



2022 EXECUTIVE COMPENSATION STRUCTURE SUBMISSION GUIDELINES

February 14, 2022

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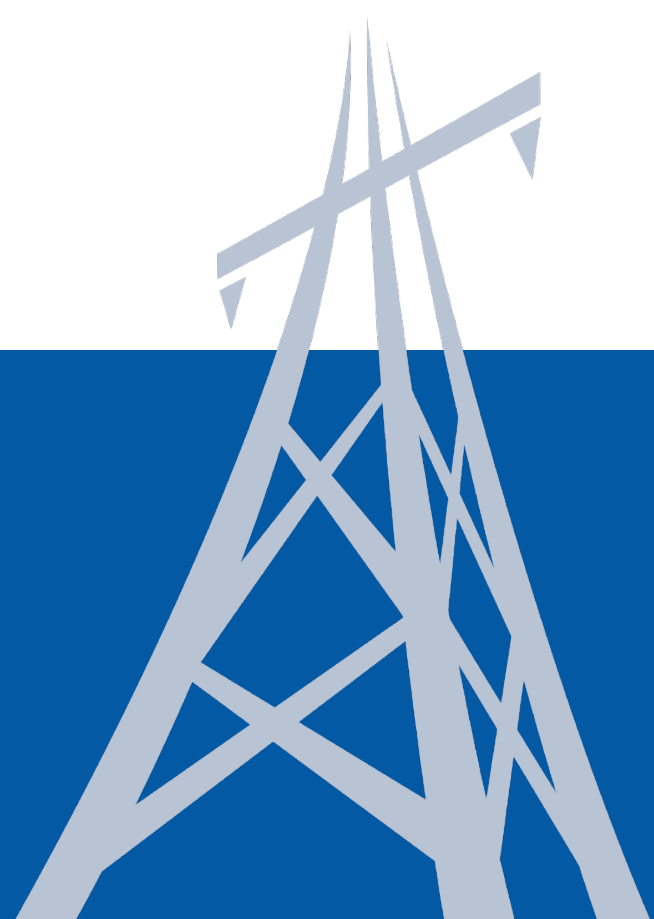
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INTRODUCTION

This document provides the Office of Energy Infrastructure Safety's (Energy Safety) guidelines to electrical corporations submitting requests for approval of 2022 executive compensation structures as part of the electrical corporation's requirements for receipt of a safety certification. The 2022 Executive Compensation Guidelines emphasize the collection of additional information notably beyond what was required under previous guidance. Electrical corporations are now required to use a uniform template for the executive compensation approval requests.



OFFICE OF ENERGY
INFRASTRUCTURE
SAFETY





SUBMISSIONS

Information and Instruction regarding the submission of 2022 executive compensation structures.

Background

Public Utilities Code (Pub. Util. Code) § 8389(e)(4) requires that each electrical corporation obtain approval of its executive compensation structure as a component of receipt of the annual Safety Certification set forth in Pub. Util. Code § 8389(e). Pub. Util. Code § 8389(e)(6)(A) established additional requirements for any new or amended contracts for executive officers. As part of the California Public Utility Commission (CPUC) Decision 20-05-053, additional requirements were established for Pacific Gas and Electric Company (PG&E).

The Wildfire Safety Division (WSD) of the CPUC issued additional guidance for the electrical corporation's 2020 and 2021 submissions. In 2021, the WSD transitioned to the California Natural Resources Agency (CNRA) as the Office of Energy Infrastructure Safety (Energy Safety). Details of the Pub. Util. Code and other regulatory requirements and the 2020 and 2021 guidance are provided as Appendix A to these Guidelines.

On September 29, 2021, Energy Safety held a public workshop to discuss potential changes to both the 2022 and 2023 Executive Compensation Guidelines. These 2022 Guidelines reflect a focus on increasing the transparency and consistency of executive compensation approval request submissions. Potential changes discussed at the workshop that would likely require more substantive changes in executive compensation structures have been temporarily held in abeyance for consideration in the 2023 Executive Compensation Guidelines. Energy Safety will hold a public process for the 2023 Guidelines in the first half of 2022.

Submission Guidelines

Energy Safety provides the following guidelines to inform the electrical corporations' 2022 executive compensation submissions:

- All electrical corporations must comply with the requirements of Pub. Util. Code § 8389(e)(4).



- Electrical corporations with new or amended contracts for executive officers must comply with the requirements of Pub. Util. Code § 8389(e)(6).
- All electrical corporations' executive compensation submissions should include:
 - Compensation structures that are structured to promote measurable outcomes for safety improvements required by Wildfire Mitigation Plans.
 - Compensation awards based on objective, measurable, and enforceable performance metrics that track impacts on drivers of ignition probability and safety outcome metrics that measure leading and lagging indicators of wildfire risk and consequences of wildfire mitigation work.
 - Compensation structures that appropriately weight safety concerns and financial performance.
- As per Decision. 20-05-053, the Commission has obligated PG&E to comply with the requirements of the Assigned Commissioner's Ruling (ACR) Executive Compensation Proposal 9. PG&E should note in its submission how it is addressing the various additional requirements.
- Other electrical corporations are encouraged to review and consider adopting measures from the ACR Executive Compensation Proposal 9 in the spirit of transparency and furthering the purpose of Assembly Bill (AB) 1054.
- The electrical corporations must complete the Required Information Template provided as **Attachment 1** to these Guidelines. All required information must be provided, in the format requested, using the attached Microsoft Word document. Additional narrative may be provided by the electrical corporation but must be provided separately from the Required Information Template. Such narrative should refer directly to the title and number of the associated template in Attachment 1.
- The electrical corporation submissions must be consistent with the definitions provided in **Attachment 2** to these Guidelines.
- The electrical corporation submissions must be consistent with the metric classification requirements set forth in **Attachment 3** to these Guidelines. An important note regarding metric classifications: Energy Safety recognizes the categorization of measures in the executive compensation structure submissions are based on reporting requirements specified by Energy Safety and do not necessarily reflect how the electrical corporation categorizes the measures for its communications to employees, reporting to other regulatory agencies, or other purposes.

- Energy Safety will not accept partial submittals.

Submission of Requests

By March 14, 2022, electrical corporations seeking a subsequent Safety Certification for 2022 pursuant to Pub. Util. Code § 8389(e) must submit, via letter to the Director of the Office of Energy Infrastructure Safety, a formal request for approval of the electrical corporation's executive compensation structure. Energy Safety also requires electrical corporations to submit their request to docket 2022-EC here:

<https://efiling.energysafety.ca.gov/EFiling/DocketInformation.aspx?docketnumber=2022-EC>.

Alternatively, electrical corporations may submit the letter to the following email address: safetypolicy@energysafety.ca.gov.

Letters submitted via this email address will be added to docket 2022-EC. Energy Safety will post each electrical corporation's proposal letter and supporting documentation to its website at:

<https://energysafety.ca.gov/>.

All submissions must be Americans with Disabilities Act compliant.

Comments on Submitted Requests

Interested stakeholders may submit comments on the utilities' executive compensation structures by close of business April 13, 2022, to docket 2022-EC here:

<https://efiling.energysafety.ca.gov/EFiling/DocketInformation.aspx?docketnumber=2022-EC>.

Alternatively, comments may be submitted to the following email address: safetypolicy@energysafety.ca.gov.

Comments submitted via email will be added to docket 2022-EC. Stakeholders may submit responses to comments by close of business April 28, 2022, following the same process as outlined for their initial submission (see above). Energy Safety will post all comments and reply comments to its website at the following address:

<https://energysafety.ca.gov/>.

All submissions must be Americans with Disabilities Act compliant.

Electronic File Naming Convention

Electrical corporations must use the following electronic file naming convention:

Date Submitted: Year- Month-Day	Utility Abbreviated Name	Document Year	Document Type	Revision Number
"2022-03-14"	"PGE" (Pacific Gas & Electric Company) "SDGE" (San Diego Gas & Electric) "SCE" (Southern California Edison) "BVES" (Bear Valley Electrical Services) "LU" (Liberty Utility) "PC" (PacifiCorp) "HWT" (Horizon West) "TBC" (Trans Bay Cable)	"2022"	"ECSS" (Executive Compensation Structure Submission) "Response to REF#xxx" (response to a specific comment(s) – REF#(s) can be found in the docket log) "Metrics" (Performance Metrics Data)	R0 (First Version) R1 (Revision 1) R2 (Revision 2)

Examples:

- **First Version of an Executive Compensation Structure Submission:** "2022-03-14_PGE_2022_ECSS_R0", which refers to a March 14, 2022 PG&E 2022 Executive Compensation Structure Submission, first version.
- **Response to Comments made regarding an Executive Safety Structure Submission:** "2022-03-29_SCE_2022_Response to REF#12517-12519_R0", which refers to a March 29, 2022 SCE response to three separate comments submitted, first version.


Confidential Information

California Code of Regulations, Title 14, Division 17, Chapter 3, Article 1 § 29200, addresses the submission of confidential information. Energy Safety's docket system allows for confidential submissions. Submission of confidential information must follow the guidelines

provided in this document: https://energysafety.ca.gov/wp-content/uploads/docs/manuals-instructions/energy-safety-e-filing-overview-information_july-2021.pdf.

Energy Safety Review

For all electrical corporations seeking a subsequent safety certification in 2022, Energy Safety will review each electrical corporation's executive compensation structure for compliance with Pub. Util. Code § 8389(e) and the requirements and principles set forth herein and will issue an approval or denial. Energy Safety may also contact the electrical corporations for additional information or to request changes in advance of approval.



**ATTACHMENT 1:
REQUIRED
INFORMATION
TEMPLATE**

Instructions on Completing the Template

Follow the instructions provided in completing the Template. Example responses are highlighted and provided in **bold green font**. Electrical corporations must remove the example sections before submitting the executive compensation approval requests. Electrical corporation information must be provided in the blank lines. Additional lines should be added as needed.



Pub. Util. Code § 8389(e)(4): Sections 1-4

To aid Energy Safety in assessing compliance with Pub. Util. Code § 8389(e)(4), electrical corporations must complete Sections 1-4 below for all executive officers as defined in Pub. Util. Code § 451.5(c).

Section 1: Incentive Compensation Components

Rationale: Pub. Util. Code § 8389(e)(4) requires that electrical corporations' executive incentive compensation structures include "incentive compensation based on meeting performance metrics that are measurable and enforceable, for all executive officers... ." To evaluate an electrical corporation's compliance with this requirement, Energy Safety needs to know: (a) who are the electrical corporation's executive officers and (b) what incentive compensation structure exists.

Definition: "Executive officer" is defined in Pub. Util. Code § 451.5(c) and "means any person who performs policy making functions and is employed by the public utility subject to the approval of the board of directors, and includes the president, secretary, treasurer, and any vice president in charge of a principal business unit, division, or function of the public utility." Energy Safety considers divisions or units responsible for electrical operations, gas operations or wildfire-related functions principal business units, divisions or functions of the public utility.

Instructions: In Table 1.1, for each executive officer subject to the executive compensation filing requirements, provide the executive title and function, the executive name (if the executive is classified as an Officer of the Company per the Company's website), the target percentage of Short-Term Incentives (STIP) and Long-Term Incentives (LTIP) as a proportion

Section 2: Executive Officer Exclusion Rationale

Rationale: Pub. Util. Code § 8389(e)(4) requires that electrical corporations’ executive incentive compensation structures include “incentive compensation based on meeting performance metrics that are measurable and enforceable, for all executive officers... .” To ensure incentive compensation is used for all executive officers, Energy Safety must understand why certain top-level officials do not fit within the definition of “executive officers” as defined in Pub. Util. Code § 451.5(c).

Instructions: For the purpose of completing Table 2.1, include all the positions of the highest three tiers of the executives or officers of the electrical corporation that do not fit within the definition of “executive officers” as defined in Pub. Util. Code § 451.5(c). For those positions, provide a simple explanation regarding why the executives holding those positions are not considered “executive officers” as set forth in Pub. Util. Code § 451.5(c). Examples:

- This position does not perform policy making functions.
- This position is not employed by the public utility.
- This position is not subject to approval of the board of directors.

Table 2.1
Pub. Util. Code § 451.5(c) Exclusion Rationales

Example:	
[Company] Executive Secretary, [Division or Unit]	[Company] has excluded the Secretary as this individual does not perform policy making functions and is not subject to approval of the board of directors.
[Company] Treasurer, [Division or Unit]	[Company] has excluded the Treasurer as this individual does not perform policy making functions and is not subject to approval of the board of directors.
Electrical Corporation Actual Data	

Section 3: Short-Term Incentive Program (STIP)

Rationale: Pub. Util. Code § 8389(e)(4) requires that electrical corporations' executive incentive compensation structures are "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..." To ensure that the executive compensation structure for electrical corporation executive officers is structured to promote safety as a priority and ensure public safety and utility financial stability, Energy Safety must have an in-depth understanding of:

- The performance-based components of an executive compensation structure.
- How that structure is promoting safety.
- How effective metrics are in changing safety and financial outcomes.
- How adjustments to metrics are tied to performance.

Instructions: The STIP includes all performance-based compensation awarded on a performance term of less than three years. If the electrical corporation uses more than one short-term incentive mechanism, repeat this information for each mechanism (e.g., Quarterly and Annually).

Section 3a: STIP Structure

Instructions: Provide the requested 2022 STIP information regarding payment type, triggers, deductions, the use of performance individual performance modifiers, the use of company performance modifiers, the use of thresholds, targets, and maximums and the associated percentages, and how performance between categories is interpolated.

i) **STIP Payment Type** (check one):

Cash: Other:

If other, please describe:

ii) **Use of Any Performance Triggers**

Does the electrical corporation's 2022 STIP use any performance triggers (e.g., must achieve annual earnings per share of at least XYZ before any STIP payments are made)? Check one:

Yes: No:

If “Yes”, please describe any performance triggers:

iii) Use of Any Automatic Deductions

Does the electrical corporation’s 2022 STIP have any automatic deductions (e.g., failure to achieve WMP targets results in X% reduction, catastrophic wildfire results in zeroing out all safety metrics)? Check one:

Yes: No:

If “Yes”, please describe all automatic deductions:

iv) Use of a Performance Range - 2021

Were the 2021 STIP payouts based on a performance range (i.e., below minimum/threshold, minimum/threshold, target, maximum)? Check one:

Yes: No:

Did the electrical corporation use one range for all 2021 STIP metrics or differing ranges based on the category of metric)? Check one:

One range for all metrics: Multiple ranges:

Provide the 2021 STIP metric performance range(s):

**Table 3a.1
2021 STIP Metric Performance Range(s)**

	Below Minimum	Minimum	Target	Maximum
Example				
Reportable Fire Ignitions	0%	50%	100%	200%
Wires Down Events Due to Equipment Failure	0%	50%	100%	200%

All Other STIP Metrics	0%	25%	100%	150%
Electrical Corporation Actual Data				

Describe the interpolation method between categories (e.g., straight line):

v) Use of a Performance Range - 2022

Do the 2022 STIP payouts include a performance range (i.e., below minimum/threshold, minimum/threshold, target, maximum)? Check one:

Yes: No:

Is the electrical corporation using one range for all 2022 STIP metrics or differing ranges based on the category of metric)? Check one:

One range for all metrics: Multiple ranges:

Provide the 2022 STIP metric performance range(s):

**Table 3a.2
2022 STIP Metric Performance Range(s)**

	Below Minimum	Minimum	Target	Maximum
Example				
All STIP Metrics	0%	25%	100%	150%
Electrical Corporation Actual Data				

Describe the interpolation method between categories (e.g., straight line):

Awards related to performance for each metric are calculated:

- 1) In ten linear increments from Minimum performance through achievement of Target performance; and
- 2) In fifteen linear increments from Target performance through achievement of Maximum performance.

vi) Use of Performance Modifiers

Does the electrical corporation's STIP involve the use of any of the following types of performance modifiers? If so, please describe.

Individual Performance Modifier:

Yes: No:

If Yes, Describe and Quantify for Each Individual:

Company Performance Modifier:

Yes: No:

If Yes, Describe and Quantify:

Board Discretion:

Yes: No:

If Yes, Describe and Quantify:

Section 3b: 2021 STIP Metrics – Minimum, Target, Maximum and Actual

Instructions: Complete Table 3b.1 for the 2021 STIP metrics, adding lines as necessary. See **Attachment 3** for a discussion of categories and sub-categories. Add lines as needed.

Table 3b.1
2021 STIP – Minimum, Target and Maximum Versus Actual

Category	Sub-Category	Metric	Metric Type	Weight	Min	Target	Max	Actual Performance	Weighted Contribution
Example:									
Safety	Wildfire			10%					
Safety	Employee Safety	Employee DART Rate	Lagging Outcome	5%	0.3	1.5	2.5	2.0	= 10 * 125% 12.5
Safety	Employee Safety	Contractor SIF	Lagging Outcome	5%	5	3	1	7	0
Safety	Public Safety	Wildfire Ignitions	Leading/ Lagging	10%	15	10	5	5	10
Subtotal				30%					22.5
Security									
Security									
Subtotal				5%					22.5
Customer Service	Satisfaction	JDPower CSAT Ranking	Lagging Outcome	50%					

Category	Sub-Category	Metric	Metric Type	Weight	Min	Target	Max	Actual Performance	Weighted Contribution
Subtotal									
DEI									
Subtotal									
Other Operational									
Subtotal									
Financial									
Financial									
Subtotal									
Other									
Other									
Subtotal									
Total				100%					

Section 3c: 2022 Short-Term Incentive Program

Instructions: Complete Table 3c.1 for the 2022 STIP. Provide details of the STIP metrics and minimum, target and maximum performance values for the filing year. Add additional lines as needed.

**Table 3c.1
2022 STIP Metrics**

Class	Sub-Class	Metric	Metric Type	Weight	Min	Target	Max
Performance Range							
Safety							
Safety							
Safety							
				Subtotal			
Performance Range							
Security							
				Subtotal			
Performance Range							
Customer Service							
Customer Service							
Customer Service							
				Subtotal			
Performance Range							
ESG							
				Subtotal			
Performance Range							
DEI							
				Subtotal			
Performance Range							
Other Operational							
				Subtotal			
Performance Range							

Financial							
Financial							
Financial							
				Subtotal			
Performance Range							
Other							
Other							
				Subtotal			
				Total			

Section 3e: STIP Changes

Instructions: Describe any changes between 2021 and 2022 in terms of STIP eligibility, structure, modifiers, metrics (including changes to minimum/threshold, target and maximum performance values), weightings and definitions. Explain the reason for the change(s).

Section 3f: Historical STIP Data

Instructions: Provide historical performance data (five years) for 2022 STIP metrics. If data is lacking, or should be considered in a certain context, explain in the Notes/Context field provided why there is no data for a given year(s) and the relevant context. Add rows as necessary.

Table 3f.1
STIP Metric Historical Actual Performance

Metric/Measure	2017	2018	2019	2020	2021

Notes/Context:

Section 3g: 2021 STIP Adjustments

Instructions: Provide a detailed explanation of any increases and decreases in STIP compensation in 2021 due to failure to meet safety or other targets. Separately describe any adjustments to STIP compensation levels made by the Compensation Committee or executive management and the amount and reason for the reduction. Detail any adjustments made to increase compensation beyond the levels warranted by the actual performance (in any metric classification) and the reasons for the adjustments.

i) Actual performance lower than target due to failure to meet safety target(s):

ii) Actual performance lower than target due to failure to meet other target(s):

iii) Any additional deductions made by the Compensation Committee or Executive Management:

iv) Any upward adjustments:

Section 4: Long-Term Incentive Program (LTIP)

Rationale: Pub. Util. Code § 8389(e)(4) requires that electrical corporations' executive incentive compensation structures include are "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..." To ensure that the executive compensation structure for electrical corporation executive officers is structured to promote safety as a priority and ensure public safety and utility financial stability, Energy Safety must have an in-depth understanding of the performance-based components of an executive compensation structure.

Instructions: The LTIP includes all performance-based compensation awarded on a performance term of three or more years. If the electrical corporation uses more than one long-term incentive mechanism, repeat this information for each mechanism (e.g., Three-year, Four-Year).

Section 4a: LTIP Structure

Instructions: Provide name, title/function, grant date and estimated award percentage of TIC for each executive officer listed in Table 1.1 that receives or is expected to receive direct compensation under a LTIP for the applicable years. For purposes of calculating the Grant Value as a percentage of TIC, use the grant value of the compensation as determined for accounting purposes. Grant value is the value that is disclosed in proxy statement summary compensation tables for executive officers who are proxy officers. For purposes of calculating Earned Value as a percentage of TIC, use the value at the date of vesting. Percentages must be specified for each executive officer and not a range for various position levels. Provide a table for each executive officer. Make copies of the Table 4a.1 table as necessary.

**Table 4a.1
2021 and 2022 LTIP Grants**

Executive Title/ Function and Name:		
LTI Type	2021 Performance Year	2022 Performance Year
	Grant Date Fair Value as a % of TIC	Target Value as a % of TIC
Stock Grant		
Stock Option		
Restricted Stock Unit (RSU)		
Performance Share Unit (PSU)/ Performance Restricted Stock Unit (PRSU)		
Cash Performance Payment		
Other		

If “Other” LTIP Type indicated, provide explanation:

i) Is any LTIP compensation not at risk?

Yes: No:

Describe/Explain:

ii) Were the 2021 LTIP payouts determined based on a performance range (i.e., below minimum/threshold, minimum/threshold, target, maximum)? Check one:

Yes: No:

iii) Did the electrical corporation use one range for all 2021 LTIP metrics or differing ranges based on the category of metric)? Check one:

One range for all metrics: Multiple ranges:

iv) Provide the 2021 LTIP metric range(s):

Table 4a.2
2021 LTIP Performance Range(s)

	Below Minimum	Minimum	Target	Maximum
Example				
System Hardening Effectiveness	0%	50%	100%	200%
Vegetation Management Effectiveness	0%	50%	100%	200%
All Other LTIP Metrics	0%	25%	100%	150%
Electrical Corporation Actual Data				

Describe the interpolation method between categories (e.g., straight line):

v) Provide the 2022 LTIP metric range(s):

Table 4a.3
2022 LTIP Performance Range(s)

	Below Minimum	Minimum	Target	Maximum
Example				
All LTIP Metrics	0%	25%	100%	150%
Electrical Corporation Actual Data				

Describe the interpolation method between categories (e.g., straight line):

i) Use of Any Performance Triggers

Does the electrical corporation's 2022 LTIP use any performance triggers (e.g., must achieve annual earnings per share of at least XYZ before any LTIP payments are made)? Check one:

Yes: No:

If "Yes", please describe any performance triggers:

vii) Use of Any Automatic Deductions

Does the electrical corporation's 2022 LTIP have any automatic deductions (e.g., Failure to achieve WMP targets results in X% reduction, Catastrophic wildfire results in zeroing out all safety metrics)? Check one:

Yes: No:

If "Yes", please describe all automatic deductions:

Section 4b: LTIP General Eligibility

Instructions: Provide a general description of the executive officers eligible for the electrical corporation's long-term incentive program. Add additional lines as needed.

Table 4b.1
LTIP Eligibility

Example:
Electrical Corporation B: All executive officers at the Senior Director and higher (Salary Band 3 and above) participate in the LTIP program. Potential awards are determined as a set percentage of base salary by salary band as follows:
President: 130%
CFO: 100%
Salary Band 1: 75%
Salary Band 2: 30%
Salary Band 3: 15%
Electrical Corporation Actual Data

Section 4c: LTIP Measures, Weighting and Award Basis

Instructions: For each LTIP Type, indicate weighting and basis of award. If basis of award differs amongst position or person, copy Table 4c.1 and Table 4c.2 as necessary and indicate who the table applies to in space provided at the top of the table. Add additional tables if LTIP varies for certain officer classifications.

Table 4c.1
2021 LTIP Measures, Weighting and Award Basis

Executive Title/ Function and Name: All Executive Officers		
LTIP Type	2021 Weight	2021 Performance Year LTIP Award Basis
Example:		
Stock Grant		
Stock Option	30%	Stock Options (weighted at 30%) • Based on LTIP Safety goals.
RSU		
PSU/ PRSU	70%	Performance-Based Restricted Stock Units (weighted at 70% collectively) • 50% based on 3-year relative total shareholder return (TSR) – 35% based on 3-year relative TSR vs. S&P 500 Utilities Index – 15% based on 3-year relative TSR vs. S&P 500 Index • 20% based on 3-year EPS CAGR with payout scale set based on forward consensus estimates of S&P 500 Utilities peers.
Cash		
Weighting Total:	100%	
Electrical Corporation Actuals		
Stock Grant		
Stock Option		
RSU		
PSU/ PRSU		
Cash		
Other		
Weighting Total:	100%	

**Table 4c.2
2022 LTIP Measures, Weighting and Award Basis**

Executive Title/ Function and Name:		
LTI Type	2022 Weight	2022 Performance Year LTIP Award Basis
Electrical Corporation Actuals		
Stock Grant		
Stock Option		
RSU		
PSU/ PRSU		
Cash		
Other		
Weighting Total:	100%	

Section 4d: 2022 LTIP Measures, Definitions and Calculations

Instructions: Provide detailed definitions and calculations for the 2022 LTIP metrics. For each metric, provide a detailed definition of the metric, any adjustments or exclusions, the basis for the definition and the actual calculation such that if Energy Safety requested the source data/ inputs, it would be able to derive the reported results. Also provide the weight given to the metric and the minimum, target and maximum values for the metric.

**Table 4d.1
2022 LTIP Measures**

Measure/Metric	Detailed Definition	Calculation Methodology	Any Adjustment/ Exclusions	Weight	Min.	Target	Max.
Example							
Relative TSR	Relative TSR is a measure of total share performance (price appreciation or depreciation, plus dividends received, if any), relative to the same measure for a comparator group of peer companies (a comparator group)	= { (current price - purchase price) + dividends } ÷ purchase price	None	100%			

Electrical Corporation Actual Data							

Section 4e: Historical LTIP Data

Instructions: Provide historical performance data (five years) for 2022 LTIP metrics. If data is lacking, or should be considered in a certain context, explain in the Notes/Context field provided why there is no data for a given year(s) and the relevant context. Add rows as necessary.

Table 4e.1
LTIP Metric Historical Actual Performance

Metric/Measure	2017	2018	2019	2020	2021

Notes/Context:

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Section 4f: 2021 LTIP Adjustments

Instructions: Provide a detailed explanation of any increases and decreases in 2021 LTIP compensation due to failing to meet safety or other targets. Separately describe any adjustments to LTIP compensation levels made by the Compensation Committee or executive management and the amount and reason for the reduction. Detail any adjustments made to increase compensation beyond the levels warranted by the corporation's actual performance (in any metric classification) and the reasons for the adjustments.

i) Actual performance lower than target due to failure to meet safety target(s):

ii) Actual performance lower than target due to failure to meet other target(s):

iii) Any additional deductions made by the Compensation Committee or Executive Management:

iv) Any upward adjustments:

Section 4g: LTIP Prior Year Actuals

Instructions: For any prior year LTIP programs that vested in 2021, provide details of projected and actual payouts/performance.

Table 4g.1
LTIP Program Vesting in 2021

LTIP Program Name	Performance Measure	Projected % of TIC at Time of Grant	Actual % of TIC at Vesting Date
Example			
2018 RSU	Stock price	30%	25%
2019 RSU	Stock price	15%	16%
2018 Performance Shares	SIF Corrective Action Effectiveness	15%	5%
Electric Corporation Actual Data			

Pub. Util. Code §8389(e)(6): Sections 5-7

To aid Energy Safety in assessing compliance with Pub. Util. Code § 8389(e)(6), electrical corporations must complete Sections 5-7 below for any new or amended contracts for executive officers as defined in Pub. Util. Code § 451.5(c).

Section 5: Fixed versus Incentive Compensation

Rationale: Pub. Util. Code § 8389(e)(6)(A)(i)(I) requires for the issuance of safety certification, that “the electrical corporation has established a compensation structure for any new or amended contracts for executive officers” that meets several principles, including “strict limits on guaranteed cash compensation, with the primary portion of the executive officers’ compensation based on achievement of objective performance metrics.” To evaluate an electrical corporation’s compliance with this requirement, Energy Safety needs to know: (a) who are the electrical corporation’s executive officers and (b) what compensation structure exists.

Definition: “Executive officer” is defined in Pub. Util. Code § 451.5(c) and “means any person who performs policy making functions and is employed by the public utility subject to the approval of the board of directors, and includes the president, secretary, treasurer, and any vice president in charge of a principal business unit, division, or function of the public utility.” Energy Safety considers divisions or units responsible for electrical operations, gas operations or wildfire-related functions principal business units, divisions or functions of the public utility.

Instructions: In Table 5.1, for each executive officer with new or amended contracts, provide the executive title and function, the executive name (if the executive is classified as an Officer of the Company per the Company’s website), the target percentage of Base Salary, Short-Term Incentives (STIP), Long-Term Incentives (LTIP), and Indirect and Ancillary Compensation as a proportion of Total Compensation (TC) for the appropriate 2022 filing year. See the definition of the proceeding terms in **Attachment 2**.

For purposes of calculating the percentage of TC, use the grant value of the compensation as determined for accounting purposes. Grant value is the value that is disclosed in proxy statement summary compensation tables for executive officers who are proxy officers. Percentages must be specified for each executive officer and not a range for various position levels.

**Table 5.1
Fixed versus Incentive Compensation at the Target Level**

Executive Title/ Function and Name (where applicable)	Target Base Salary as a Percent of TC	Target STIP as a Percent of TC	Target LTIP as a Percent of TC	Indirect and Ancillary Compensation as a Percent of TC
Example:				
[Company] President and CEO – Name	30%	35%	25%	10%
[Company] President and CEO – Name	35%	35%	20%	10%
[Company] Senior Vice President (SVP) – Name	35%	35%	20%	10%
[Company] Chief Financial Officer (CFO) – Name	35%	35%	20%	10%
[Company] General Counsel – Name	40%	30%	20%	10%
Electrical Corporation Actual Data				

Section 6: Indirect or Ancillary Compensation

Rationale: Pub. Util. Code § 8389(e)(6)(A)(iv) requires for the issuance of safety certification, that “the electrical corporation has established a compensation structure for any new or amended contracts for executive officers” that meets several principles, including “minimization or elimination of indirect or ancillary compensation that is not aligned with shareholder and taxpayer interest in the electrical corporation.” To ensure that the compensation structure for new or amended contracts for executive officers is based on this principle of minimization of indirect or ancillary compensation, Energy Safety needs to understand what indirect or ancillary compensation are given to executive officers with new or amended contracts.

Instructions: Please list all indirect and ancillary compensation provided to executive officers with new or amended contracts. See **Appendix A** for the definition of and a list of typical indirect or ancillary compensation. If the electrical corporation provides indirect or ancillary compensation, provide the current estimated proportion of TC for each executive officer. For purposes of calculating the percentage of TC, use the grant value of the compensation as determined for accounting purposes. Grant value is the value that is disclosed in proxy statement summary compensation tables for executive officers who are proxy officers. Percentages must be specified for each executive officer and not a range for various position levels. Add rows as necessary. Add explanatory notes as appropriate.

Table 6.1
Indirect or Ancillary Compensation Example

Title	Indirect or Ancillary Compensation Element	Eligibility Requirements	Frequency (One-Time, Annual, Other)	Current Estimated Proportion of TC
Example				
CEO	Relocation Costs	On an exception basis, SVP and above, driven by market conditions	One-time	0%
CEO	Home security	All executive officers	One-time installation cost, annual monitoring cost	<1% annual
CEO	Additional security detail	CEO only	Annual	2%
CEO	Gym membership	SVP and above	Annual	<1%
CEO	Financial Planning Assistance	C-suite	Annual allowance	<1%
CEO	Supplemental Executive Retirement Plan (SERP)	CEO, CFO, CIO	Annual contributions	10%
CFO	Relocation Costs	On an exception basis, SVP and above, driven by market conditions	One-time	0%
CFO	Home security	All executive officers	One-time installation cost, annual	<1% annual

			monitoring cost	
CFO	Gym membership	SVP and above	Annual	<1%
CFO	Financial Planning Assistance	C-suite	Annual allowance	<1%
CFO	Supplemental Executive Retirement Plan (SERP)	CEO, CFO, CIO	Annual contributions	8%
Electrical Corporation Actual Data				

i) Availability of Supplemental Retirement Plans

Does the electrical corporation have supplemental retirement plans for non-Executive Officers? Check one:

Yes: No:

If “Yes”, please describe the eligibility requirements for the plan(s):

ii) Structure of Supplemental Retirement Plans

If supplemental retirement plans are available, please describe:

- **The eligibility requirements for participation in the plan(s).**
- **The award basis for plan(s) (e.g., years of service, company stock performance over the period of service, etc.).**
- **The type of payment made (e.g., cash, stock, combination of cash and stock).**
- **The award schedule for the plan(s).**

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Section 7: Long-Term Incentive Program (LTIP)

Rationale: Pub. Util. Code § 8389(e)(6)(A)(iii) requires for the issuance of safety certification, that “the electrical corporation has established a compensation structure for any new or amended contracts for executive officers” that meets several principles, including “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.” To ensure that the executive compensation structure for electrical corporation executive officers is structured to provide a significant proportion of the compensation based on the electrical corporations long-term performance and value, held or deferred for a period of at least three years, as well as to promote safety as a priority and ensure public safety and utility financial stability, Energy Safety must have an in-depth understanding of the long-term compensation components of an executive compensation structure.

Instructions: The LTIP includes all performance-based compensation awarded on a performance term of three or more years. If the electrical corporation uses more than one long-term incentive mechanism, repeat this information for each mechanism (e.g., Three-year, Four-Year).

Section 7a: LTIP Structure

Instructions: Provide name, title/function, grant date, vesting schedule and estimated award percentage of TC for each executive officer with any new or amended contracts that receives or is expected to receive direct compensation under a LTIP for the applicable years. For purposes of calculating the Grant Value as a percentage of TC, use the grant value of the compensation as determined for accounting purposes. Grant value is the value that is disclosed in proxy statement summary compensation tables for executive officers who are proxy officers. For purposes of calculating Earned Value as a percentage of TC, use the value at the date of vesting. Percentages must be specified for each executive officer and not a range for various position levels. Provide a table for each executive officer. Make copies of the Table 7a.1 table as necessary.

**Table 7a.1
2021 and 2022 LTIP Grants**

Executive Title/ Function and Name:						
LTI Type	2021 Performance Year			2022 Performance Year		
	Grant Date	Vesting Schedule	Grant Date Fair Value as a % of TC	Anticipated Grant Date	Vesting Schedule	Target Value as a % of TC
Stock Grant						
Stock Option						
Restricted Stock Unit (RSU)						
Performance Share Unit (PSU)/ Performance Restricted Stock Unit (PRSU)						
Cash Performance Payment						
Other						

If “Other” LTIP Type indicated, provide explanation:

ii) Is any LTIP compensation not at risk?

Yes: No:

Describe/Explain:

iii) Were the 2021 LTIP payouts determined based on a performance range (i.e., below minimum/threshold, minimum/threshold, target, maximum)? Check one:

Yes: No:

iv) Did the electrical corporation use one range for all 2021 LTIP metrics or differing ranges based on the category of metric)? Check one:

One range for all metrics: Multiple ranges:

v) Provide the 2021 LTIP metric range(s):

**Table 7a.2
2021 LTIP Performance Range(s)**

	Below Minimum	Minimum	Target	Maximum
Example				
System Hardening Effectiveness	0%	50%	100%	200%
Vegetation Management Effectiveness	0%	50%	100%	200%
All Other LTIP Metrics	0%	25%	100%	150%
Electrical Corporation Actual Data				

Describe the interpolation method between categories (e.g., straight line):

vi) Provide the 2022 LTIP metric range(s):

Table 7a.3
2022 LTIP Performance Range(s)

	Below Minimum	Minimum	Target	Maximum
Example				
All LTIP Metrics	0%	25%	100%	150%
Electrical Corporation Actual Data				

Describe the interpolation method between categories (e.g., straight line):

i) **Use of Any Performance Triggers**

Does the electrical corporation’s 2022 LTIP use any performance triggers (e.g., must achieve annual earnings per share of at least XYZ before any LTIP payments are made)? Check one:

Yes: No:

If “Yes”, please describe any performance triggers:

vii) **Use of Any Automatic Deductions**

Does the electrical corporation’s 2022 LTIP have any automatic deductions (e.g., Failure to achieve WMP targets results in X% reduction, Catastrophic wildfire results in zeroing out all safety metrics)? Check one:

Yes: No:

If “Yes”, please describe all automatic deductions:

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Section 7c: LTIP Measures, Weighting and Vesting

Instructions: For each LTIP Type, indicate vesting period and type. If basis of award differs amongst position or person, copy Table 7c.1 and Table 7c.2 as necessary and indicate who the table applies to in space provided at the top of the table. Add additional tables if LTIP varies for certain officer classifications.

Table 7c.1
2021 LTIP Measures Vesting

Executive Title/ Function and Name: All Executive Officers	
LTIP Type	Vesting Period and Type
Example:	
Stock Grant	
Stock Option	Five-year cliff vesting
RSU	
PSU/ PRSU	Three years Y1 – 20% Y2 – 30% Y3 – 50%
Cash	
Weighting Total:	
Electrical Corporation Actuals	
Stock Grant	
Stock Option	
RSU	
PSU/ PRSU	
Cash	
Other	
Weighting Total:	

Table 7c.2
2022 LTIP Measures Vesting

Executive Title/ Function and Name:	
LTI Type	Vesting Period and Type
Electrical Corporation Actuals	
Stock Grant	
Stock Option	
RSU	
PSU/ PRSU	
Cash	
Other	
Weighting Total:	



ATTACHMENT 2: DEFINITIONS

Terms, Acronyms and Definitions

Term	Definition for Executive Compensation Filing Purposes
Base Salary	Base Salary includes all regular, non-incentive-based cash or equity compensation paid to an individual. Base Salary can include cash and equity compensation based on longer than weekly, bi-weekly or monthly terms if the award of that compensation is not incentive based (see Incentive-Based Compensation). Benefits unique to executives are indirect or ancillary compensation.
Benefit Programs	Provide financial security in the case of death, disability, sickness, or retirement. They include statutory benefits such as Social Security, Medicare, Workers Compensation, and Unemployment Insurance. Executives also participate in other company benefits such as vacation, holidays, sick days, severance pay, life insurance, and medical insurance.
Cliff Vesting	Cliff vesting is when an employee becomes fully vested on a specified date rather than becoming partially vested in increasing amounts over an extended period.
Earned Value	Value at the date of vesting.
Executive Officer	Executive officer means any person who performs policy making functions and is employed by the public utility subject to the approval of the board of directors, and includes the president, secretary, treasurer, and any vice president in charge of a principal business unit, division, or function of the public utility. (Pub. Util. Code § 451.5(c)) Energy Safety considers divisions or units responsible for electric operations, gas operations or wildfire-related functions principal business units, divisions or functions of the public utility. For the exact code language see
Graded Vesting	Graded vesting is a type of vesting in which employees receive a certain percentage of vesting after each year of service. The percentage increases a certain amount each year. For example, many companies use a five-year schedule in which the employee receives 20 percent each year.
Grant Value	Value determined using the same methodology used to determine grant value for that form of compensation for the electrical corporation's officers whose compensation is disclosed in a proxy statement. If none of the electrical corporation's officers have compensation disclosed in a proxy statement, then the grant value would be determined using the methodology that would apply if Item 402(c) of Regulation S-K applied to the disclosure of the compensation for the electrical corporation's executive officers.
Incentive-Based Compensation	Compensation awarded based on meeting performance metrics that are measurable and enforceable.

Term	Definition for Executive Compensation Filing Purposes
Indirect or Ancillary Compensation	Indirect or ancillary compensation are special entitlement programs made available to all executives or a select group of executives. Indirect or ancillary compensation can include but are not limited to supplemental insurance, health club, country club or other memberships, company cars, drivers to and from work, first class travel, the use of company airplanes for personal travel, financial planning services, security services, coverage of relocation costs, home purchase/sale assistance, supplemental disability and life insurance, and supplemental retirement benefits.
Long-Term Incentive Program	The Long-Term Incentive Program (LTIP) includes all incentive-based compensation held or delayed for three or more years. To determine whether compensation is “delayed three or more years” subtract the calendar year of grant from the calendar year of payment.
Majority	Greater than 50 percent.
Named Executive Officers (NEOs)	As defined by the Securities and Exchange Commission.
Performance Share Unit (PSU)	Performance shares, as a form of stock compensation, are allocations of company stock given to managers and executives granted only if certain company-wide performance criteria are met.
Performance-Based Restricted Share Unit (PRSU)	See definition of Performance Share Unit.
Restricted Share Unit or Restricted Stock Unit (RSU)	RSUs are a form of stock-based employee compensation. An employee is granted a certain number of shares which they will receive in the future. RSUs are restricted during a vesting period (typically 3-5 years), during which time they cannot be sold. Upon vesting, they are just like any other shares of company stock. Unlike stock options, RSUs will always have some value based on the underlying shares. The entire value of vested RSUs must be included as ordinary income in the year of vesting for tax purposes.
Short-Term Incentive Program	The Short-Term Incentive Program (STIP) includes all incentive-based compensation awarded on a performance term of less than three years.
Stock Grant	The award of shares of stock in a company
Stock Option	The option to purchase stock in a company at a set price at a future date in time
Supplemental Executive Retirement Plan (SERP)	A nonqualified retirement plan for key company employees, such as executives, that provides benefits above and beyond those covered in other retirement plans. There are two general types of SERPs: Unfunded and funded. For an unfunded SERP, the employer contractually promises to pay certain compensation-related benefits at a date in the future.

Term	Definition for Executive Compensation Filing Purposes
	However, that contractual agreement or promise is not secured. An unfunded plan is subject to creditor claims. For a funded SERP, the company puts the assets in a trust account. A funded plan is generally not subject to creditor claims.
Supra-Majority	Over two-thirds.
Total Compensation (TC)	The sum of: Base Salary + Short-Term Incentive Program compensation + Long-Term Incentive Program compensation + Indirect and Ancillary compensation.
Total Incentive Compensation (TIC)	The sum of: Short-Term Incentive Program (STIP) compensation + Long-Term Incentive Program (LTIP) compensation.



ATTACHMENT 3: METRIC CATEGORIZATION REQUIREMENTS

Metric Categories and Subcategories

Standardized categorization of metrics allows for a more uniform analysis and cross-comparison of executive compensation structures among electrical corporations and the changes in metrics and executive compensation structures over time. Standardized metric categorization will not inhibit staff analysis that recognize the nuances of metric impacts. Electrical corporations submitting requests for approval of 2022 executive compensation structures should categorize metrics in accordance with the following guidelines:

Categories

Metrics should be assigned to the following categories:

- Safety
- Security (infrastructure, cyber, etc.)
- Customer Service (including reliability)
- Environmental, Social, Governance (ESG)
- Diversity, Equity, and Inclusion (DEI)
- Other Operational/Improvement
- Financial

Safety Metric Subcategories

Safety metrics should be classified and reported in the following subcategories:

- Wildfire Mitigation Metrics, Performance/Goal Achievement, and Compliance/Adherence
- Emergency Response
- Public Safety – Other Electric¹
- Public Safety – Gas²
- Public Safety – Generation³
- Workforce Safety (employee and contractor)

Categorization Guidelines

¹ Not including emergency response (either internal or external)

² Not including emergency response (either internal or external)

³ Not including emergency response (either internal or external)

Use the following guidelines when categorizing metrics. This list is not meant to be exhaustive. The intent of the guidelines should be considered when categorizing other metrics not specified in this list.

- Achievement of any capital expenditure targets (regardless of type) should be classified as financial.
- System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency Index (SAIFI), Customer Average Interruption Duration Index (CAIDI) and Customers Experiencing Multiple Interruptions (CEMI) should be classified as Customer Service (Reliability).



APPENDIX A

Relevant Code Sections and Past Regulatory Guidance

Public Utility Code § 8389(e)(4,6)

(e) The executive director of the commission shall issue a safety certification to an electrical corporation if the electrical corporation provides documentation of the following:

(4) The electrical corporation has established an executive incentive compensation structure approved by the division 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 Section 451.5. This may include tying 100 percent of incentive compensation to safety performance and denying all incentive compensation in the event the electrical corporation causes a catastrophic wildfire that results in one or more fatalities.

(6)

(A) The electrical corporation has established a compensation structure for any new or amended contracts for executive officers, as defined in Section 451.5, that is 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 compensation principles identified in paragraph (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.

(B) The division shall approve the compensation structure of an electrical corporation if it determines the structure meets the principles set forth in subparagraph (A) and paragraph (4).

(Amended by Stats. 2021, Ch. 115, Sec. 82. (AB 148) Effective July 22, 2021.)

Public Utility Code § 451.5(c)

For purposes of this section, “executive officer” means any person who performs policy making functions and is employed by the public utility subject to the approval of the board of directors, and includes the president, secretary, treasurer, and any vice president in charge of a principal business unit, division, or function of the public utility.

Decision 20-05-053 Assigned Commissioner Ruling (ACR 9)

On February 18, 2020, the Commission issued Decision (D.) 20-05-053 (the PG&E bankruptcy decision) that, among many other actions, minimally and conditionally approved PG&E’s 2020 executive compensation program, and adopted Proposal 9 of the Assigned Commissioner Ruling (ACR) to inform future PG&E executive compensation submissions, which included the following nine additional requirements for PG&E.

1. Publicly disclosed compensation arrangements for executives.
2. Written compensation agreements for executives.
3. Guaranteed cash compensation as a percentage of total compensation that does not exceed industry norms.
4. Holding or deferring the majority or super-majority of incentive compensation, in form of equity awards, for at least 3 years.
5. Basing a significant component of long-term incentive compensation on safety performance, as measured by a relevant subset of by the Safety and Operational Metrics to be developed, as well as customer satisfaction, engagement, and welfare. The remaining portion may be based on financial performance or other considerations.
6. Annual review of awards by an independent consultant.
7. Annual reporting of awards to the CPUC through a Tier 1 advice letter compliance filing.
8. A presumption that a material portion of executive incentive compensation shall be withheld if the PG&E is the ignition source of a catastrophic wildfire, unless the Commission determines that it would be inappropriate based on the conduct of the utility.
9. Executive officer compensation policies will include provisions that allow for restrictions, limitations, and cancellations of severance payments in the event of any felony criminal conviction related to public health and safety or financial misconduct by the reorganized PG&E, for executive officers serving at the time of the underlying conduct that led to the conviction. Implementation of this policy should take into account PG&E’s need to attract and retain highly qualified executive officers.

2020 Executive Compensation Guidance

The WSD's 2020 executive compensation submission guidance directed the electrical corporations to comply with all portions of the relevant Pub. Util. Code and include the following additional information:

- 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 5 years as a result of failure to meet safety metrics.

Based on its review of SCE and SDG&E's 2020 submissions, the WSD outlined the following additional expectations.

- Compensation structures should more closely align with measurable outcomes for safety improvements that are required for Wildfire Mitigation Plans.
- Compensation awards should be based on objective, measurable and enforceable progress metrics that track impacts on drivers of ignition probability and safety outcome metrics that measure leading and lagging indicators of wildfire risk and consequences of wildfire mitigation work.
- Compensation structures should appropriately weight safety concerns and financial performance.

2021 Executive Compensation Guidance

The WSD provided the following guidance to inform the electrical corporations' 2021 executive compensation submissions:

- In addition to complying with all portions of the relevant Pub. Util. Code, executive compensation submission should include the additional elements set forth in the WSD's 2020 executive compensation guidance as well as the principles articulated in the WSD's approval of the SCE and SDG&E 2020 executive compensation programs.
- As per D. 20-05-053, the Commission has obligated PG&E to comply with the requirements of the ACR Executive Compensation Proposal 9. To the extent possible, PG&E should note in its submission how it is addressing the various additional requirements.

- Other electrical corporations are encouraged to review and consider adopting measures from the ACR Executive Compensation Proposal 9 in the spirit of transparency and furthering the purpose of AB 1054.

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