

June 1, 2026

Office of Energy Infrastructure Safety
Suzie Rose
Electrical Undergrounding and Culture Division
715 P Street, 15th Floor
Sacramento, California 95814

Re: PG&E Opening Comments on the Draft Executive Compensation Structure Version 2.0 Guidelines (Docket #Guidelines-EC)

Dear Ms. Rose:

Pacific Gas and Electric Company (“PG&E”) respectfully submits the following comments on Version 2.0 of the Office of Energy Infrastructure Safety’s (“Energy Safety”) Draft Executive Compensation Guidelines. PG&E’s executive compensation structure is an important component of its multifaceted commitment to safety and operational excellence, and PG&E appreciates the opportunity to comment prior to issuance of final guidelines.

Section 1.3.2 (Previous Year STIP Metrics – Minimum, Target, Maximum and Actual) and Section 1.3.7 (Previous Year STIP Adjustments)

Sections 1.3.2 and 1.3.7 overlap, in that both relate to performance on the prior year’s Short-Term Incentive Plan (“STIP”) metrics. Section 1.3.2 directs utilities to fill out a chart setting forth, among other things, actual performance on the prior year’s metrics and the weighted contribution of each metric to the overall STIP score. Section 1.3.7, in turn, contains five parts, the first four of which direct utilities to describe instances in which “[a]ctual performance [was] lower than target due to failure to meet safety target(s)” or “other target(s),” and instances in which deductions were made “due to failure to meet ‘foundational goals’” or “earnings targets or thresholds.”

In the interests of efficiency, PG&E suggests consolidating Section 1.3.2 with the first four parts of Section 1.3.7. Specifically, PG&E suggests expanding the chart in Section 1.3.2 to add columns for the information sought by the first four parts of Section 1.3.7 and then deleting those parts from Section 1.3.7.

Section 1.4.4 (Performance Share Unit Metric Actual Performance), and Section 1.4.6 (LTIP Adjustments for Performance Period Ending in Previous Year)

Sections 1.4.4 and 1.4.6 present the same issue with respect to performance on prior years’ Long-Term Incentive Plan (“LTIP”) metrics. PG&E suggests expanding the chart in Section 1.4.4 to add columns for the information sought by the first two parts of Section 1.4.6 and then deleting those parts from Section 1.4.6.

Section 1.4.1 (LTIP General Eligibility)

Section 1.4.1 provides that “[t]he electrical corporation must describe any changes in LTIP eligibility from the prior period.” Section 1.4.1 gives an example of, “Employees and executive officers at the Director and higher level (Salary Band 3 and above) are eligible to participate in the LTIP program.” PG&E is unclear on whether Section 1.4.1 is intended to encompass LTIP eligibility below the executive officer level, but to the extent it is intended to do so, PG&E believes that that extends beyond Energy Safety’s purview. Energy Safety is charged with ensuring compliance with the executive compensation requirements of AB 1054, which apply only to “executive officers, as defined in [Public Utilities Code] Section 451.5”—the requirements do not apply to lower-level employees.¹ PG&E urges Energy Safety to clarify that Section 1.4.1 only seeks information about the LTIP eligibility of a utility’s executive officers, not other employees.

Section 1.5 (Catastrophic Wildfire History)

Section 1.5 provides:

“[F]or each year in which the electrical corporation caused a catastrophic fire that resulted in one or more fatalities, the electrical corporation must provide the name of the catastrophic fire or fires that occurred that year, and for each executive officer, the percentage of the Total Incentive Compensation (TIC) awarded in that year compared to the target TIC, and the percentage of the Total Compensation (TC) awarded in that year compared to the target TC.

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.”

PG&E offers several comments on this Section.

First, PG&E requests an exemption from Section 1.5 because PG&E, unlike the other utilities, is required to report detailed information that we believe addresses this design consideration with a broader view. PG&E uniquely is subject to a “presumption” imposed by the California Public Utilities Commission (“CPUC”) that “a material portion of executive incentive compensation shall be withheld if . . . PG&E is the ignition source of a catastrophic wildfire,” unless withholding “would be inappropriate based on the conduct of the utility.”² In applying this presumption, the Board of Directors and/or the PG&E Corporation/People and Compensation Committee may consider a variety of actions, if deemed appropriate including, but not limited to including “hard triggers” in an incentive plan that result in automatic reductions as a result of being the ignition source of a catastrophic wildfire, applying discretion in reducing the number of shares that vest for any outstanding equity awards for all or a subset of participants, or applying discretion in reducing STIP

¹ Pub. Util. Code § 8389(a)(4), (a)(6).

² Decision Approving Reorganization Plan, D. 20-05-053, at 88 (CPUC June 1, 2020).

scores/payments for a given performance period. PG&E notes that Section 1.5 appears to be requesting information about grant values of incentive compensation awards (i.e., grants that are subject to payout later, depending on performance), which excludes other mechanisms that may be better suited for withholding (if appropriate) incentive compensation in the event of a catastrophic fire that results in a fatality. Further, PG&E uniquely is required to provide “[a]nnual reporting of awards to the CPUC through a Tier 1 Advice Letter compliance filing.”³ PG&E details in those filings any reductions in incentive compensation that are implemented to comply with the CPUC-imposed presumption, or to ensure that there is no argument about compliance.⁴ PG&E reports similar information to Energy Safety as part of its annual executive compensation submissions, in a portion Energy Safety’s template that other utilities are not required to complete.⁵

Because PG&E already provides detailed information on the topics covered by Section 1.5, PG&E requests an exemption from this redundant reporting requirement.

Second, to the extent PG&E remains subject to Section 1.5, PG&E requests that Energy Safety clarify the purpose of requesting this information. PG&E notes that the “Rationale” portion of Section 1.5 does not explain how Energy Safety intends to use the information; instead, it recites language from Public Utilities Code § 8389(a)(4). PG&E also notes that Section 8389(a)(4) does not require withholding incentive compensation in the event of a catastrophic wildfire; instead, it notes that a utility “may” withhold all incentive compensation in that circumstance.⁶ “May” is permissive, not mandatory.⁷ PG&E requests that Energy Safety clarify the rationale for Section 1.5.

Third, and relatedly, PG&E expresses its concern that Section 1.5 seeks raw data divorced from context, such as the degree of fault of the utility in connection with any particular fire. As noted, the CPUC recognizes that it is *not* automatically appropriate to withhold incentive compensation whenever there is a catastrophic wildfire. To the contrary, the CPUC has recognized that withholding may be “inappropriate based on the conduct of

³ *Id.*

⁴ See, e.g., PG&E’s Advice Ltr. 4630-G/6642-E, at 5-6 (CPUC July 8, 2022) (detailing actions taken by the PG&E Corporation People and Compensation Committee to reduce incentive compensation following consideration of “the totality of circumstances over the course of 2021, including but not limited to the possibility that PG&E assets were the ignition source of the Dixie, Blue and Fly fires”); PG&E’s Advice Ltr. 4419-G/6157-E, at 4-6 (CPUC Apr. 9, 2021) (detailing actions taken by the PG&E Corporation Compensation Committee to reduce incentive compensation following consideration of “the totality of circumstances over the course of 2020, including but not limited to the possibility that PG&E assets were the ignition source of the Zogg Fire”).

⁵ See PG&E’s Request for Approval of 2022 Executive Compensation Structure, at 7-9 (May 2, 2022) (reporting the same information as in the Tier 1 Advice Letters cited above).

⁶ Pub. Util. Code § 8389(a)(4).

⁷ See, e.g., *Tarrant Bell Prop., LLC v. Superior Ct.*, 51 Cal. 4th 538, 542 (2011) (“Under well-settled principles of statutory construction, we ordinarily construe the word ‘may’ as permissive and the word ‘shall’ as mandatory”) (internal quotation marks and brackets omitted); *Walt Rankin & Assocs., Inc. v. City of Murrieta*, 84 Cal. App. 4th 605, 614 (2000) (“[T]he usual rule with California codes is that ‘shall’ is mandatory and ‘may’ is permissive unless the context requires otherwise.”).

the utility.”⁸ PG&E believes that Energy Safety should refrain from making judgments about whether incentive compensation should or should not have been withheld in connection with a catastrophic fire without full adjudication of all relevant facts concerning the fire—and the executive compensation approval process is not the proper proceeding for such difficult, nuanced, consequential, and potentially contested adjudications.

Fourth, PG&E does not believe that historical information on this topic—stretching back half a decade—is relevant to the annual executive compensation approval process. That process assesses whether a utility’s *current* executive compensation structure for specified officers complies with the parameters prescribed by AB 1054. Whether incentive compensation was withheld *years earlier* has no bearing on whether a utility’s current executive compensation structure complies with the statute.

Fifth, Section 1.5 does not define “catastrophic wildfire,” and is ambiguous about whether it seeks information concerning (i) fires that cause a fatality even if the fire would have been small and inconsequential were it not for the fatality; or (ii) fires that cause a fatality only if the fire was catastrophic apart from the fatality (for example, by virtue of destroying a large number buildings). If the former is intended, then a small fire that happens to result in a fatality would be encompassed by Section 1.5, but if the latter is intended, such a fire would not be encompassed. PG&E requests that Energy Safety clarify this issue and provide a clear definition of “catastrophic wildfire” for purposes of Section 1.5.

Energy Safety previously defined “catastrophic fires” for *non-executive* compensation purposes as “fires that caused at least one death, damaged over 500 structures, or burned over 5,000 acres.”⁹ To the extent Energy Safety is inclined to use the same or a similar definition for executive compensation purposes, PG&E urges Energy Safety to omit the acreage threshold. If a fire is in a remote, unpopulated, and/or rugged area, firefighting authorities—over whom a utility has no control—may decide to let it burn for the safety of firefighters. PG&E does not believe that withholding incentive compensation necessarily would be appropriate in such circumstances. PG&E therefore urges Energy Safety, if and when it defines “catastrophic wildfire” for purposes of Section 1.5, to omit any acreage threshold.

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PG&E thanks Energy Safety for its attention to executive compensation matters each year, and for its consideration of the foregoing comments.

/s/ Lisa Laanisto

Lisa Laanisto
Director, Compensation

⁸ Decision Approving Reorganization Plan, D. 20-05-053, at 88 (CPUC June 1, 2020) (emphasis added).

⁹ Energy Safety, *2023-2025 Wildfire Mitigation Plan Technical Guidelines*, at 18 (Dec. 6, 2022).