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PACIFIC GAS AND ELECTRIC COMPANY

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I. WAYLAND BONBRIGHT
MANAGER
INDUSTRIAL RELATIONS

April 30, 1985

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

Dear Mr. McNally:

Enclosed, for your information, is a new set of documents with respect to contracting engineering and construction work. The document consists of a cover letter to Officers, Department Heads, and Regional Managers from Mr. E. B. Langley, Jr., which supersedes his letter on the same subject of June 5, 1984. The package also contains a three-page write-up on policy and guidelines as well as two decision trees.

I am sorry that we did not have this document available for discussion at our meeting of April 22, but it is pretty much self-explanatory, in any case.

Sincerely,



IWB:RS

Encl.

PG and E**FOR INTRA - COMPANY USES**

From Division or Department SENIOR VICE PRESIDENT - OPERATIONS
 To Division or Department
 FILE NO. 411
 RE: LETTER OF Policy for Contracting Engineering-Estimating
 SUBJECT and Construction Work - Revised

April 22, 1985

OFFICERS
 DEPARTMENT HEADS
 REGIONAL MANAGERS

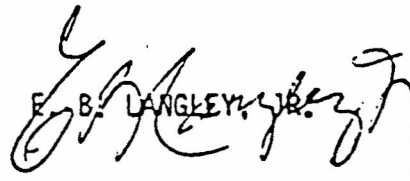
It is the policy of the Company to bid transmission and distribution work to outside contractors when new business, budgeted projects, and non-project work exceed the fully utilized capacity of Region and General Construction employees.

Every effort must be made to use available resources, including Regional manpower, General Construction, and the optimum use of overtime and extended workweeks, in order to provide timely service to our customers. After these resources are reasonably utilized, this policy shall be used to assign construction and/or engineering-estimating work to outside contractors.

Complete cooperation between Region and General Construction supervisors is essential to effectively administer this policy. Standard Practice 411-2, "Use of General Construction to Perform Gas and Electric Transmission and Distribution Work in the Region," requires regularly scheduled meetings of General Construction and Region supervisors. These meetings should be utilized to arrive at and communicate contracting decisions. The decision as to who should administer each contract will depend upon locally available expertise, resources, and conditions. The decision should be made at the Region, Division, or District level.

Questions regarding this policy should be directed to the Manager, Gas Distribution, or the Manager, Electric Transmission and Distribution, as appropriate.

Please review this policy with your Gas and Electric supervisors responsible for its administration. This revision supercedes the previous Transmission and Distribution Contracting Policy letter dated June 5, 1984.


 E. B. LANGLEY, JR.

KTHoffman(222-3108):tm
 cc Regional Staff Managers
 Division & District Managers
 Regional Gas & Electric Operations Managers
 District Gas & Electric Superintendents
 VHLind
 PCHeilmann
 Attachments

POLICY AND GUIDELINES FOR
THE USE OF CONTRACTORS TO ENGINEER AND CONSTRUCT
ELECTRIC AND GAS TRANSMISSION AND DISTRIBUTION FACILITIES

1. POLICY

It is corporate policy to use qualified contractors to supplement Company forces to engineer and construct electric and gas transmission and distribution facilities. Contractors are considered as an available resource to facilitate timely and economical completion of engineering and construction work, both planned and emergency. It is not intended that the implementation of this policy displace or idle existing Company employees.

2. GENERAL GUIDELINES

Corporate manpower controls on both Region and General Construction require increased levels of contracting to accomplish budgeted work and to provide an appropriate level of service to customers. It is essential that the Regions and General Construction work closely to determine, as far in advance as possible, how much work will need to be contracted and more specifically, which projects or blocks of work should be contracted. The Region/Division will plan the work to be accomplished, preferably on a quarterly basis, and coordinate with General Construction regarding work assignments, contracted work, and contract administration. The attached decision tree details this process.

Planning for work to be contracted and coordinated between Regions, Divisions, and General Construction, is essential to insure that existing Company forces will be effectively deployed and to provide adequate lead time to prepare specifications for and bid the work to be contracted.

Contractors must be qualified to perform the work and must demonstrate adherence to all governmental safety procedures required by regulatory agencies.

3. TYPES OF WORK SUITABLE FOR CONTRACTING

- Transmission engineering-estimating and construction work
- Distribution engineering-estimating and construction work

The contract engineering-estimating work referred to in this policy is limited to design work routinely done in the Regions in accordance with existing Company engineering standards. The engineering contractor must thoroughly understand the Company's estimating procedures.

4. PORTIONS OF CONTRACTABLE WORK THAT SHOULD BE RESERVED FOR COMPLETION BY COMPANY FORCES

- Connecting or tying-in new facilities to existing Company gas or electric facilities
- Installing or setting of revenue meters
- Underground cable splicing and termination make-up, unless the contractor is authorized to perform this work by the Company's construction supervisor
- Electric system maintenance work
- Electric planning work should be performed by Planning Engineers in the Regions.

Any exceptions from these restrictions for specific contracts must be requested from the Manager, Electric T&D or the Manager, Gas Distribution.

Contract gas construction work involving pressurized gas facilities requires the prior approval of the Manager, Gas Distribution. Contractors may be allowed to perform "cold tie-ins" where the gas has been removed from existing facilities.

Electric live line work shall only be done by the contractor after the Company's representative has assured himself that the contractor's personnel are qualified and the equipment and tools being utilized are appropriate for the type of live line work and the voltages involved.

The contractor and his employees must thoroughly understand PGandE's clearance procedures. A contractor shall not, however, hold a clearance or do switching on any part of the operating electric system or valving on the operating gas system.

5. UNAVAILABILITY OF COMPANY CONSTRUCTION FORCES

In the event Region forces are not (or will not be) available to meet the schedule for specific projects, the availability of General Construction forces to do the work will be investigated. This investigation must not be confined to the immediate Region or area. Once it is determined that General Construction forces are not (or will not be) available, and that the project cannot be deferred, contractors will be utilized.

The Construction Resources Management Committee meets monthly to evaluate General Construction work assignments and to monitor contract work activity, for compliance with Standard Practice 411-2. The Committee also reviews the availability of each Region's A&T and T&D manpower and their capability to perform work with Company and contract resources. This Committee consists of the Managers of Gas and Line Construction, the Manager of Gas Distribution, the Manager of Electric Transmission and Distribution, and the Administrative Assistant to the Sr. Vice President - Operations.

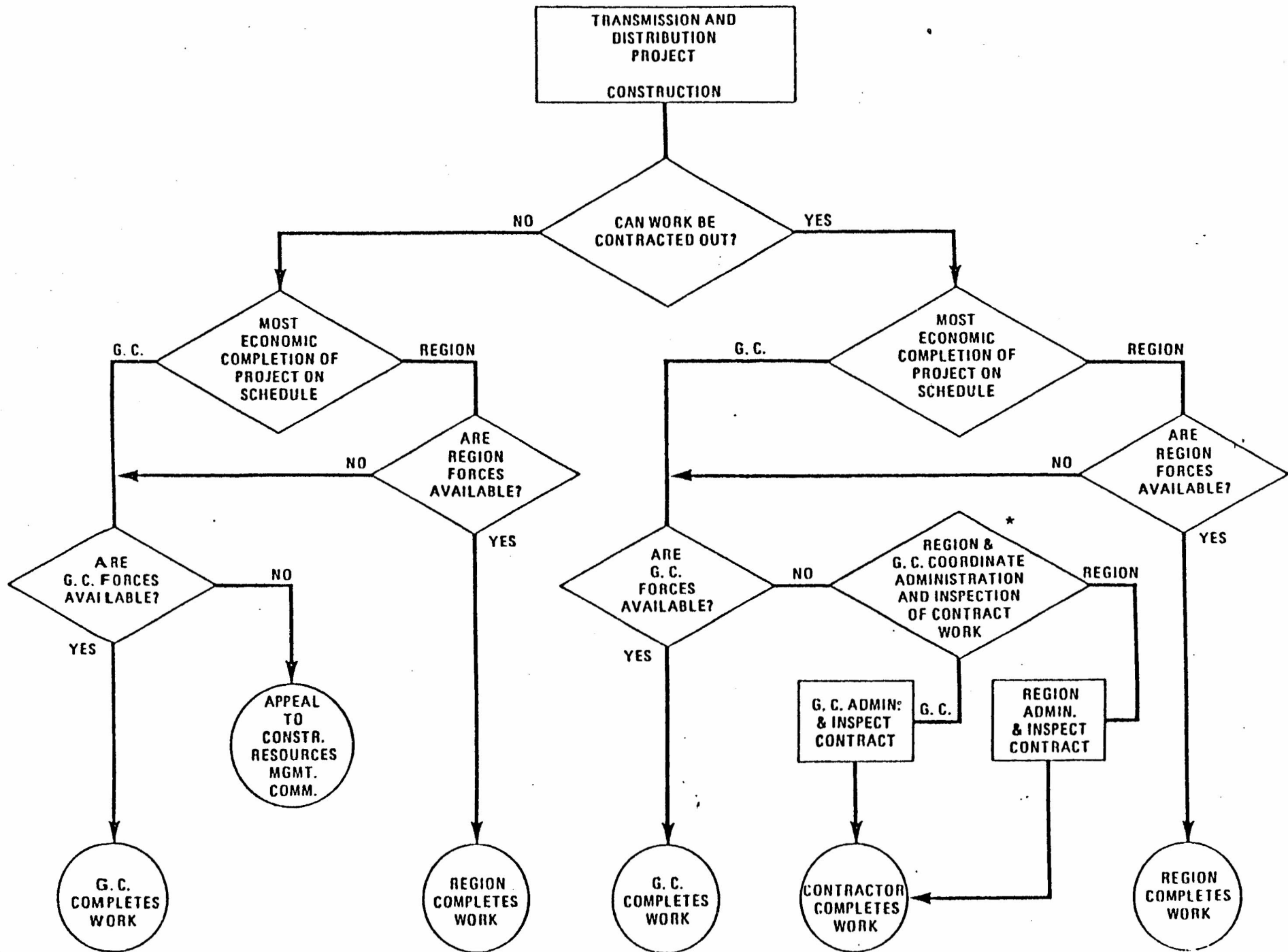
Refer to the attached Exhibits I and II.

April 1985

6. CONTRACTING ENTITY

Once it is determined that Company forces are not (or will not) be available for a project, the Region and General Construction will review planned project work and the Region will then determine who will administer specific projects to be contracted. The selection of contracting entity will be based upon the characteristics of the work to be contracted, locally available expertise, resources, and conditions.

Standard Practice 411-2, Paragraph 5, provides guidelines for the use of General Construction to administer construction contracts. In general, transmission work that is contracted will be administered by General Construction.



* REFER TO PARAGRAPH 6 "CONTRACTING ENTITY"

