

Retirement Plan

for

**Bargaining Unit
Employees**

Effective January 1, 2004

Retirement Plan

For Bargaining Unit Employees

**Financial security at retirement is
a shared responsibility.**

Summary

The Pacific Gas and Electric Company's Retirement Plan provides you with financial security for your retirement. It's important for you to understand how the Plan works and what kind of income you can expect from it so that you can begin planning your retirement years now. Your own savings, plus the benefits available to you from the Retirement Plan and Social Security, all contribute to your future financial status.

The Company offers two plans that can positively affect your future financial condition: the Retirement Plan and the Savings Fund Plan. The Company also pays half the cost of your Social Security benefit through matching contributions during your employment.

Plan Highlights

The Retirement Plan was established in 1937, and it has been amended several times over the years. This summary describes the Retirement Plan as it was last amended for IBEW, ESC and IUSO employees, effective January 1, 2004.

When you retire, the Retirement Plan will pay you a monthly income based on your credited service and your pay. You may also elect a pension option which will continue payments to your spouse or any other person after your death.

Here are some other Retirement Plan highlights:

- Participation in the Retirement Plan begins on your first day with the Company; there is no waiting period to begin accruing service.
- Your pension is based on your years of credited service multiplied by a dollar amount based on your basic weekly pay.
- If you die while you are employed, the Retirement Plan may provide a pension for your spouse.
- You may retire as early as age 55 and qualify for reduced Retirement Plan benefits.
- If you retire before age 65 and have at least 30 years of credited service, there will be no reduction in your monthly pension benefit for early retirement.

You have a right to these benefits at age 55 or after five years of service with the Company.

RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES

SUMMARY

Eligibility

You become a participant of the Retirement Plan on the first day of your employment if you are employed by Pacific Gas and Electric Company or any other company, association or credit union designated by the Board of Directors of the Company to participate in the Retirement Plan.

Participation in the Retirement Plan is automatic. You begin accumulating service credit for Retirement Plan benefits on your first day at work.

You are not eligible to participate in the Retirement Plan if you are a contract, agency or hiring hall employee.

Questions?

If you have any questions about the Retirement Plan, please call the HR Service Center at Company extension 223-2363, or if calling externally, 415-973-2363 or 1-800-788-2363.

Ready to Retire?

Request a Retirement Package by calling the HR Service Center at least 90 days before the date on which you want to retire.

Be sure to notify your supervisor of your retirement so your last paycheck will be processed in a timely manner.

How the Retirement Plan Works

When Benefits Are Payable

Benefits under the Retirement Plan are based on a formula that assumes you will retire at age 65. You may, of course, continue working beyond age 65. The actual amount you receive from the Retirement Plan will vary depending on when you choose to retire, your age when benefits begin, your pay rate and your length of credited service. Benefits from the Retirement Plan are available under each of the following circumstances:

Normal Retirement — Normal retirement refers to retirement at age 65. Your normal retirement date is the first day of the month after your 65th birthday.

Early Retirement — Early retirement refers to retirement between the ages of 55 and 65. You can elect early retirement as of the first day of any month after your 55th birthday. There is no minimum service requirement for early retirement. The shorter your service, the less you will receive from the Retirement Plan.

Deferred Retirement — Deferred retirement refers to retirement beyond your normal retirement date. If you work past your normal retirement date, you will continue to accrue credited service toward your pension benefit from the Retirement Plan. Your pension benefit will begin when you actually retire and elect to start receiving benefits. However, you must begin receiving benefits from the Retirement Plan no later than April 1 of the year after you reach age 70-1/2.

Death Benefit — If you are age 55 or have at least five years of credited service and you die, your spouse is entitled to a benefit from the Retirement Plan (refer to ***Surviving Spouse's Pension*** in this section).

Termination Before Age 55 — If you leave the Company before age 55 with at least five years of credited service under the Retirement Plan, you are entitled to a future benefit from the Retirement Plan. You may elect to receive your Retirement Plan benefit starting any time after reaching age 55; however, benefit payments must begin no later than April 1 of the year after you reach age 70-1/2.

RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES

YOUR RETIREMENT BENEFIT

Your Retirement Benefit

Basic Pension Benefit Formula

Your monthly benefit from the Retirement Plan is calculated by multiplying your years of credited service by a dollar amount based on your basic weekly pay as of January 1.

<i>Number of Years of Credited Service Up to 25 Years</i>	X	<i>Dollar Amount from Basic Pension Table (see below)</i>	=	<i>Monthly Pension Benefit for Years of Service Up to 25 Years</i>
- PLUS -				
<i>Number of Years of Credited Service Over 25 Years</i>	X	<i>Dollar Amount from Basic Pension Table (see below)</i>	=	<i>Monthly Pension Benefit for Years of Service Over 25 Years</i>

The chart below illustrates the calculation of benefits for a hypothetical employee age 65 who retires on July 1, 2004, with 30 years of credited service. The terms “basic weekly pay” and “credited service” are described later in this section.

<ul style="list-style-type: none"> • <i>Basic Weekly Pay as of January 1, 2004 = \$962.70</i> • <i>Credited Service = 30 years</i> 				
Years of Credited Service		Dollar amount from Basic Pension Table (Pension Band 3)		Monthly Pension Benefit
25 years	X	\$63.05	=	\$1,576.25
5 years	X	\$67.25	=	+ \$ 336.25
Total Monthly Pension Benefit				\$1,912.50

The monthly benefit per year of service for other basic weekly pay levels is shown in the Basic Pension Table that follows.

Basic Pension Table – January 1, 2004					
Basic Weekly Pay as of January 1, 2004			Pension Band	Monthly Benefit Per Year of Credited Service	
Up	to			Up to 25 Years	Over 25 Years
Up	to	949.99	1	61.75	65.87
950	to	959.99	2	62.40	66.56
960	to	969.99	3	63.05	67.25
970	to	979.99	4	63.70	67.95
980	to	989.99	5	64.35	68.64
990	to	999.99	6	65.00	69.33
1,000	to	1,009.99	7	65.65	70.03
1,010	to	1,019.99	8	66.30	70.72
1,020	to	1,029.99	9	66.95	71.41
1,030	to	1,039.99	10	67.60	72.11

RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES

YOUR RETIREMENT BENEFIT

Basic Pension Table – January 1, 2004

<i>Basic Weekly Pay as of January 1, 2004</i>			<i>Pension Band</i>	<i>Monthly Benefit Per Year of Credited Service</i>	
				<i>Up to 25 Years</i>	<i>Over 25 Years</i>
1,040	to	1,049.99	11	68.25	72.80
1,050	to	1,059.99	12	68.90	73.49
1,060	to	1,069.99	13	69.55	74.19
1,070	to	1,079.99	14	70.20	74.88
1,080	to	1,089.99	15	70.85	75.57
1,090	to	1,099.99	16	71.50	76.27
1,100	to	1,109.99	17	72.15	76.96
1,110	to	1,119.99	18	72.80	77.65
1,120	to	1,129.99	19	73.45	78.35
1,130	to	1,139.99	20	74.10	79.04
1,140	to	1,149.99	21	74.75	79.73
1,150	to	1,159.99	22	75.40	80.43
1,160	to	1,169.99	23	76.05	81.12
1,170	to	1,179.99	24	76.70	81.81
1,180	to	1,189.99	25	77.35	82.51
1,190	to	1,199.99	26	78.00	83.20
1,200	to	1,209.99	27	78.65	83.89
1,210	to	1,219.99	28	79.30	84.59
1,220	to	1,229.99	29	79.95	85.28
1,230	to	1,239.99	30	80.60	85.97
1,240	to	1,249.99	31	81.25	86.67
1,250	to	1,259.99	32	81.90	87.36
1,260	to	1,269.99	33	82.55	88.05
1,270	to	1,279.99	34	83.20	88.75
1,280	to	1,289.99	35	83.85	89.44
1,290	to	1,299.99	36	84.50	90.13
1,300	to	1,309.99	37	85.15	90.83
1,310	to	1,319.99	38	85.80	91.52
1,320	to	1,329.99	39	86.45	92.21
1,330	to	1,339.99	40	87.10	92.91
1,340	to	1,349.99	41	87.75	93.60
1,350	to	1,359.99	42	88.40	94.29
1,360	to	1,369.99	43	89.05	94.99
1,370	to	1,379.99	44	89.70	95.68
1,380	to	1,389.99	45	90.35	96.37
1,390	to	1,399.99	46	91.00	97.07
1,400	to	1,409.99	47	91.65	97.76
1,410	to	1,419.99	48	92.30	98.45
1,420	to	1,429.99	49	92.95	99.15

RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES

YOUR RETIREMENT BENEFIT

Basic Pension Table – January 1, 2004

<i>Basic Weekly Pay as of January 1, 2004</i>			<i>Pension Band</i>	<i>Monthly Benefit Per Year of Credited Service</i>	
				<i>Up to 25 Years</i>	<i>Over 25 Years</i>
1,430	to	1,439.99	50	93.60	99.84
1,440	to	1,449.99	51	94.25	100.53
1,450	to	1,459.99	52	94.90	101.23
1,460	to	1,469.99	53	95.55	101.92
1,470	to	1,479.99	54	96.20	102.61
1,480	to	1,489.99	55	96.85	103.31
1,490	to	1,499.99	56	97.50	104.00
1,500	to	1,509.99	57	98.15	104.69
1,510	to	1,519.99	58	98.80	105.39
1,520	to	1,529.99	59	99.45	106.08
1,530	to	1,539.99	60	100.10	106.77
1,540	to	1,549.99	61	100.75	107.47
1,550	to	1,559.99	62	101.40	108.16
1,560	to	1,569.99	63	102.05	108.85
1,570	to	1,579.99	64	102.70	109.55
1,580	to	1,589.99	65	103.35	110.24
1,590	to	1,599.99	66	104.00	110.93
1,600	to	1,609.99	67	104.65	111.63
1,610	to	1,619.99	68	105.30	112.32
1,620	to	1,629.99	69	105.95	113.01
1,630	to	1,639.99	70	106.60	113.71
1,640	to	1,649.99	71	107.25	114.40
1,650	to	1,659.99	72	107.90	115.09
1,660	to	1,669.99	73	108.55	115.79
1,670	to	1,679.99	74	109.20	116.48
1,680	to	1,689.99	75	109.85	117.17
1,690	to	1,699.99	76	110.50	117.87
1,700	to	1,709.99	77	111.15	118.56
1,710	and up		78	111.80	119.25

RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES

YOUR RETIREMENT BENEFIT

Basic Weekly Pay

Your “basic weekly pay” is the higher of:

- your straight-time rate of pay for the basic work week as of January 1, not including any temporary upgrade pay, any premium pay, or any benefits of any kind; or
- the top rate of pay for your basic classification as of January 1.

This rate of pay is increased by 2.75% for all clerical employees who received the 1988 lump-sum payment; by 3.75% for clerical employees who received the 1988 and 1989 lump-sum payments; by 6% for physical employees who qualify for rubber gloving premiums; and/or by 4% for all former Pacific Gas Transmission Company employees who received the 1991 PGT lump-sum payment.

Special rules may apply in the event that:

- you have at least 10 years of credited service and, due to a lack of work situation or physical disability, you are demoted, or you transfer or bid down before your retirement date;
- you are an inactive employee not on Long-Term Disability; or
- you are receiving Long-Term Disability benefits.

Additional Retirement Income

A special Plan feature also provides for an additional monthly pension for Plan participants who receive shift premiums, Sunday premiums and nuclear premiums. This additional benefit is based on the average weekly straight-time premium received by the participant in the calendar year before retirement.

Credited Service

Credited Service After 1975 — You are given service credit for all periods of continuous employment with the Company including periods when:

- you are on an authorized leave;
- you are ill or injured and entitled to benefits from the Company’s Sick Leave Plan, PSEBA Voluntary Wage Benefit Plan, Long-Term Disability Plan, the Supplemental Benefits for Industrial Injury Plan or State Disability Insurance Plan;
- you are in the military or merchant-marine service (as long as your re-employment rights are protected by law);
- you are laid off for less than 12 continuous months and had less than five years of service; or
- you are laid off for less than 24 continuous months and had more than five years of service.

Your credited service will end as of the date on which you quit, retire, are discharged, or die. In addition, your credited service will end as of the first anniversary of the start of any period during which you are absent for any other reason and not earning credited service.

RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES

YOUR RETIREMENT BENEFIT

Credited Service Before 1976 — Service prior to January 1, 1976, is calculated under the terms of the Retirement Plan in effect at that time. That is, if you joined the Retirement Plan when you first became eligible and were a regular employee who had completed one year of service, your credited service started with your employment date. If you did not join when you were first eligible and you did not take advantage of the one-time opportunity to “buy back” time in 1981, your credited service started with the date you joined the Retirement Plan.

Credited Service for Part-Time or Intermittent Employees After 1990 — All credited service after December 31, 1990, which is earned while you are a part-time or intermittent employee will be prorated based on the ratio of actual straight-time hours worked in the calendar year to the full-time equivalent hours (2080).

All service as a part-time or intermittent employee prior to January 1, 1991, will be considered full-time service.

A representative of the HR Service Center can help you calculate your total service credits under these rules.

For information about how breaks in service affect Retirement Plan benefits, see below.

Service Credits Upon Re-Employment

If you stop working for the Company and are later rehired, you may be eligible to receive credit for your past service. Whether your prior service is counted depends upon the following:

1. the amount of credited service you had before you left the Company;
2. how much time passed before you were rehired;
3. when your termination and rehire took place; and
4. if you were a member of the Retirement Plan before 1972, whether or not you withdrew your contributions to the Retirement Plan.

You will not have a break in service if you return to work within 12 months after your service ends. In this case, your service will be considered continuous and will include the time you were not working for the Company. A break in service may be determined under different rules, depending on when the break occurred.

Breaks in Service On or After January 1, 1989

If you had five or more years of service, your service before the break will be counted. If you had less than five years of service, your years of service will be counted if the period of the break was less than your service before the break.

Breaks in Service On or After January 1, 1987, But Before January 1, 1989

If you had ten or more years of service, your service before the break will be counted. If you had less than ten years of service, your service before the break will not be counted if the period of break in service was equal to or exceeded the greater of:

- five years, or
- the period of service before your break in service.

RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES

YOUR RETIREMENT BENEFIT

Breaks in Service On or After January 1, 1976, But Before January 1, 1987

If you had ten or more years of service, your service before the break will be counted. If you had less than ten years of service, your years of service before the break will be counted if the period of the break was less than your service before the break.

In addition, the restoration of your past service credits may depend on whether or not you withdrew your contributions to the Retirement Plan when you left the Company.

- If you had ten or more years of service and you withdrew your contributions, you will still get credit for your past service, but your pension will be reduced to take the withdrawal into consideration.
- If you had less than ten years of service and you withdrew your contributions, you must repay these contributions, plus interest, within two years of your re-employment to receive credit for your past service. If you do not repay the withdrawal amount, plus interest, you will lose credit for this service.

Breaks in Service Before January 1, 1976

A “five-five-five” rule was in effect before January 1, 1976. Under this rule, upon either your death or retirement, your past service is counted if you had at least five years of prior service, if you were rehired within five years of the date that your service ended, and if you worked at least five years after you were rehired. If you do not meet these requirements, your service before the break is not included in calculating credited service for the Retirement Plan.

RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES

YOUR RETIREMENT BENEFIT

Early Retirement

You can elect early retirement on the first day of any month after your 55th birthday and before your normal retirement date. If you elect early retirement, your monthly pension benefit may be reduced to reflect the longer period of time you are likely to be receiving a pension. The amount of this reduction will depend on your years of service and your age when benefits begin, as shown in the chart below.

These reductions assume that your pension starts on the first of the month after your birthday. If you leave the Company or retire early but delay receiving pension payments, the reduction percentage will depend on your age when pension benefits actually start.

Years of Credited Service				
Age	<i>Reduction in Your Pension if Your Credited Service Is...</i>			
	Less Than 15 Years	15 through 24 Years	25 through 29 Years	30 Years or More
64	3%	—	—	—
63	6%	—	—	—
62	9%	—	—	—
61	12%	3%	3%	—
60	15%	6%	6%	—
59	18%	10%	9%	—
58	21%	14%	12%	—
57	24%	18%	15%	—
56	27%	22%	18%	—
55	30%	26%	21%	—

Note: Reduction factors are based on age in years and months prior to your normal retirement age (age 65). Although only ages as of your birth date are shown on this chart, the reduction factors change with each month worked after age 55. For example, if an employee with less than 15 years of service retired at age 55, the reduction factor would be 30%. Each month worked past 55 will decrease the reduction factor. For example, at age 55 years and four months, the reduction factor would be 29%, etc.

Deferred Retirement

You have the right to continue working past your normal retirement age (age 65) as long as you are able to perform the full responsibilities of your position.

You will continue to accrue service credit toward your pension benefit from the Retirement Plan if you decide to work beyond your normal retirement date, but you cannot begin receiving benefits as long as you are still working. However, if you continue to work after attaining age 70-1/2, pension payments must begin no later than April 1 of the year following the year in which you reach age 70-1/2.

RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES

YOUR RETIREMENT BENEFIT

If You Leave the Company Before You Are Eligible to Retire

If you leave the Company with at least five years of service but before the first day of the month after your 55th birthday, you have a vested pension benefit from the Retirement Plan. This means that you are guaranteed a pension benefit from the Retirement Plan regardless of your employment status. Your pension benefit will be calculated the same as for normal retirement and reduced, if applicable, using the appropriate early retirement reduction factor. You may also elect either a 50% marital pension or some other form of joint pension, as described in the following section.

You can elect to begin receiving your pension benefit from the Retirement Plan at any time after the first day of the month following your 55th birthday. However, benefit payments must begin no later than April 1 of the year after you reach age 70-1/2. ***It is your responsibility to notify the HR Service Center at least 90 days prior to the date on which you want your vested pension benefits to become payable.***

See ***Other Retirement Benefit Provisions*** in this section for important information on payment provisions.

Payment Options

There are a number of Retirement Plan joint payment options from which you may choose when you retire. To help you make the best decision for your needs, the HR Service Center will provide you with an estimate of the pension amounts you would receive each month under the various payment options available from the Retirement Plan.

You must elect an option in writing at least 30 days before your actual retirement date.

Married Employees

50% Marital Pension

If you are married at the time you retire or at the time you begin receiving payments from the Retirement Plan, federal law requires that you be paid a “50% marital pension” unless you and your spouse elect otherwise on your Retirement Application. A marital pension provides you with a monthly benefit for your life and continued payments to your spouse equal to one-half of your pension amount if you die before your spouse.

Under a marital pension, your pension benefit will be calculated according to the Retirement Plan formula and then reduced. This reduction is necessary because payments are guaranteed for two people and are likely to be paid for a longer period of time. The amount of the reduction is determined by an actuarial factor based on your age and the age of your spouse. It is calculated to provide total expected payments of equal value.

Here’s an example:

Example of 50% Marital Pension

- Married employee is age 65; spouse is age 62
- Basic monthly pension is \$1,912.50
- Employee elects a marital pension (50%)

Because the spouse is younger, the spouse is expected to live longer. It’s also likely that payments would be made over a longer period of time since pension benefits under this option will continue throughout the spouse’s lifetime and not end with the pensioner’s death. So the monthly pension is reduced, in this case, using a factor of .947.

$$.947 \times \$1,912.50 = \$1,811.14$$

In other words, the reduced monthly pension is \$1,811.14. In the event that the pensioner dies first, the spouse would receive a lifetime continuing income of half this amount, or \$905.57 per month.

$$\$1,811.14 \times 50\% = \$905.57$$

RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES

PAYMENT OPTIONS

Other Joint Pensions

Instead of a 50% marital pension, you may elect a joint pension with your spouse of either more (75% or 100%) or less (25%). However, if you elect continued payments of less than 50% for your spouse, both you and your spouse must sign the Application for Retirement, and your spouse's signature must be witnessed by a Notary Public.

Special Joint Pension (“Pop-Up”)

You may also elect a “special joint pension” which will allow your reduced monthly pension to increase or “pop up” to the full amount, as if you had never elected a joint pension, if your spouse dies before you. However, your basic monthly pension benefit amount will be further reduced to reflect this additional benefit.

Unreduced Pension

Alternatively, you may elect to receive your pension in an unreduced amount and not provide any payments to your spouse after your death, as long as your spouse consents in writing to this election. If you choose to provide no continuing pension for your spouse, both you and your spouse must sign the Application for Retirement, and your spouse's signature must be witnessed by a Notary Public.

Unmarried Employees

If you are unmarried at the time you retire or at the time you begin receiving payments from the Retirement Plan, you will automatically receive the full amount of your pension, with no provision for continuing payments to a survivor, unless you elect otherwise in writing.

Non-Spouse Joint Pension

If you want to provide a continuing pension to someone in the event of your death, you may elect a “joint pension.” You may designate anyone as your “joint pensioner.” Your own pension benefit will be reduced so that up to 100% of this reduced amount can be continued to your joint pensioner in the event of your death. The amount your pension is reduced depends on your age and the age of your joint pensioner, as well as the percentage of your pension benefit that you elect to be continued to your joint pensioner.

In accordance with Internal Revenue Service regulations, if your designated joint pensioner is more than ten years younger than you, only the 25%, 50% and 75% joint pension options are available. If your designated joint pensioner is nineteen or more years younger than you, only the 25% and 50% joint pension options are available.

Special Joint Pension (“Pop-Up”)

You may also elect a “special joint pension” which will allow your reduced monthly pension to increase or “pop up” to the full amount, as if you had never elected a joint pension, if your joint pensioner dies before you. However, your basic monthly pension benefit amount will be further reduced to reflect this additional benefit.

Changing Your Election

Once you elect a payment option, you may change your election up to 30 days before your retirement date. After that, the election cannot be changed. For instance, if you are receiving a pension benefit and your spouse dies before you do, your pension amount will not be increased unless you elected the special joint pension with your spouse. Your joint pension may not be transferred to another person.

An exception will be made if you elect a marital or joint pension and your spouse or your joint pensioner dies before Retirement Plan payments begin. In this case, the election will be ineffective and you will receive an unreduced pension benefit. If you die before your retirement date, any joint election you made will be cancelled and no benefits will be payable other than a Surviving Spouse's Pension benefit, as outlined on the following pages.

Surviving Spouse's Pension

The Retirement Plan provides income protection for your spouse in the event that you die while you are employed by the Company. The amount of your Surviving Spouse's Pension benefit will depend on your age and employment status at the time of your death, as described here.

If you elect a 50% marital pension or some other form of joint pension with your spouse, and you die within 30 days after your retirement date, your spouse will receive the greater of the marital/joint pension or the Surviving Spouse's Pension, whichever provides the higher benefit.

The Surviving Spouse's Pension is *not* applicable to unmarried employees, including unmarried employees with domestic partners.

Spouse's Pension A

If you are a Retirement Plan participant and:

- you are age 55 or older when you die, *or*
- your age and years of credited service equal 70 or more,

your surviving spouse is entitled to a pension benefit equal to 50% of the basic pension you would have received had you elected retirement as of the first day of the month after your death. There is no reduction for early retirement. However, pension benefits will be reduced if your spouse is more than ten years younger than you. Your spouse's pension benefit will be reduced by 1/20 of one percent for each full month that your spouse is more than ten years younger than you. However, the total reduction cannot result in a smaller pension benefit than what your spouse would have received under a 50% marital pension with applicable early retirement reductions.

The Spouse's Pension A is payable on the first day of the month after your death and continues for the life of your surviving spouse.

Spouse's Pension B

If you have at least five years of service when you die, and if your surviving spouse does not qualify for Spouse's Pension A, your spouse will be entitled to a pension benefit calculated under the formula for Spouse's Pension B, as outlined below.

For an Active Employee Who Dies Before Age 55

Your surviving spouse will be entitled to a 50% marital pension. This benefit will be calculated as if you had terminated employment on the date of your death.

Your spouse can elect to begin receiving this benefit on the first day of the month after you would have reached age 55.

RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES

SURVIVING SPOUSE'S PENSION / OTHER RETIREMENT BENEFIT PROVISIONS

For a Former Employee Who Dies Before Age 55

Your surviving spouse's benefit will be calculated as if you had survived until age 55 and elected a 50% marital pension. Your spouse can elect to begin receiving this benefit on the first day of the month after you would have reached age 55.

For a Former Employee Who Dies at Age 55 or Older

Provided you have not yet begun receiving pension payments, your surviving spouse's benefit will be equal to the 50% marital pension that would have been payable to your spouse had you begun receiving pension payments immediately before your death.

Your spouse can elect to receive this benefit effective the first day of the month following the month in which you die.

Other Retirement Benefit Provisions

Other Distribution

If you have a vested benefit from the Retirement Plan and the present value of your pension benefit is less than \$3,500 as of the date you leave the Company or retire, you will receive a single cash payment shortly after your employment ends, unless you elect to roll over the distribution to a tax-deferred plan. You will receive a written explanation about rollover options prior to receiving your distribution from the Retirement Plan.

Past Contributions to the Retirement Plan

This provision applies only to employees who were employed before 1973. If you made contributions to the Retirement Plan and have a vested benefit, you have the option at your retirement or termination of employment to withdraw these contributions, plus interest, or leave them in the Retirement Plan.

- If you leave your contributions in the Retirement Plan, you will receive the full pension to which you are entitled.
- If you withdraw your contributions, the pension you receive will be reduced by the actuarial value of the contributions withdrawn.

Please note that although the Retirement Plan rules allow you to withdraw an amount equal to your contributions plus accrued interest, tax laws no longer allow you to consider the portion of the refund equal to your contributions as non-taxable. Be sure you are aware of the tax implications before you request a refund of contributions from the Retirement Plan; you may wish to consult a tax advisor before doing so.

Other Important Plan Information

In addition to the benefit provisions explained in this summary, there are also a number of administrative matters you should know about. Some of these matters are described briefly in the following section.

Loss or Reduction of Benefits

There are certain circumstances under which your Retirement Plan benefits may be lost or reduced. These circumstances include the following:

- If you terminate employment with the Company prior to age 55 and before earning five years of credited service, you will lose your right to receive Retirement Plan benefits.
- If you elect to receive your Retirement Plan benefits in the form of a basic pension, Retirement Plan payments will stop at your death. A continuing pension will not be paid to your spouse or any other person after your death.
- If your spouse qualifies for a spouse's pension, you should be aware that the amount of this benefit will be reduced if your spouse is more than ten years younger than you.
- If you contributed to the Retirement Plan before 1973 and withdrew your contributions and interest when your employment terminated, any annuity or pension to which you are entitled will be reduced.

In the Case of Divorce

Under current California law, certain Company-provided employee benefits which you earn while married are community property and, thus, can be divided between you and your ex-spouse by court order in a divorce proceeding.

The Retirement Plan is a pension plan which is governed by the Employee Retirement Income Security Act of 1974 (ERISA). Under ERISA, benefits under these plans may not be divided between the parties in a divorce ***except through a Qualified Domestic Relations Order (QDRO)***.

A QDRO is a judgment, decree or order which relates to the provision of child support, alimony or marital property rights to an alternate payee (including a spouse, former spouse, child or other dependents). It creates or recognizes the existence of an alternate payee's rights. The QDRO also assigns to an alternate payee the right to receive all or a portion of the benefits payable to a participant under a plan.

For detailed information regarding how divorce affects your Retirement Plan benefits, call the HR Service Center at Company extension 223-2363, or if calling externally, 415-973-2363 or 1-800-788-2363, and request a copy of "A Guide To Benefits At PG&E" Divorce Manual and a sample QDRO.

RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES

OTHER IMPORTANT PLAN INFORMATION

Retirement Plan Funding

Since 1973, the Company has paid the full cost of benefits provided under the Retirement Plan. The Company funds the Plan by paying contributions into a trust fund which was established to invest these contributions for Retirement Plan benefits. The amount of each year's contribution to the trust is determined by the Employee Benefit Committee based upon the advice of the Retirement Plan's actuary and in accordance with various laws and regulations which govern contributions to retirement plans.

Company contributions are paid to bank trustees for investment and safekeeping. In addition, investment advisors may be appointed by the Employee Benefit Committee to direct the investment of the contributions paid to the bank trustees.

The following bank trustees, insurance companies and investment managers are employed to invest or act as custodians of the Retirement Plan assets as of the date of this handbook:

Bank Trustee:

State Street Bank and Trust Company
105 Rosemont Avenue
Westwood, MA 02090

Retirement Plan Investment Managers:

AllianceBernstein	Lazard Asset Management
Barclays Global Investors	Metropolitan Life Insurance Company
BlackRock Asset Management	MFS Institutional Advisors, Inc.
The Boston Company	Morgan Stanley Investments, LP
Capital Guardian Trust Company	Numeric Investors
CapitalWorks Investment Planners	Oaktree Capital Management, LLC
Duncan-Hurst Capital Management	Oechsle International Advisors
Frank Russell Trust Company	Pacific Investment Management Company
Geewax, Terker & Company	Pareto Partners
ICM Asset Management, Inc.	Prudential Private Placement Investors
Jacobs Levy Equity Management, Inc.	Seix Investment Advisors
JP Morgan Fleming Asset Management	Timesquare Capital Management, Inc.

For a current listing of bank trustees, insurance companies and investment managers, please call the HR Service Center at Company extension 223-2363, or if calling externally, 415-973-2363 or 1-800-788-2363.

Retirement Plan Termination

If the Retirement Plan is terminated, the Company is required to pay only the amount in the trust fund toward covered benefits. The Pension Benefit Guaranty Corporation (PBGC) also guarantees certain payments. The PBGC is a non-profit corporation established by federal law. The premiums for PBGC insurance are paid by the Company. Generally, the PBGC guarantees most vested normal retirement benefits, early retirement benefits, and certain disability and survivor pensions. However, the PBGC does not guarantee all types of benefits under covered plans, and the amount of benefit protection is subject to certain limitations.

RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES

OTHER IMPORTANT PLAN INFORMATION

The PBGC guarantees vested benefits at the level in effect on the date of the Retirement Plan termination. However, if a plan has been in effect less than five years, or if benefits have been increased within the five years before termination of the Retirement Plan, the whole amount of the Retirement Plan's vested benefits or the benefit increase may not be guaranteed. In addition, there is a ceiling on the amount of monthly benefit that the PBGC guarantees; this ceiling is adjusted periodically.

For more information on PBGC insurance protection and limitations, ask your Retirement Plan Administrator or the PBGC. Inquiries to the PBGC should be addressed to:

Pension Benefit Guaranty Corporation
Insurance Operations Department
P.O. Box 19153
Washington, D.C. 20036-9153

The PBGC may also be reached by calling 1-800-400-7242.

Appeals

If you believe you have been denied a Retirement Plan benefit to which you may be entitled, you may appeal to the Plan Administrator in writing. Please state the reasons why you believe the benefit has been improperly denied and submit any data, questions or comments you think appropriate. The Plan Administrator will send you a written decision within 90 days after receipt of your appeal. Please refer to ***Retirement Plan*** in the section entitled ***Claims and Appeals*** for further details.