



**IN THE MATTER OF:**

**2022 and 2023 Executive  
Compensation Guidelines**

**Docket No. 2022-EC**

**Staff Workshop September 2021**

**Re: 2022 and 2023 Executive  
Compensation Guidelines**

**NOTICE OF STAFF WORKSHOP**

Office of Energy Infrastructure Safety staff will conduct a workshop to present and discuss the results of contractor executive compensation research, and potential updates to the Executive Compensation Guidelines.

**SEPTEMBER 29, 2021  
9:00 AM – 4:00 PM**

**Remote Attendance Only**

[https://ca-water-gov.zoom.us/webinar/register/WN\\_F7nxqSjITMmJxZnd1hzStQ](https://ca-water-gov.zoom.us/webinar/register/WN_F7nxqSjITMmJxZnd1hzStQ)

**Agenda**

This staff workshop will include presentations by Energy Safety staff, contractors and representatives of the three large electrical corporations. Staff will discuss the statutory requirements associated with executive compensation and potential revisions to future executive compensation guidelines. Contractor NorthStar Consulting Group staff will present the results of their research into best practices, industry-leading standards, and protocols associated with executive compensation and in particular measures that incentivize improvements in safety performance. They will also discuss potential revisions to future executive compensation guidelines. Electrical corporation representatives will present outlines of their process associated with developing executive compensation plans, confirm the timing of executive compensation plan development, and potential changes under consideration for their 2022 executive compensation plans.

**Background**

In order for the Office of Energy Infrastructure Safety (Energy Safety)<sup>1</sup> to issue a Safety Certification to an electrical corporation, various criteria must be met. (Pub. Util. Code §

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<sup>1</sup> On July 1, 2021, the Wildfire Safety Division (WSD) transitioned to the Office of Energy Infrastructure Safety (Energy Safety), a new department under the California Natural Resources Agency. In accordance with Public Utilities Code §326, all functions of the WSD are transferred to Energy Safety.

8389(e)). One criterion is that the electrical corporation “has established an executive compensation structure approved by [Energy Safety] and structured to promote safety as a priority and to ensure public safety and utility financial stability with performance metrics, including incentive compensation based on meeting performance metrics that are measurable and enforceable, for all executive officers, as defined in [Pub. Util. Code] Section 451.5.”

Pub. Util. Code § 8389(e)(6)(A) further requires an electrical corporation’s “compensation structure for any new or amended contracts for executive officers, as defined in [Pub. Util. Code] § 451.5” to be based on the following principles:

- (i) (I) Strict limits on guaranteed cash compensation, with the primary portion of the executive officers’ compensation based on achievement of objective performance metrics.  
(II) No guaranteed monetary incentives in the compensation structure.
- (ii) It satisfies the principles identified in [Public Utilities Code §8389(e)(4)].
- (iii) A long-term structure that provides a significant portion of compensation, which may take the form of grants of the electrical corporation’s stock, based on the electrical corporation’s long-term performance and value. This compensation shall be held or deferred for a period of at least three years.
- (iv) Minimization or elimination of indirect or ancillary compensation that is not aligned with shareholder and taxpayer interest in the electrical corporation.

In addition to the requirements set forth in Pub. Util. Code §8389(e)(4) and (e)(6), the December 22, 2020 WSD guidance letter required an electrical corporation seeking approval of its 2021 executive compensation structure to submit the following information:<sup>2</sup>

- An explanation of executive compensation components, including base pay, annual bonus/incentive information, and long-term incentive pay, including percentages of overall compensation for each component.
- A description of all metrics, including safety metrics, used to calculate incentive compensation, including an explanation of whether safety metrics are outcome or input based (e.g., number of ignitions versus number of miles of distribution lines inspected).
- A breakdown of the percentage of executive compensation based on safety metrics versus other metrics (e.g., financial performance).
- A description of how safety performance is calculated for incentive compensation.
- Examples of incentive compensation reduced or withheld in the last five years as a result of failure to meet safety metrics.

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<sup>2</sup> WSD Executive Compensation Submission Guidance Letter, page 2.  
<https://energysafety.ca.gov/wp-content/uploads/docs/misc/wsd/wsd-executive-compensation-guidance-20201222.pdf>.

### **Purpose of this workshop**

Energy Safety intends to update the executive compensation guidance through a public process. This staff workshop is the start of that public process. It should be noted that any future executive compensation guidelines will be subject to a written public comment process that will take place after the workshop.

### **Public Participation**

Staff will accept oral and written feedback during the workshop. Oral feedback may be limited to five minutes per speaker and one speaker per organization. Any feedback will become part of the public record for this proceeding. Written feedback will be accepted prior to, during and after the workshop. Written feedback regarding the workshop will be accepted through October 15, 2021.

Oral and written feedback, attachments, and associated contact information, such as address, phone number, and email address, become part of the viewable public record. This information may also become available via any Internet search engine.

Energy Safety strongly encourages use of its electronic docket system. Visit [Energy Safety E-Filing Docket Number 2022-EC](#), which links to the E-Filing page for this docket. Select “Submit E-Filing” or “Submit Confidential E-Filing” to begin the process of submitting a comment or feedback to Docket Number 2022-EC. Comments or feedback must be attached in a downloadable, word searchable file format accessible using publicly available software, and may be submitted in any commonly available file format (e.g., .pdf, .docx, .xlsx). Maximum file size is 50 MB.

If you encounter problems E-Filing, please send an email, include docket number 2022-EC in the subject line, to [efiling@energysafety.ca.gov](mailto:efiling@energysafety.ca.gov).

If preferred, a paper copy may be submitted to:

Office of Energy Infrastructure Safety  
Docket No. 2022-EC  
715 P Street (20th Floor)  
Sacramento, CA 95814

### **Remote Attendance**

Zoom is Energy Safety’s online meeting service. Via computer go to [Energy Safety’s Upcoming Events](#) page, click the link for your meeting and follow the instructions to join the meeting. When attending remotely, presentations will appear on your computer/laptop/mobile device screen and audio may be heard via the device or telephone. Please be aware that the Zoom meeting may be recorded. If you have concerns that you may be unable to use Zoom, use this link (<https://zoom.us/test>) to verify your compatibility with Zoom.

For dial-in users, during the public comment portions of the workshop, if you are using a telephone connection, press “#2” to raise your hand to be unmuted.

**Availability of Documents**

Documents and presentations for this meeting will be available at [Energy Safety E-Filing Docket Number 2022-EC Docket Log](#).

Mail Lists:

Executive Compensation Service List