:	<del>A fund invested in fixed rate, fixed term contracts. (See Section 4.11)</del>
INVESTMENT FUND:	<del>The Company Stock Fund, The Bond Fund, the Diversified Equity Fund, the Guaranteed Income Fund, the Bond Index Fund, the Stock and Bond Fund, the Large Company Stock Index Fund, the Small Company Stock Index Fund, the International Stock Index Fund, the Stable Value Fund, the Conservative Asset Allocation Fund, the Moderate Asset Allocation Fund and the Utility Stock Fund Aggressive Asset Allocation Fund or any of them. (Amended 10/1/97)</del>

**DEFINITIONS****INVESTMENT MANAGER:**

~~DIVERSIFIED EQUITY FUND. J.P. Morgan Investment Management, Inc. 522 Fifth Avenue, New York, NY 10036, or such other firm or individual as may be selected from time to time by the Employee Benefit Finance Committee. (Amended 1/1/94)~~

~~GUARANTEED INCOME STABLE VALUE FUND. (a) Principal Mutual Life Company, Des Moines, Iowa 50392-3840; (b) PRIMCO Capital Management, Inc., 101 South Fifth Street, Louisville, Kentucky 40202, or such other firm or individual as may be selected from time to time by the Employee Benefit Finance Committee. (Amended 4/1/94 10/1/97)~~

~~BOND INDEX FUND. The Vanguard Group, Vanguard Financial Center, Valley Forge, Pennsylvania 19782 State Street Bank and Trust, Two International Place, Boston, MA 02110, or such other firm or individual as may be selected from time to time by the Employee Benefit Finance Committee. (Amended 1/1/94 10/1/97)~~

~~STOCK AND BOND FUND. Columbia Trust Company, 1301 S.W. Fifth Avenue P.O. Box 1350, Portland, Oregon 97207, or such other firm or individual as may be selected from time to time by the Employee Benefit Finance Committee. (Amended 1/1/94)~~

~~UTILITY STOCK FUND. Wells Fargo Nikko Investment Advisors, 45 Fremont Street, San Francisco, California 94105, or such other firm or individual as may be selected from time to time by the Employee Benefit Finance Committee. (Amended 1/1/94)~~

**DEFINITIONS****INVESTMENT MANAGER**  
(Continued)

LARGE COMPANY STOCK INDEX FUND. State Street Bank and Trust, Two International Place, Boston, MA 02110, or such other firm or individual as may be selected from time to time by the Employee Benefit Finance Committee. (Added 10/1/97)

SMALL COMPANY STOCK INDEX FUND. State Street Bank and Trust, Two International Place, Boston, MA 02110, or such other firm or individual as may be selected from time to time by the Employee Benefit Finance Committee. (Added 10/1/97)

INTERNATIONAL STOCK INDEX FUND. State Street Bank and Trust, Two International Place, Boston, MA 02110, or such other firm or individual as may be selected from time to time by the Employee Benefit Finance Committee. (Added 10/1/97)

CONSERVATIVE ASSET ALLOCATION FUND. State Street Bank and Trust, Two International Place, Boston, MA 02110, or such other firm or individual as may be selected from time to time by the Employee Benefit Finance Committee. (Added 10/1/97)

MODERATE ASSET ALLOCATION FUND. State Street Bank and Trust, Two International Place, Boston, MA 02110, or such other firm or individual as may be selected from time to time by the Employee Benefit Finance Committee. (Added 10/1/97)

**DEFINITIONS**

<b>INVESTMENT MANAGER:</b> (Continued)	<u>AGGRESSIVE ASSET ALLOCATION FUND. State Street Bank and Trust, Two International Place, Boston, MA 02110, or such other firm or individual as may be selected from time to time by the Employee Benefit Finance Committee. (Added 10/1/97)</u>
<u>SVF:</u>	<u>The Stable Value Fund. (Added 10/1/97)</u>
<u>STABLE VALUE FUND:</u>	<u>A fund invested in fixed rate, fixed term investment contracts. (See Section 4.13) (Added 10/1/97)</u>
<u>CAAF:</u>	<u>The Conservative Asset Allocation Fund. (Added 10/1/97)</u>
<u>CONSERVATIVE ASSET ALLOCATION FUND:</u>	<u>A fund invested in a diversified portfolio with a primary emphasis on bonds and a secondary emphasis on stocks. (See Section 4.15) (Added 10/1/97)</u>
<u>MAAF:</u>	<u>The Moderate Asset Allocation Fund. (Added 10/1/97)</u>
<u>MODERATE ASSET ALLOCATION FUND:</u>	<u>A fund invested in a diversified portfolio with an emphasis on stocks and bonds. (See Section 4.16) (Added 10/1/97)</u>
<u>AAAF:</u>	<u>The Aggressive Asset Allocation Fund. (Added 10/1/97)</u>
<u>AGGRESSIVE ASSET ALLOCATION FUND:</u>	<u>A fund invested in a diversified portfolio with a primary emphasis on stocks and a secondary emphasis on bonds. (See Section 4.17) (Added 10/1/97)</u>
<u>ROLLOVER CONTRIBUTION:</u>	<u>An amount contributed by a participant which originated from another employer's qualified plan which is eligible for rollover under Section 402.(c)(4) of the Code. (Added 10/1/97)</u>

### Profile of Savings Fund Plan Costs

	Current Fees (As a Percentage of Assets)		Projected Fees (As a Percentage of Assets)	
	<u>Paid by SFP Participants</u>	<u>Paid by Company</u>	<u>Paid by SFP Participants</u>	<u>Paid by Company</u>
<b>Investment Management (Current / New)</b>				
PG&E Stock Fund	-	-	-	0.02%
Diversified Equity Fund/Large Company Fund	-	0.18%	-	0.04%
Guaranteed Income Fund	-	0.12%	-	0.12%
Bond Index Fund	0.10%	-	0.10%	-
Utility Stock Fund (USF)	0.25%	-	-	-
Stock & Bond Fund (SBF)	0.45%	-	-	-
Small Company Stock Index Fund	-	-	0.12%	-
International Stock Index Fund	-	-	0.14%	-
<b>Recordkeeping</b>	-	0.05%	-	0.03%
<b>Trustee</b>	-	0.02%	-	<0.01%
<b>Education</b>	-	-	-	0.01%

- Investment management costs are currently shared between the Company and SFP participants; there will be no shifting of costs in the new Plan. Funds being eliminated (USF and SBF) will be replaced by funds with lower fees (Small Company and International Funds). Investment management costs for the Asset Allocation Funds would be determined by the underlying core funds.
- Actual investment management fees will be driven by the funds chosen by employees
- Overall administrative costs will be lower with the consolidated approach