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10-19-ESC

July 9, 2010

Mr. Joshua Sperry, Sr. Union Representative
Engineers and Scientists of California
Local 20, IFPTE, AFL-CIO & CLC
835 Howard Street, 2nd Floor
San Francisco, CA 94103

Dear Mr. Sperry:

Due to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (PPACA) and new rules issued regarding the administration and interpretation by the Departments of Health and Human Services, Labor and the Treasury regarding the Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA), and the 2008 Medicare Improvements for Patients and Providers Act (MIPPA), Company proposes the following changes to its health care benefits.

Mental Health Parity

The new MHPAEA rules state that health plans cannot have separate deductibles and separate out-of-pocket maximums for both medical and mental health/chemical dependency benefits. The Company proposes a combined deductible and out-of-pocket maximum for both medical coverage and mental health coverage as follows:

Anthem Blue Cross Network Access Plan (NAP)

Provision	NAP In-Network CAP Benefits	NAP Out-of-Network (Does not apply to CAP)
Combined Medical, Mental Health and Chemical Dependency Deductible	\$120 per person \$320 family maximum	\$240 per person \$680 family maximum
Combined Medical, Mental Health and Chemical Dependency Out-of-Pocket Maximum	\$750 per person \$1,500 family maximum	\$1,000 per person \$2,000 per person

SmartValue Medicare Advantage Private Fee-for-Service (PFFS) Plan

Effective in 2011, the Company proposes to eliminate the SmartValue Medicare Advantage PFFS Plan due to changes made to PFFS plans by the 2008 Medicare Improvements for Patients and Providers Act (MIPPA). Retirees who do not elect a new health care plan during the 2010 Open Enrollment period will default to the Anthem Blue Cross Comprehensive Access Plan effective January 1, 2011.

Adult Child Dependents

The PPACA requires that adult children up to age 26 be offered coverage through their parent's group health plan if they have no access to other employer sponsored coverage, effective January 2011. So that all dependent children are treated alike, the Company proposes to provide medical, dental, vision and EAP coverage to these newly eligible dependents, which is beyond the scope of the PPACA. The regulations do not currently state that this dependent group health coverage must be extended to retirees' adult children up to age 26; however, the Company proposes to also extend medical coverage to retirees' adult children up to age 26.

Retiree Reinsurance

The PPACA established a separate \$5 billion fund that may be used to offset the coverage cost for retirees. The Company's consultant estimates that PG&E's portion, which will be based on the allowed claims of early retirees, may be as much as \$14 million. The law does not require companies to apply for these funds and the funds will be distributed on a first-come, first-served basis. The Company will submit an application to obtain these funds with a description of how the funds will be used to benefit retirees as required by the PPACA. Should these funds be received, the Company and Union Business Manager will confer as to how to reimburse retirees with these funds within the scope of the application. The Company will retain the final discretion on the administration of these funds.

Standard Access Plan

The Company proposes not to proceed with implementation of the Standard Access Plan (Low Cost PPO Plan) in 2011. The Company will proceed with implementation of the Health Savings Account Plan (HSAP, previously known as the High Deductible Health Plan with Health Savings Account) in 2011. Employees' share of contributions for the HSAP will be reduced from 7.5% to 5% for those who elect this coverage.

Health Care Reimbursement/Health Savings Accounts (HCRA/HSA)

The Company is providing notification to the Union of some changes being made to the Health Care Reimbursement Accounts due to the PPACA. Certain over-the-counter drugs that were eligible for reimbursement under HCRA/HSA will no longer be eligible for reimbursement without a licensed physician's prescription. In addition, the penalty for nonqualified withdrawals from HSAs will increase from 10% to 20%.

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 AND ELECTRIC COMPANY

By: _____


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ENGINEERS AND SCIENTISTS OF CALIFORNIA
LOCAL 20, IFPTE, AFL-CIO & CLC

By: _____


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