



January 31, 2022

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**SUBJECT: Office of Energy Infrastructure Safety Issuance of Pacific Gas and Electric Company's Safety Certification**

Mr. Wright:

The Office of Energy Infrastructure Safety (Energy Safety)<sup>1</sup> hereby issues Pacific Gas and Electric Company (PG&E) a Safety Certification pursuant to Public Utilities Code (Pub. Util. Code) Section 8389(e). PG&E has met all the relevant requirements, as detailed below, regarding its request for a Safety Certification. This Safety Certification is valid for twelve months from issuance and has only the force and effect given to it by Pub. Util. Code Section 451.1(c) and Pub. Util. Code Section 8389.

On July 26, 2021, Energy Safety issued a guidance letter (2021 Safety Certification Guidance) outlining the submission requirements for 2021 Safety Certification requests pursuant to Pub. Util. Code Section 8389(f)(2).<sup>2</sup> PG&E submitted its Safety Certification request to Energy Safety on November 12, 2021.<sup>3</sup> The Public Advocates Office (Cal Advocates) submitted comments on PG&E's Safety Certification request on December 13, 2021.<sup>4</sup> PG&E submitted reply comments on December 23, 2021.<sup>5</sup>

PG&E's request for a Safety Certification has been reviewed in accordance with the statutory requirements enumerated in Pub. Util. Code Section 8389(e).

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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 section 326, all functions of the WSD are transferred to Energy Safety.

<sup>2</sup> Energy Safety's Final 2021 Safety Certification Guidance (accessed January 24, 2022):  
<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51679&shareable=true>.

<sup>3</sup> Pacific Gas and Electric Company's Safety Certification Request can be found here (accessed December 30, 2021):  
<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51881&shareable=true>.

<sup>4</sup> Cal Advocates' Comments on PG&E's Safety Certification Request (accessed December 30, 2021):  
<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51910&shareable=true>.

<sup>5</sup> PG&E Reply Comments on its Safety Certification Request (accessed December 30, 2021):  
<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51922&shareable=true>.

## Discussion

Pursuant to Pub. Util. Code Section 8389(e), Energy Safety shall issue a safety certification if PG&E provides documentation that it has met seven criteria, as detailed below.

### **Pub. Util. Code Section 8389(e)(1): Approval of a Wildfire Mitigation Plan**

Pub. Util. Code Section 8389(e)(1) requires that “[t]he electrical corporation has an approved Wildfire Mitigation Plan (WMP).” PG&E submitted its 2021 WMP Update on February 5, 2021. Energy Safety issued PG&E a Revision Notice on May 4, 2021, to resolve six critical issues in its 2021 WMP Update.<sup>6</sup> PG&E responded to the Revision Notice on June 3, 2021.<sup>7</sup> Following a comprehensive review of PG&E’s response to the Revision Notice, the associated Revised 2021 WMP Update, and related stakeholder input, Energy Safety issued its final Action Statement approving PG&E’s 2021 WMP Update on September 22, 2021.<sup>8</sup>

PG&E has satisfied the requirement of Pub. Util. Code Section 8389(e)(1).

### **Pub. Util. Code Section 8389(e)(2): Good Standing**

Pub. Util. Code Section 8389(e)(2) requires that “[t]he electrical corporation is in good standing, which can be satisfied by having agreed to implement the findings of its most recent safety culture assessment...”<sup>9</sup> Energy Safety published its inaugural safety culture assessment (SCA) report for PG&E on October 6, 2021.<sup>10</sup> PG&E’s SCA was performed by DEKRA Services, Inc. (DEKRA), under contract with Energy Safety. DEKRA identified six recommendations, which are listed below:

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<sup>6</sup> The Wildfire Safety Division Issuance of Revision Notice for Pacific Gas and Electric Company’s 2021 Wildfire Mitigation Plan Update and Notice of Extension of WSD Determination Per Public Utilities Code 8389.3(a) can be found here (accessed January 5, 2022): <https://energysafety.ca.gov/wp-content/uploads/docs/misc/wmp/2021/utility/pge/pge-wmp-revision-notice-correction-clean.pdf>.

<sup>7</sup> PG&E’s Revised 2021 WMP Update Pursuant to the WSD’s Revision Notice can be found here (accessed December 30, 2021): [https://www.pge.com/pge\\_global/common/pdfs/safety/emergency-preparedness/natural-disaster/wildfires/wildfire-mitigation-plan/2021-Wildfire-Safety-Plan-Revised-060321.pdf](https://www.pge.com/pge_global/common/pdfs/safety/emergency-preparedness/natural-disaster/wildfires/wildfire-mitigation-plan/2021-Wildfire-Safety-Plan-Revised-060321.pdf).

<sup>8</sup> Final Action Statement on PG&E’s 2021 WMP Update can be found here (accessed December 30, 2021):

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51745&shareable=true>.

The California Public Utilities Commission (CPUC) ratified Energy Safety’s approval of PG&E’s 2021 WMP Update on October 21, 2021, via Resolution WSD-021.

Final Resolution WSD-021 on PG&E’s 2021 WMP Update can be found here (accessed December 30, 2021):

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M417/K666/417666221.PDF>.

<sup>9</sup> Energy Safety’s SCA is performed pursuant to Pub. Util. Code § 8386.2 and paragraph (4) of subdivision (d).

<sup>10</sup> The 2021 Safety Culture Assessment Report for PG&E can be found here (accessed December 30, 2021):

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51791&shareable=true>.

1. Build leadership skills and ensure frontline supervisors are demonstrating those skills regularly in the field to improve the work environment for wildfire and personal safety.
2. Establish a governance structure to ensure effective implementation and tracking of the 2025 Workforce Safety Strategy.
3. Execute the 2025 Workforce Safety Strategy with active leadership by senior executives to ensure implementation.
4. Leverage the new safety management system to improve the flow of information up, down, and across the organization and provide a single mechanism for reporting and tracking wildfire concerns.
5. Increase engagement on the safety culture assessment within the workforce supporting wildfire mitigation initiatives.
6. Recognize and take action to mitigate the safety concerns posed by interactions with certain discontented members of the public.

PG&E agreed to implement all of the findings and recommendations of its 2021 Energy Safety SCA report on October 25, 2021.<sup>11</sup> In its Safety Certification request, PG&E states that it will “provide further information on the methods through which it will implement these recommendations in its next quarterly update to Energy Safety.”<sup>12</sup>

In addition to Energy Safety's SCA report for PG&E, the California Public Utilities Commission (CPUC) has an ongoing proceeding to investigate PG&E's safety culture.<sup>13</sup> In April 2016, the CPUC's Safety and Enforcement Division (SED) selected NorthStar Consulting Group (NorthStar) to assess PG&E's safety culture.<sup>14</sup> In a 2018 decision, the CPUC adopted NorthStar's initial 2017 report and recommendations, which PG&E agreed to implement and document via recurring reports.<sup>15</sup> In March 2019, NorthStar submitted its first update to its initial report.<sup>16</sup> PG&E affirmed its commitment to NorthStar's recommendations in its Opening Comments on the

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<sup>11</sup> PG&E Acceptance Letter of the 2021 Safety Culture Assessment (accessed January 24, 2022):

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51833&shareable=true>.

<sup>12</sup> PG&E's Safety Certification Request, p. 2 (accessed January 24, 2022):

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51881&shareable=true>.

Energy Safety published its inaugural SCA report for PG&E on October 6, 2021: because of its recency, PG&E is not required to report on implementation progress for this Safety Certification request. However, PG&E is expected to detail its implementation of its most recent SCA recommendations in subsequent Safety Certification requests.

<sup>13</sup> Proceeding I.15-08-019, Order Instituting Investigation on the Commission's Own Motion to Determine Whether Pacific Gas and Electric Company and PG&E Corporation's Organizational Culture and Governance Prioritize Safety (accessed January 24, 2022):

[https://apps.cpuc.ca.gov/apex/f?p=401:56:0::NO:RP,57,RIR:P5\\_PROCEEDING\\_SELECT:I1508019](https://apps.cpuc.ca.gov/apex/f?p=401:56:0::NO:RP,57,RIR:P5_PROCEEDING_SELECT:I1508019).

<sup>14</sup> See “Pacific Gas and Electric Company Safety Culture and Governance OII Prepared Testimony” (January 8, 2018) at page 2-1: “PG&E agrees with all of the 61 recommendations directed at PG&E, commits to complete most recommendations by the end of 2018, and supports their adoption by the Commission” (accessed January 24, 2022): <https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/I1508019/1067/204457310.pdf>.

<sup>15</sup> See Decision 18-11-050, Ordering Paragraph 1 and 2.

<sup>16</sup> Find links to NorthStar's initial 2017 safety culture report and its 2019 update here (accessed January 24, 2022): <https://www.cpuc.ca.gov/industries-and-topics/pge/pge-safety-culture-investigation>.

Administrative Law Judge's ruling seeking comments on the status of Investigation 15-08-019 ("Safety Culture OII").<sup>17</sup>

PG&E's Safety Certification request includes in Attachment C its Safety Culture and Governance Quarterly Reports, submitted in compliance with CPUC Decision 18-11-050. These reports provide updates on safety performance, safety culture, and the implementation status of NorthStar's recommendations.

In comments on PG&E's Safety Certification request, Cal Advocates recommended that Energy Safety "provide clear criteria that a utility must meet to be found in 'good standing' to receive a safety certification" and "require PG&E to describe how it intends to implement the recommendations from its Safety Culture Assessment."<sup>18</sup> PG&E responded to Cal Advocates by citing Energy Safety's response to comments on the draft 2021 Safety Certification Guidelines where similar criteria to evaluate "good standing" were rejected.<sup>19,20</sup>

Although it is valuable to understand *how* PG&E plans to implement the findings of its SCA, PG&E's agreement to implement all of the findings and recommendations of its 2021 Energy Safety SCA report satisfies the "good standing" requirement for a Safety Certification. Therefore, PG&E has satisfied the requirements of Pub. Util. Code Section 8389(e)(2).

### **Pub. Util. Code Section 8389(e)(3): Board of Directors Safety Committee**

Pub. Util. Code Section 8389(e)(3) requires that "[t]he electrical corporation has established a safety committee of its board of directors composed of members with relevant safety experience."

PG&E's Safety and Nuclear Oversight (SNO) Committee consists of six people: Cheryl F. Campbell, Jessica L. Denecour, Admiral Mark E. Ferguson III, W. Craig Fugate, Michael R. Niggli, and William L. Smith. PG&E provided details for each member of the SNO Committee and adequately demonstrated their relevant safety expertise in Attachment B of its Safety Certification request. The only change in PG&E's SNO Committee membership since its last Safety Certification request is the addition of Jessica L. Denecour, who replaced Dean L.

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<sup>17</sup> Opening Comments of Pacific Gas and Electric Company (U 39 E) on Administrative Law Judge's Ruling on Case Status, August 4, 2020, pg. 17 (accessed January 24, 2022):

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M344/K182/344182630.PDF>.

<sup>18</sup> Cal Advocates' comments on PG&E Safety Certification request, p. 2 (accessed December 30, 2021):

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51910&shareable=true>.

<sup>19</sup> Office of Energy Infrastructure Safety Response to Comments on the 2021 Safety Certification Guidelines (accessed January 5, 2022): [https://energysafety.ca.gov/wp-content/uploads/docs/safety-](https://energysafety.ca.gov/wp-content/uploads/docs/safety-certificates/comments/tn10264_20210726t164802_energy_safety_response_to_comments_on_safety_certificati)

[certificates/comments/tn10264\\_20210726t164802\\_energy\\_safety\\_response\\_to\\_comments\\_on\\_safety\\_certificati](https://energysafety.ca.gov/wp-content/uploads/docs/safety-certificates/comments/tn10264_20210726t164802_energy_safety_response_to_comments_on_safety_certificati)  
[on\\_2021.pdf](https://energysafety.ca.gov/wp-content/uploads/docs/safety-certificates/comments/tn10264_20210726t164802_energy_safety_response_to_comments_on_safety_certificati).

<sup>20</sup> PG&E Reply Comments on its Safety Certification Request, p. 2 (accessed December 30, 2021):

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51922&shareable=true>.

Seavers. PG&E also included descriptions of the SNO Committee's role in overall corporate governance, significant topics covered by the SNO Committee, and implementation of recommended actions.

PG&E has satisfied the requirement of Pub Util. Code Section 8389(e)(3).

### **Pub. Util. Code Section 8389(e)(4) and Pub. Util. Code Section 8389(e)(6): Executive Compensation**

Pub. Util. Code Section 8389(e)(4) requires that "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."

Pub. Util. Code Section 8389(e)(6) requires for any new or amended contracts for executive officers "(A)(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."

Energy Safety published its 2021 Executive Compensation Guidance on December 22, 2020.<sup>21</sup> PG&E submitted a request for approval of its 2021 executive compensation structure on January 15, 2021.<sup>22</sup> On March 2, 2021, PG&E submitted a supplement,<sup>23</sup> as it had not yet received final approval from its Compensation Committee at the time of initial filing, demonstrating approval and final performance metric milestones. On June 4, 2021, PG&E

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<sup>21</sup> 2021 Executive Compensation Submission Guidance (accessed January 5, 2022):

<https://energysafety.ca.gov/wp-content/uploads/docs/misc/wsd/wsd-executive-compensation-guidance-20201222.pdf>.

<sup>22</sup> PG&E's 2021 Executive Compensation Approval Request (accessed January 24, 2022):

<https://energysafety.ca.gov/wp-content/uploads/docs/misc/wsd/pge-executive-compensation-2021.pdf>.

<sup>23</sup> PG&E's supplement to its 2021 Executive Compensation Approval Request (accessed December 30, 2021):

<https://energysafety.ca.gov/wp-content/uploads/docs/misc/wsd/pge-supplemental-executive-compensation-submission-to-wsd.pdf>.

submitted a second supplement,<sup>24</sup> which provided an update to and replacement of its Reportable Fire Ignitions metric in its 2021 Short-Term Incentive Plan.

Energy Safety determined that PG&E's executive compensation structure satisfied the requirements of Pub. Util. Code Sections 8389(e)(4) and 8389(e)(6) and approved the executive compensation structure on October 19, 2021.<sup>25</sup> PG&E has provided in its Safety Certification request (Attachment D) Energy Safety's letter approving its 2021 executive compensation structure: in so doing, PG&E has satisfied the requirements of Pub. Util. Code Sections 8389(e)(4) and 8389(e)(6) for issuance of a Safety Certification.

### **Pub. Util. Code Section 8389(e)(5): Board Level Safety Reporting**

Pub. Util. Code Section 8389(e)(5) requires that "[t]he electrical corporation has established board-of-director-level reporting to the [CPUC] and [Energy Safety] on safety issues."

To satisfy the requirements of Pub. Util. Code Section 8389(e)(5), PG&E points to its quarterly submissions filed pursuant to Pub. Util. Code Section 8389(e)(7), which include quarterly advice letters<sup>26</sup> and notification letters (2021 quarterly advice and notification letters are included in Attachment C of PG&E's Safety Certification request). Additionally, PG&E provides a list of the Board-level meetings since its last Safety Certification request for which reports of discussed safety topics were provided to the CPUC and Energy Safety. PG&E also cites the November 10, 2021, Electric Utility Safety Update Public Briefing,<sup>27</sup> jointly hosted by the CPUC and Energy Safety. The purpose of the meeting was to provide the CPUC, Energy Safety, and the public information about the electric safety-related efforts of PG&E, including progress and challenges concerning wildfire mitigation, worker safety, and safety culture. During the meeting, representatives of PG&E gave presentations and answered questions from the CPUC and Energy Safety. Board Member and Chair of the SNO Committee Cheryl F. Campbell, Executive Vice President of Operations and Chief Operating Officer Adam L. Wright, and Senior Vice President and Chief Risk Officer Sumeet Singh represented PG&E.

As directed in Energy Safety's 2021 Safety Certification Guidance, PG&E provided the presentation materials used in the November 10, 2021, public meeting in its Safety Certification request (included as Attachment E).

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<sup>24</sup> PG&E's second supplement to its 2021 Executive Compensation Approval Request (accessed January 5, 2022): <https://energysafety.ca.gov/wp-content/uploads/docs/misc/wsd/pge-second-supp.-exec.-comp.-submission-to-wsd.pdf>.

<sup>25</sup> Approval of PG&E's 2021 Executive Compensation Plan can be found here (accessed January 4, 2022): <https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51828&shareable=true>.

<sup>26</sup> Pursuant to WSD's transition to OEIS on July 1, 2021, the previous quarterly Assembly Bill 1054 advice letters are now notification letters that do not receive approval. See Pub. Util. Code § 8389(e)(7), amended by Stats. 2021, Ch. 115, Sec 82 (Assembly Bill 148) effective July 22, 2021.

<sup>27</sup> A recording of the November 10, 2021, public meeting can be found here (accessed January 4, 2022): <https://www.adminmonitor.com/ca/cpuc/other/202111102/>.

PG&E has met the requirements of Pub. Util. Code Section 8389(e)(5).

**Pub. Util. Code Section 8389(e)(7): Implementation of a Wildfire Mitigation Plan**

Pub. Util. Code Section 8389(e)(7) requires that “[t]he electrical corporation is implementing its wildfire mitigation plan...” To satisfy Pub. Util. Code Section 8389(e)(7), the electrical corporation is required to include with its request for a Safety Certification all quarterly advice letters or quarterly notifications of implementation required by Pub. Util. Code Section 8389(e)(7) submitted since issuance of the previous Safety Certification. The advice letters or notifications of implementation must detail “the implementation of both its approved wildfire mitigation plan and recommendations of the most recent safety culture assessments by the [CPUC] and [Energy Safety], and a statement of the recommendations of the board of directors safety committee meetings that occurred during the quarter. The [...] submittal shall also summarize the implementation of the safety committee recommendations from the electrical corporation’s previous notification and submission...” (Pub. Util. Code Section 8389[e][7]). The 2021 Safety Certification Guidance require utilities to provide an explanation of how the information reported in the advice letters or notifications of implementation complies with Pub. Util. Code Section 8389(e)(7).

PG&E submitted its Q1 Quarterly Advice Letter (QAL, Advice 6182-E) on May 3, 2021, a Q2 Quarterly Notification Letter (QNL) on August 2, 2021, and a Q3 QNL to Energy Safety on November 1, 2021. PG&E’s QAL and QNLs are included in Attachment C of its Safety Certification request. Table 1 and Appendix 1 of PG&E’s Q3 QNL provide the progress status of each of its Revised 2021 WMP Update commitments.

PG&E’s Q3 QNL lists 53 total mitigation initiatives and indicates that 26 have been “Completed,” 18 are “On Track” or “In Progress,” and nine are “Off Track” or “Delayed.” Within the Q1, Q2, and Q3 submissions, PG&E also provides recommendations from its SNO Committee and its progress on implementation of those recommendations.

PG&E is on track in the following mitigation areas: Risk Assessment and Mapping, Situational Awareness and Forecasting, Data Governance, Stakeholder Cooperation and Community Engagement, and Protocols on Public Safety Power Shutoffs (PSPS). PG&E’s “Off Track” or “Delayed” mitigation initiatives include five initiatives in the category of Grid Design and System Hardening, two in Asset Management, one in Vegetation Management, and one in Emergency Planning and Preparedness.

Among its reasons for delays PG&E cites emergency events (PSPS/wind events), access issues (customer refusal or areas impacted by fires), construction or resource constraints (permitting, obtaining materials, etc.), changes in work prioritization, and/or late scoping. For most of these initiatives, PG&E stated that it expected to meet its Revised 2021 WMP Update commitments



by the end of 2021. PG&E submitted Change Orders<sup>28</sup> concurrent with its Q3 QNL to update the target number of pole inspections for two of its "Off Track" Revised 2021 WMP Update commitments.

Energy Safety's Compliance Assurance Division is aware of the nine "Off Track" initiatives and will follow up with PG&E as part of Energy Safety's compliance assurance activities.<sup>29</sup>

The QAL and QNL submissions demonstrate that PG&E is implementing its approved 2021 WMP Update. PG&E's submissions are adequate to satisfy the requirement of Pub. Util. Code Section 8389(e)(7).

### **Conclusion**

PG&E's request for a Safety Certification satisfies the statutory requirements in Pub. Util. Code Section 8389(e). Energy Safety expects PG&E to uphold the values stated in its submission and continue to advance safety as a top priority. This letter constitutes Energy Safety's issuance of PG&E's Safety Certification. Pursuant to Pub. Util. Code Section 8389(f)(1), this Safety Certification is valid for twelve months from the date of this letter.

Sincerely,



Caroline Thomas Jacobs  
Director  
Office of Energy Infrastructure Safety

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<sup>28</sup> PG&E's Change Orders for its 2021 WMP Update, November 1, 2021 (accessed January 24, 2022): <https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51847&shareable=true>.

<sup>29</sup> Energy Safety's compliance assurance activities can be found within Energy Safety's (formerly the Wildfire Safety Division's) Compliance Operational Protocols (accessed January 24, 2022): <https://energysafety.ca.gov/wp-content/uploads/docs/misc/wsd/2021.02.16-compliance-operational-protocols.pdf>.