



LETTER AGREEMENT NO. R2-98-23-PGE

IBEW



PACIFIC GAS AND ELECTRIC COMPANY
INDUSTRIAL RELATIONS DEPARTMENT
2850 SHADELANDS DRIVE, SUITE 100
WALNUT CREEK, CALIFORNIA 94598
(510) 974-4282

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

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

JACK MCNALLY, BUSINESS MANAGER

12 June 1998

Pacific Gas and Electric Company
Industrial Relations Department
2850 Shadelands Drive, Suite 100
Walnut Creek, California 94598

Attention: Mr. David J. Bergman
Director and Chief Negotiator

Gentlemen:

Union proposes that the Savings Fund Plan loan provisions adopted by Company also be applicable to the IBEW 1245 bargaining unit members, effective at the earliest date possible.

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

Very truly yours,

IBEW LOCAL UNION 1245, INTERNATIONAL
BROTHEROOD OF ELECTRICAL WORKERS, AFL-CIO

By: 
Business Manager

PACIFIC GAS AND ELECTRIC COMPANY

6-23-, 1998

By: 
Director and Chief Negotiator

July 20, 1998

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

RE. PROPOSED LETTER AGREEMENTS R2-98-23-PGE AND R1-98-59-PGE

Dear Ms. Fortier:

As discussed by the parties, and, subsequently reiterated in a June 24, 1998, letter to Mr. McNally from Mr. Bergman, Letter Agreements (L/A) R2-98-23-PGE and R1-98-59-PGE must be effected concurrently.

The proposed language for inclusion in the Benefits Agreement specific to the Savings Fund loan provision described in L/A R2-98-23-PGE is included as Attachment A of this letter. The language provided in Attachment A is reflective of the loan provision adopted by the Company on April 1, 1998.

Subsequent to the submission of L/A 98-59-PGE for consideration by the Union, a 94-53 Benefits Sub-Committee met on July 7, 1998, and July 16, 1998, and jointly developed a new calculation methodology for part-time healthcare premiums. L/A 98-59-PGE has been updated to reflect this proposed change and is being re-submitted as L/A R1-98-59-PGE. All other items described in L/A 98-59-PGE remain the same.

Thank you for your help with these letter agreements. If you need additional information, please let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Sabrina I. Danels', is written above the typed name.

Sabrina I. Danels
Senior Industrial Relations Negotiator

cc: Dave Bergman

BENEFIT AGREEMENT

PART IV SAVINGS FUND PLAN

4.21 LOANS (Entire Section Added 7/1/98)

1. PLAN ADMINISTRATOR Shall Administer the Loan Program. The Plan Administrator shall administer the loan program in accordance with the provisions under this Section 21 in a uniform and nondiscriminatory manner.

2. AVAILABILITY OF LOANS. Upon application by a participant who is an Eligible Employee, the Plan Administrator may direct the Trustee to make a loan to the participant from his account.

3. MAXIMUM NUMBER OF LOANS. A participant may only have one outstanding loan at any given time.

4. PROMISSORY NOTE. A participant may obtain a loan only if he executes a promissory note in a form approved by the Plan Administrator.

5. CONDITIONS OF LOAN
 - a) Minimum Amount. The minimum loan amount shall be \$1,000.

 - b) Maximum Amount. The loan shall not exceed the lesser of (i) \$50,000 reduced by the highest outstanding loan balance during the one-year period ending on the day before the date the current loan is made, or (ii) 50% of the market value of the participant's account balance.

- c) Repayment Period. The term of the loan shall not be less than 12 months and not more than five years in increments of 12 months. However, the term may be for any period not to exceed fifteen years in increments of 12 months if the purpose of the loan is to acquire the Participant's principal residence.
- d) Interest Rate. The interest rate will be set at the time of the loan application at the prime rate as determined monthly by the Trustee, plus one percentage point and will be fixed for the term of the loan.
- e) Security for Repayment. Each loan hereunder will be a participant directed investment for the benefit of the participant requesting such loan; accordingly, any default in the repayment of principal or interest of any loan hereunder will reduce the amount available for distribution to such participant (or his Beneficiary). Any loan hereunder will be secured by 50% of the participant's account balance.
- f) Repayment. A loan must be repaid in level installments of principal and interest by payroll deduction. If the participant is granted an unpaid leave of absence or is transferred to a position or location with an affiliated company that is not covered by the Plan (or ceases to have sufficient compensation from which the loan payment can be made), the participant may continue to make timely level installment payments of principal and interest to the Trustee, by certified check or cashier's check. If the automatic payroll arrangement lapses for any reason or is canceled, and a new arrangement is not in place before the next payment is due, the loan shall be in default. Except as provided above, if a participant's Service is terminated for any reason, the entire unpaid principal and interest of any loan outstanding to such participant shall become immediately due and payable.
- g) Prepayment. A participant may prepay a loan, in full, at any time and without penalty by certified check or cashier's check. Partial prepayment of a loan is not permitted.
- h) Costs and Fees. Any costs or fees associated with the origination of a loan from the Plan shall be borne by the participant requesting the loan. Any costs or fees associated with the origination of a loan will be deducted from the participant's account after the loan issuance.

i) Default. A loan is treated as a default if scheduled loan payments are more than 60 days late. A participant shall then have 30 days from the time he receives written notice of the default and a demand for past due amounts to cure the default before it becomes final.

In the event of a default, the Plan Administrator may direct the Trustee to report the default as a taxable distribution. As soon as a Plan withdrawal or distribution to such Participant would otherwise be permitted, the Plan Administrator may instruct the Trustee to execute upon its security interest in the participant's account by distributing the note to the participant.

6. ACCOUNTING FOR LOANS

(a) Source of Loan. Whenever the Plan Administrator is required to process a loan under this Section 4.21, the Plan Administrator shall first withdraw Units and earnings thereon attributable to a Participant's Non-401(k) Contributions, followed by Units and earnings thereon attributable to Rollover Contributions, followed by Units and earnings thereon attributable to Employer Contributions, followed by Units and earnings thereon attributable to a Participant's 401(k) Contributions.

Loans will be funded upon the receipt of an accurately completed application form. The Trustee shall make payment to the participant as soon thereafter as administratively feasible.

(b) Loan Investment Account. The Plan Administrator will establish and maintain a loan investment account for each borrowing participant. A loan shall be treated by the Plan Administrator as a separate investment of the borrowing participant's account. The unpaid principal and accrued but unpaid interest on the loan to a participant will be reflected for plan accounting purposes in the participant's loan account. Repayments of principal and interest by the participant will be credited to the participant's account in the reverse order that they were liquidated to make the loan. Repayments will be invested in the investment funds according to a participant's current investment elections.

7. DISTRIBUTION TO PARTICIPANT WITH LOAN

In the case of any participant who terminates employment with a loan outstanding hereunder, the cash amount available for distribution to such participant (or the Beneficiary) will consist of the portion of the participant's account invested in the investment funds. The participant's promissory note will be deemed distributed to the participant (or the Beneficiary), and the Trustee will report the value of the promissory note (equal to the amount of unpaid principal) as income for tax purposes in addition to the cash amount distributed to the participant.

8. CALL FEATURE

The Plan Administrator shall have the right to call any participant loan once a participant's employment with all affiliated companies has terminated or if the Plan is terminated.