

**BEAR VALLEY ELECTRIC SERVICE, INC.
OVERVIEW OF ITS
2023 EXECUTIVE INCENTIVE COMPENSATION PLAN**

MARCH 13, 2023

I. OVERVIEW OF BVES 2023 EXECUTIVE INCENTIVE COMPENSATION PLAN

Bear Valley Electric Service, Inc. (“BVES”) has developed a BVES 2023 Executive Incentive Compensation Plan (“Plan”) that is structured to reflect BVES’ unique corporate circumstances, retain and recruit highly-competent, motivated executives, and incentivize those executives to achieve the statutory objectives of promoting safety as a priority, and to ensure public safety and utility financial stability with performance metrics that are measurable and enforceable. The Plan is also structured to meet the requirements of the 2023 Executive Compensation Structure Submission Guidelines (“Guidelines”) issued by the California Office of Energy Infrastructure Safety (“Energy Safety”), which includes the following objectives:

- Compensation structures that are structured to promote measurable outcomes for safety improvements required by Wildfire Mitigation Plans (“WMPs”).
- 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.

The Plan includes three key components: Base Salary¹, short-term incentives, and long-term incentives. The short-term incentives are further segmented into incentives that are evaluated on a quarterly basis (Quarterly Term Incentive Program (“QTIP”))² and incentives that are evaluated on an annual basis (Short-Term Incentive Program (“STIP”))³. The long-term incentives are included in the Long-Term Incentive Program (“LTIP”)⁴. Each of these key components of the Plan is briefly described below. In each case, a performance metric may be adjusted based on matters that are beyond the control of the Executive using objective methods of measurement. If it is not possible to adjust a performance metric due to matters beyond the control of the Executive based upon an objective method of measurement, no adjustment may be made.

¹ Except as otherwise noted herein, all defined terms have the meaning of the defined terms as provided in Attachment 2, Definitions, of the Guidelines.

² The Plan uses the title “Quarterly Term Incentive Plan.”

³ The Plan uses the title “Short Term Incentive Plan.”

⁴ The Plan uses the title “Long Term Incentive Plan.”

A. Base Salary. Base Salary is the cash compensation that is paid to BVES executives in bi-weekly pay checks throughout the year.

B. Quarterly-Term Incentive Program. The QTIP payments are cash payments that are awarded four times a year, for the periods beginning January 1, 2023 and ending March 31, 2023, beginning April 1, 2023 and ending June 30, 2023, beginning July 1, 2023 and ending September 30, 2023, and beginning October 1, 2023 and ending December 31, 2023. Payment of the QTIP is contingent upon successful achievement of specified performance metrics. The performance metrics in the QTIP, which are established at the time the Plan is adopted, are measured on a quarterly basis. The QTIP is awarded as soon as practicable following a Board determination of the extent, if any, which the performance targets for the performance period for each of the business criteria included in the QTIP are achieved. If the QTIP performance metrics are not achieved, the QTIP award will be reduced before payment or eliminated entirely.

C. Short-Term Incentive Program. STIP payments are cash payments that are awarded and paid once each year. Payment of the STIP is contingent upon successful achievement of specified performance metrics. The performance metrics in the STIP, which are established at the time the Plan is adopted, are measured on an annual basis. The STIP is awarded on a forward-looking basis, and becomes payable one year later, contingent upon determination of the successful achievement of the performance metrics. If the STIP performance metrics are not achieved, the STIP award will be reduced before payment or eliminated entirely.

D. Long-Term Incentive Program. LTIP payments are made following a three-year performance period. Payment of LTIP is contingent upon successful achievement of specified performance metric(s). The performance metric(s) in the LTIP, which are established at the time the Plan is adopted, are measured at the end of the three-year performance period. Whereas the STIP payments are payable upon completion of the STIP's one-year performance period, the LTIP payments are payable after the LTIP's three-year performance period, contingent upon successful achievement of the performance metric(s) over a three-year measurement period. Similar to the STIP, the LTIP can be reduced or eliminated before payment if the performance metric is not achieved.

E. Allocation Of Key Components of Plan. For 2023, the overall percentage allocation of these key components of the Plan at Target performance level is set forth below:

Key Compensation Components	Percent of Key Compensation Components At Target Performance Level
Base Salary (non-objective)	49.5%
Total Non-Objective	49.5%
QTIP (Objective)	5.7%
STIP (Objective)	25.5%
LTIP (Objective)	19.2%
Total Objective	50.5%

II. STATUTORY AND GUIDELINE REQUIREMENTS APPLICABLE TO BVES.

The Legislature prescribed two sets of criteria for utilities to comply with in order for a safety certification to be issued to the utility. One set applies to *all* utilities seeking approval of its executive compensation structure/plan. The other set applies *only* to utilities with new or amended contracts for their executive officers.

The first set of criteria is set forth in Section 8389(e)(4).⁵ That statute uses the phrase “the electrical corporation” without modification to identify who must comply with associated set of statutory requirements in order for its executive compensation structure/plan to be approved. In short, *all* electrical corporations (*i.e.*, all IOUs) seeking to obtain a safety certification must have an executive compensation structure/plan that meets the criteria set forth in Section 8389(e)(4). And Energy Safety properly reflected the statute’s uniform applicability in its Guidelines by stating “All electrical corporations must comply with the requirements of Pub. Util. Code §8389(e)(4).”⁶

The second set of criteria established by the Legislature is set forth in Section 8389(e)(6)(A). It requires an electrical corporation to establish a compensation structure that is based on certain statutory principles “for any new or amended contracts for executive officers...”

⁵ All statutory references are to the California Public Utilities Code, except as otherwise provided.

⁶ Guidelines at p. 7.

It is clear that the Legislature intended the principles set forth in Section 8389(e)(6)(A) apply *only* to electrical corporations with new or amended contracts for their executive officers. And Energy Safety properly reflected the statute’s limited applicability in its Guidelines by stating “Electrical corporations with new or amended contracts for executive officers must comply with the requirements of Pub. Util. Code § 8389(e)(6).”⁷

BVES does not have any new or amended contracts with any of its executive officers. Nor has it ever had any contracts with its executives. Therefore, as prescribed by the Legislature and confirmed by Energy Safety in its Guidelines, the statutory requirements set forth in Section 8389(e)(6)(A) do not apply to BVES’ Plan. As with any other electrical corporation, BVES’ Plan must meet the statutory requirements set forth in Section 8389(e)(4).

III. BVES’ PLAN SATISFIES THE REQUIREMENTS OF SECTION 8389(e)(4).

As set forth below, BVES’ Plan satisfies all of the requirements of Section 8389(e)(4) and should be approved by Energy Safety.

A. Public Utilities Code Section 8389(e)(4). This statutory code provides, in relevant part, that an executive compensation structure/plan must be structured to promote safety as a priority and to ensure public safety and utility financial stability with performance metrics that are measurable and enforceable. The Plan meets those requirements.

B. The Plan Promotes Safety as a Priority. Section 8389(e)(4) provides, in relevant part, that an executive incentive compensation plan must be “structured to promote safety as a priority.” BVES’ Plan achieves that statutory goal by substantially weighting its STIP towards objective safety metrics and weighting all of the QTIP based on objective safety metrics.

Set forth in Table 3a.2 of Appendix A, attached hereto, are the QTIP metric performance ranges. Table 3a.2 also sets forth the corresponding QTIP payout percentages for achieving a performance metric at the Target level. Table 3c.1 sets forth the QTIP metrics. And Table 3d.1 sets forth the QTIP metric definitions and calculations.

Set forth in Table 3a.2 of Appendix A are the STIP metric performance ranges. Table 3a.2 also sets forth the corresponding STIP payout percentages for achieving a performance metric at the Target level. Table 3c.1 sets forth the STIP metrics. And Table 3d.1 sets forth the STIP metric definitions and calculations.

Table 3c.1 shows that the QTIP has two performance metrics, both of which are safety-related. Table 3c.1 also includes 12 STIP performance metrics. Of those 12 performance metrics, 6 are safety-related. Combined, the QTIP and STIP clearly evidence that not only does the Plan promote safety as a priority; it makes clear that safety is the top priority of the Plan.

In addition to the sheer number of safety-related performance metrics in the QTIP and STIP, the payout percentages also reflect the Plan’s promotion of safety as a priority. At the

⁷ Guidelines at p. 8.

Target level of performance, the two safety-related metrics of the QTIP comprise 100% of the executive's QTIP bonus, and the 6 safety-related metrics of the STIP comprise 53% of an executive's STIP bonus. It is clear that the Plan incentivizes BVES executives to promote and achieve important safety programs and objectives as required by Section 8389(e)(4).

C. The Plan Ensures Public Safety. Section 8389(e)(4) provides, in relevant part, that an executive incentive compensation plan must be structured "to ensure public safety." BVES' Plan achieves that statutory goal by substantially weighting its QTIP and STIP toward objective safety metrics, many of which directly relate to helping to ensure public safety.

Under the QTIP, the Fire Incidents metric (Public Safety – Other Electric subcategory of Safety Metrics⁸) and Employee Safety: Employee Electric Contacts metric (Workforce Safety subcategory of Safety Metrics⁹) both have the objective of ensuring public and employee safety. In addition, there must be no reportable fire incident events as defined in D.14-02-015 or employee electric contacts for the executive to receive a QTIP bonus payout.

Under the STIP, the Wildfire T&D System Hardening: Covered Wire Program (Wildfire Mitigation Metrics, Performance/Goal Achievement, and Compliance/Adherence subcategory of Safety Metrics¹⁰), the Wildfire T&D System Hardening: Evacuation Route Hardening Program (Wildfire Mitigation Metrics, Performance/Goal Achievement, and Compliance/Adherence subcategory of Safety Metrics¹¹), the Vegetation Management QC Program (Public Safety – Other Electric subcategory of Safety Metrics¹²), Safety –Recordable Work Incidents Program (Workforce Safety (employee) subcategory of Safety Metrics¹³), Safety Training Program (Workforce Safety (employee) subcategory of Safety Metrics¹⁴) and Job Hazard Analysis Program (Workforce Safety (employee and contractor) subcategory of Safety Metrics¹⁵) all have the objective of ensuring public safety. Thus, BVES executives are clearly incentivized to ensure public safety.

In addition to the substantial number of safety-related performance metrics in the QTIP and STIP that directly relate to public safety, the payout percentages of those performance metrics also reflect the Plan's objective to ensure public safety. At the Target level of performance, the QTIP public safety-related metrics comprise 100% of an executive's QTIP bonus and at the Target level of performance, the STIP public safety-related metrics comprise 53% of an executive's STIP bonus. It is clear that the Plan incentivizes BVES executives to ensure public safety as required by Section 8389(e)(4).

⁸ See Attachment 3, Safety Metric Subcategories, Guidelines at p. A-60.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

D. The Plan Ensures Utility Financial Stability. Section 8389(e)(4) requires an executive compensation plan to ensure the utility's financial stability. The Plan satisfies this statutory requirement by having a financial performance metric in both the STIP and the LTIP.

The STIP includes a performance metric of EBITDA. This STIP performance metric tracks 2023 earnings of BVES before adjustments for interest, taxes, depreciation and amortization to incentivize BVES executives to achieve specified levels of EBITDA as adopted in the 2023 BVES Operating Budget approved by the Board of Directors. This metric is the single-largest performance metric in the STIP, comprising 16% of the executive's STIP bonus at Target level. The STIP also includes a performance metric to minimize the number of accounting/financial deficiencies under the Sarbanes-Oxley Act of 2002. This metric is designed to enhance the financial transparency and integrity of BVES in the financial markets, to the benefit of BVES and its customers. It comprises 5% of the executive's STIP bonus at Target level.

E. The Plan Utilizes Performance Metrics that are Measureable and Enforceable. As set forth in the Tables in Appendix A attached hereto, all of the Plan's performance metrics are measurable and enforceable with respect to the QTIP, the STIP and the LTIP.

IV. BVES' SUBMISSION SATISFIES THE GUIDELINE REQUIREMENTS.

The Guidelines require an electrical corporation's executive compensation submission to include the following:

- 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 described below, this submission includes descriptions of how BVES' Plan meets each of the above-requirements.

A. The Plan Promotes Measurable Outcomes for Safety Improvements Required by BVES' WMP. The Plan promotes a number of measurable outcomes for safety improvements in BVES' approved WMP.

For example, the WMP includes a Wildfire T&D System Hardening: Covered Wire Program. This program involves replacing high voltage bare wire with covered wire to reduce the potential for igniting a wildfire by preventing objects from coming into contact with high-voltage bare wires. The safety performance metric for this program is the number of circuit miles of covered wire installed in 2023, which clearly promotes measurable outcomes for safety improvements in BVES' WMP.

The WMP also includes a Wildfire T&D System Hardening: Evacuation Route Hardening Program. This program has as its performance metric the number of poles along Big Bear Lake's main evacuation routes that are hardened in 2023, which clearly promotes measurable outcomes for safety improvements in BVES' WMP.

The overall objective of Bear Valley's WMP is to reduce and ultimately eliminate the risk of Bear Valley's electric infrastructure causing a wildfire. The Plan contains a safety performance metric (Fire Incidents) which measures the number of fire ignitions caused by BVES as defined in D.14-02-015. In addition, the Plan provides that in the event BVES causes a catastrophic wildfire that results in one or more fatalities due to the negligent operations and/or facilities that are not compliant with state and/or other applicable standards, the executive will receive no STIP bonus whatsoever. These Plan components clearly promote measurable outcomes for safety improvements.

B. The Plan Awards Are Based on Objective, Measurable and Enforceable Performance Metrics. The safety performance metrics in the QTIP and the STIP are objective, measurable and enforceable metrics. For example, for the QTIP, zero Fire Incidents and zero Employee Electric Contacts are objective, measurable and enforceable performance metrics. In the STIP, for the Wildfire T&D System Hardening Covered Wire Program, the performance metric is the number of miles of circuits that covered wires have been installed in 2023. For the Wildfire T&D System Hardening Evacuation Route Hardening performance metric, the performance metric is the number of poles that have been "hardened." The remaining STIP and LTIP performance metrics are similarly objective, measurable and enforceable.

C. The Plan Metrics Track Impacts on Drivers of Ignition Probability and Safety Outcomes Metrics. Several Plan safety performance metrics in STIP have significant impact on drivers of ignition probability and safety outcome metrics. For example, the Wildfire T&D System Hardening: Covered Wire Program and Vegetation Management QC metrics are directed at the drivers of ignition probability. By replacing high voltage bare wire with covered wire, the ignition driver of vegetation or other objects contacting the bare lines and igniting are significantly reduced. Likewise, the Safety Training and Job Hazard Analysis metrics are aimed at the drivers of safety outcomes. By ensuring employees receive necessary safety training and by inspecting jobsites and facilities for safety issues, the likelihood of negative safety outcomes are reduced.

D. The Plan Metrics Measure Leading and Lagging Indicators of Wildfire Risk and Consequences of Wildfire Mitigation Work. The QTIP and STIP metrics include both leading and lagging metrics. In the QTIP, the Fire Incidents metric is both leading and lagging and the Employee Safety: Employee Electric Contacts metric is a lagging outcome metric. In the STIP, the following metrics are leading and lagging metrics: Wildfire T&D System Hardening: Covered Wire Program, and Wildfire T&D System Hardening: Evacuation Route Hardening. The following STIP metrics are leading metrics: Vegetation Management QC, Safety Training, and Job Hazard Analysis. The following STIP metric is a lagging outcome metric: Safety-Recordable Work Incidents.

E. The Plan Appropriately Weights Safety Concerns and Financial Performance. The Plan substantially weights performance compensation in favor of safety concerns when compared to financial performance, which reflects BVES' priorities.

The QTIP bonus is comprised of 100% of safety metrics. As compared to the total STIP bonus, the safety metrics at the Target level comprise a total of 53% of the STIP bonus (or approximately 14% of total compensation), with financial metrics of EBITDA and SOX Deficiencies comprising 21% of the STIP bonus (or approximately 5.4% of total compensation). The LTIP metric is a financial metric of the amount invested in wildfire mitigation projects, and at Target level comprises 100% of LTIP, and comprises 19.2% of an executive's total compensation. It should be noted that the outcome of the LTIP metric promotes wildfire mitigation measures which enhance public safety.

BVES believes the weighting of safety concerns should be substantially greater than financial performance in an executive incentive compensation plan. The Plan reflects that weighting.

V. THE STATUORY REQUIREMENTS OF SECTION 8386(e)(6)(A) ARE NOT APPLICABLE TO BVES.

The statutory requirements of Section 8389(e)(6)(A) apply only to electrical corporations that have new or amended contracts for its executive officers. BVES has no new or amended contracts with any of its executive officers. Indeed, it has never had contracts with its executives. Therefore, there is no statutory basis to require BVES' Plan to meet the requirements set forth in Section 8389(e)(6)(A). Regardless, the Guidelines require an executive compensation plan to meet the requirements set forth in Section 8389(e)(6)(A) in order for Energy Safety to approve it.

Before describing the Plan's compliance with the requirements of Section 8389(e)(6)(A), BVES provides a description of its unique facts and circumstances which make its compliance substantially more difficult as compared to the larger IOUs.

A. BVES Background. For decades, BVES was not a separate, corporate entity. It was a division of Golden State Water Company ("GSWC"), a California Public Utilities Commission-jurisdictional water corporation. In terms of its relative size within GSWC, BVES represented approximately 11% of GSWC's revenues and 9% of GSWC's customer base. In D.19-12-039, the Commission approved of GSWC's request to implement a corporate reorganization plan that would result in GSWC transferring the assets of its electric service division to a newly formed affiliate: Bear Valley Electric Service, Inc. On July 1, 2020, GSWC completed the transfer at which time BVES and GSWC became separate, wholly owned subsidiaries of American States Water ("AWR"). The newly formed corporation of BVES constituted the same assets, revenues, customers and obligations as it did as a division of GSWC.

Operationally, the reorganization did not have an impact on BVES. BVES essentially maintained the same staff and operational responsibilities as those that existed prior to the reorganization.

BVES management staffing was not changed by the reorganization, although there were some changes in titles and responsibilities. Prior to the reorganization, the BVES division of GSWC was under the supervision of a Director-level position¹⁶, with that individual reporting directly to the President and CEO of GSWC. After the reorganization, the BVES Division Director position was upgraded to President/Treasurer/Secretary of BVES. In addition to the title change, the BVES President assumed additional management responsibilities. The BVES President now reports directly to the BVES Board of Directors.

Prior to the July 2020 reorganization, BVES did not have any executive officer positions, and therefore did not have an executive compensation plan. The President/Treasurer/Secretary of BVES is currently the only position covered by the Plan.

B. BVES Is the Smallest IOU to Request a Safety Certificate. BVES believes it is one of the smallest, vertically integrated electric IOU in California. It currently has only 45 employees and approximately 24,500 customers. To put BVES' size in context, BVES believes that Southern California Edison Company has approximately 12,700 employees, with over 5 million customers. Relatively speaking, BVES has approximately 0.4% of Edison's workforce and approximately 0.5% of its customer base. In addition, BVES believes that Southern California Edison's 2021 revenues were approximately \$14 billion, as compared to BVES' 2021 revenues of approximately \$38 million.

BVES is the only small electric IOU in the state to apply for a Safety Certificate under the provisions of Section 8389. Accordingly, BVES is the only small electric utility in the state that must seek approval of Energy Safety for its Plan under the provisions of Section 8389.

The provision in Section 8389(e)(6)(A) requiring the primary portion of executive compensation to be based upon achieving objective performance metrics is difficult to achieve, and still be cost-effective, for a very small utility like BVES. In order to attract and retain competent executives that are incentivized to provide safe, reliable and cost-effective service to its customers, BVES must have an executive compensation package that is structured and sized competitively with similarly sized utilities.

C. Executive Compensation Plans for Larger Utilities Are Capable of Complying With Section 8983(e)(6)(A) Requirements And Still Be Cost-Effective and Market Competitive. BVES recognizes that there is, and should be, a very substantial difference in total compensation paid to top executives of very large IOUs as compared to BVES executives. With compensation packages that have much higher total compensation targets, executives of the large IOUs may still receive a very substantial dollar amount of compensation in base salary while having a compensation package that allocates the primary portion of total compensation to achieving objective performance metrics in compliance with Section 8389(e)(6)(A). Those statutory provisions can be met with an overall compensation package that is also cost-effective and reflective of market requirements for highly motivated executives of very large companies.

For example, a total compensation package of \$1,000,000 can provide a utility executive with a very attractive base salary of approximately \$400,000 and still be compliant with Section

¹⁶ In the GSWC organization, a Director level position is one step below a Vice President level position.

8389(e)(6)(A). In contrast, if overall compensation is in the range of \$350,000, then compliance with requirements in Section 83898389(e)(6)(A) would limit the base salary of a utility executive to no more than \$175,000. BVES believes that such a relatively modest base salary would be substantially below the market for *recruiting* highly competent, motivated executives for even a very small utility. Equally important, it would not likely allow BVES to *retain* highly competent, motivated utility executives for the benefit of BVES, its customers and shareholders. It is not in the public interest for BVES to be unable to retain or recruit highly competent, motivated utility executives to lead BVES in providing safe and reliable electric service while continuing to mitigate the risks of BVES equipment igniting a devastating wildfire.

D. BVES' Plan Balances Section 8389(e)(6)(A) Objectives With Cost-Effective and Market Competitive Executive Compensation Components. In sum, BVES structured its Plan to meet the objectives of Section 8389(e)(6)(A) while simultaneously structuring an executive compensation plan that is both cost-effective and competitive with market conditions. A critical element of a cost-effective and successful executive compensation structure for BVES is a sufficiently robust base salary. An attractive base salary helps to ensure both the retention and recruitment of highly-competent utility executives, without needlessly increasing the executive's total compensation. Unnecessarily increasing BVES' operating costs benefits no one, and is not in the public interest.

VI. **BVES' PLAN COMPIES WITH SECTION 8389(e)(6)(A) OBJECTIVES.**

As previously stated, BVES has no new or amended contracts for its executive officers and, therefore, is not statutorily required to adopt in its Plan the requirements in Section 8389(e)(6)(A). BVES has set forth its legal position on this issue in its October 5, 2022 comments to Energy Safety, as well as the public statement that was submitted and read at the Energy Safety public hearing on November 28, 2022. Those statements and legal positions are incorporated herein by reference and are not waived by this filing. BVES has structured its Plan to comply with the objectives set forth in Section 8389(e)(6)(A) solely for the purpose of obtaining Energy Safety's approval.

A. The Plan Incorporates Strict Limits on Guaranteed Cash Compensation. Section 8389(e)(6)(A)(i)(I) requires a compensation structure that contains strict limits on guaranteed cash compensation. Other than Base Salary, no BVES executive is entitled to any guaranteed cash compensation. There is also a cap on the amount of incentive compensation that a BVES executive may earn.

B. A Significant Portion of Executive Compensation Is Based on Achievement of Objective Performance Metrics. Section 8389(e)(6)(A)(i)(I) requires that the primary portion of the executive officer's compensation be based on achievement of objective performance metrics. The Plan meets this statutory requirement by allocating an executive's total compensation (*i.e.*, the QTIP, the STIP and the LTIP) with Base Salary comprising 49.5% and achievement of objective performance metrics comprising 50.5%. It also complies with the requirements of Section 8389(e)(4) which requires, among other things, that the Plan be based upon meeting performance metrics that are measurable and enforceable.

C. No Guaranteed Monetary Incentives in Plan. Section 8389(e)(6)(A)(i)(II) requires a compensation structure that contains no guaranteed money incentives for executives. BVES' Plan meets this requirement, having no guaranteed money incentives in its executive compensation structure.

D. Long-Term Incentive Plan Is Based Upon BVES' Long-Term Performance and Value. Section 8389(e)(6)(A)(iii) requires a long-term compensation structure that provides a significant portion of compensation based upon the corporation's long-term performance and value. This compensation component must be held or deferred for a period of at least three years.

The LTIP provides 19.2% of BVES' executives' overall compensation, which is a significant portion of overall compensation. The performance metric of the LTIP tracks the level of investments in capital projects that mitigate the risks of wildfires as compared to the associated budget adopted by the Board of Directors. Investing in capital projects that mitigate wildfire risk promotes financial stability because these projects reduce the risk of devastating financial losses due to catastrophic wildfires and promote continuity of BVES operations, both of which are important components of Bear Valley's long-term financial performance and value. The Plan provides that any bonus payment under the LTIP shall be deferred for a period of three years.

VII. REQUIRED INFORMATION TEMPLATE.

Per the Guideline requirements, BVES has provided all of the information requested in the Guideline's Required Information Template, which is included in this submission. The information has been provided in the format requested in the Guidelines.

VIII. CONCLUSION.

As summarized above, BVES' Plan fully complies with all provisions of Sections 8389(e)(4) and Section 8389(e)(6)(A) while achieving a cost-effective Plan that is competitive in the market place for small-utility executives. BVES respectfully requests that Energy Safety approve the Plan as submitted.

ATTACHMENT A

PERFORMANCE METRICS AND PAYOUT PERCENTAGES

TABLE 1

QTIP PERFORMANCE METRICS AND PAYOUT PERCENTAGES

Category	Sub-Category	Performance Metrics	Target	Payout Percentage at Target
Safety	Public Safety – Other Electric	Fire Incidents	0 (Fire Incidents)	50
Safety	Workforce Safety	Employee Safety: Employee Electric Contacts	0 (No Contacts)	50
			Total:	100

TABLE 2

STIP PERFORMANCE METRICS AND PAYOUT PERCENTAGES

Category	Sub-Category	Performance Metrics	Target	Payout Percentage at Target
Safety	Wildfire Mitigation Metrics, Performance/ Goal Achievement, and Compliance/ Adherence	Wildfire T&D System Hardening: Covered Wire Program	≥ 12.9 circuit miles	12
Safety	Wildfire Mitigation Metrics, Performance/ Goal Achievement, and Compliance/ Adherence	Wildfire T&D System Hardening: Evacuation Route Hardening	≥ 525 poles hardened	12
Safety	Public Safety	Vegetation Management QC	≥ 110	7.5
Safety	Workforce Safety	Safety-Recordable Work Incidents	≤ 1	7
Safety	Workforce Safety	Safety Training	95.0% Completion Rate	7
Safety	Workforce Safety	Job Hazard Analysis	≥ 375	7.5

Category	Sub-Category	Performance Metrics	Target	Payout Percentage at Target
Customer	Reliability	SAIDI	≤ 50 minutes	7
Customer	Reliability	CAIDI	≤ 80 minutes	7
Customer	Satisfaction	Customer Complaints Standards CAB	< 0.0243%	6
Diversity, Equity, and Inclusion (DEI)	N/A	Supplier Diversity Utilization	> 35.0%	6
Other Operational/Improvement	N/A	SOX Deficiencies	No MWs, No SDs & No CDs	5
Financial	N/A	EBITDA	100% of Budget	16
			Total	100

TABLE 3
LTIP PERFORMANCE METRICS AND PAYOUT PERCENTAGES

Category	Sub-Category	Performance Metrics	Target	Payout Percentage at Target
Financial	CAPEX	Cumulative CAPEX for Wildfire Mitigation Projects	92.5% of authorized Budget	100

Definitions of Certain Performance Metrics.

“**Budget**” or “**Budgeted**” means, in the case of Adjusted EBITDA for the Corporation, the projected Adjusted EBITDA for 2022 as set forth in the Operating Budget.

“**CAIDI**” means the summation of restoration time for each sustained interruption event over the year divided by the number of interrupted customers for each sustained interruption event during the reporting period. Customer Average Interruption Duration Index (CAIDI) provides the average outage duration that any given customer would experience. CAIDI can also be viewed as the average restoration time. CAIDI is measured in units of time, often minutes. CAIDI is

calculated in accordance with Standard No. 1366 published by the Institute of Electrical and Electronics Engineers, and is summarized as the summation for the year of all restoration time for each sustained interruption event over the year divided by the number of interrupted customers for each sustained interruption event during the reporting period. A sustained interruption event is defined as customers interrupted for more than 5 minutes. For the purpose of this calculation, precautionary outages ordered by management as fire prevention measures are excluded in the CAIDI calculation. However, if the CPUC determines that such precautionary outage was unjustified, the CAIDI from the outage will be included.

“Cumulative CAPEX for Wildfire Mitigation Projects” means the cumulative CAPEX budget for the Performance Period for the following wildfire mitigation projects: , Tree Attachment Removal Program, Radford Line Project (remaining balance as of January 1, 2023), Covered Wire Project for 34 kV and 4 kV systems, Evacuation Route Hardening Project, Substation Automation, Switch and Field Device Automation, Capacitor Bank Upgrade Project, Fuse TripSaver Automation, and Install Fault Indicators.

“Customer Complaint Standards CAB” means the number of complaints on all matters that the Corporation received by CAB (the CPUC’s Consumer Affairs Branch) in 2022 divided by the average number of customers served by the Corporation during 2022.

“EBITDA” means the earnings of the Corporation for 2022 before interest, taxes (federal and state income taxes), depreciation and amortization, in each case as determined in accordance with generally accepted accounting principles.

“Employee Safety: Employee Electric Contacts” means the number of work-related electrical contacts with high voltage system live conductors resulting in shock to the Corporation’s employee. Per California Code of Regulations, Title 8, Section 2700 (Cal-OSHA) a high-voltage system is the associated electrical conductors and equipment operating at or intended to operate at a sustained voltage of more than 600 volts between conductors.

“Executive” means, with respect to this Corporation, an executive officer as defined in Section 451.1 of the California Public Utilities Code.

“Fire Incidents” means the number of reportable fire incidents as defined in D14-02-015 Appendix C: Fire Incident Data Collection Plan, in which the CPUC directed that a reportable fire incident event is any event where utility facilities are associated with the following conditions: (a) a self-propagating fire of material other than electrical and/or communication facilities, (b) the resulting fire traveled greater than one linear meter from the ignition point, and (c) the utility has knowledge that the fire occurred. Ignition Point is the location, excluding the Corporation’s facilities, where a rapid, exothermic reaction was initiated that propagated and caused the material involved to undergo change, producing temperatures greatly in excess of ambient temperature.

“Job Hazard Analysis” means the number of Job Hazard Analyses (JHAs) performed during 2022. At December 31, 2022, the total JHAs performed for the purpose of the payout

determination will be reduced if the percentage of JHAs performed by Supervisors, Managers, and Executives (sum total) is less than 15% of the total JHAs performed. If reduced, the calculated JHAs performed will be equal to the number of JHAs performed by Supervisors, Managers and Executives divided by 0.15.

“Objective Bonus” means a bonus based on the degree of achievement of the Performance Targets for the Business Criteria.

“Operating Budget” means the Corporation’s operating budget for 2022 as adopted by the Board, as adjusted for adjustments required to be made under Section 5.4 of this Plan.

“Payout Percentage” means the percentage of the Executive’s Target Objective Bonus that is payable based on the degree of satisfaction of a Performance Target Metric.

“Performance Metrics” means the Business Criteria measures.

“Performance Period” means the period beginning January 1, 2022 and ending December 31, 2022 for the STIP with respect to the following Business Criteria: EBITDA, CAIDI, SAIDI, Customer Complaint Standards CAB, Safety Training, Safety-Recordable Work Incidents, Supplier Diversity-Utilization; SOX Deficiencies, Job Hazard Analysis, Vegetation Management QC, Wildfire T&D System Hardening: Covered Wire Program, and Wildfire T&D System Hardening: Evacuation Route Hardening; means the period beginning January 1, 2022 and ending December 31, 2024 for the LTIP with respect to the following Business Criteria: Cumulative CAPEX for Wildfire Mitigation Projects; and means the quarterly periods beginning January 1, 2022 and ending March 31, 2022, beginning April 1, 2022 and ending June 30, 2022, beginning July 1, 2022 and ending September 30, 2022 and beginning October 1, 2022 and ending December 31, 2022 for the QTIP with respect to the following Business Criteria: Fire Incidents and Employee Safety-Employee Electric Contacts.

“Performance Target” means a specific goal established by the Board for the Performance Period with respect to each of the Business Criteria.

“Plan” means this 2022 Executive Incentive Compensation Plan.

“Safety-Recordable Work Incidents” means the number of work-related injuries and illnesses as reported on the OSHA Form 300 for the Corporation’s electric operations other than work-related injuries and illnesses related to the Coronavirus (COVID-19).

“Safety Training” means the percent completion rate of required safety training for all of the Corporation’s employees as required by the state, local government, and Corporation during the Performance Period.

“SAIDI” means the sum of customer minutes interrupted over the year divided by the total number of customers served. SAIDI is calculated in accordance with Standard No. 1366 published by the Institute of Electrical and Electronics Engineers, and is summarized as the sum for the year

of all customers interrupted for more than 5 minutes, times the number of minutes they experienced an interruption, divided by the total number of customers. For the purpose of this calculation, precautionary outages ordered by management as fire prevention measures are excluded in the SAIDI calculation. However, if the CPUC determines that such precautionary outage was unjustified, the SAIDI from the outage will be included.

“**SOX**” means the Sarbanes-Oxley Act of 2002.

“**SOX Deficiencies**” means the number of “control deficiencies” (each a “**CD**”), “significant deficiencies” (each an “**SD**”) and “material weaknesses” (each a “**MW**”) reported for the Corporation in the independent auditor’s report for 2022 pursuant to Section 404 of SOX.

“**Supplier Diversity-Utilization**” means the percentage reported by the Corporation to the CPUC annually by March 1 in its General Order 156 Compliance Filing. The percentage is calculated by taking the Corporation’s total procurement dollars for the reporting period with CPUC qualified women-owned, minority-owned, disabled veteran-owned, and lesbian, gay, bisexual and transgender-owned business enterprises divided by the Corporation’s total procurement dollars (net of exclusions allowed under the General Order 156 Compliance Filing for the reporting period, such as payments for purchased water, purchased power, pump taxes, income taxes, franchise fees, and postage).

“**Target Objective Bonus**” means the amount of the Executive’s Objective Bonus determined by the Board that would be payable if each of the Performance Targets were met at the targeted level.

“**Vegetation Management QC**” means the number of Vegetation Management Quality Control (QC) checks performed during 2022. At December 31, 2022, the total QCs performed for the purpose of the payout determination of the Executive’s Objective Bonus will be reduced if the percentage of QCs performed by Supervisors, Managers, and Executives (sum total) is less than 15% of the total QCs performed. If reduced, the calculated QCs performed will be equal to the number of QCs performed by Supervisors, Managers and Executives divided by 0.15.

“**Wildfire T&D System Hardening: Covered Wire Program**” means achieving the installation of covered wire on the Corporation’s 34.5 kV system goal established in the Corporation’s Wildfire Mitigation Plan (WMP).

“**Wildfire T&D System Hardening: Evacuation Route Hardening**” means achieving the evacuation route hardening of T&D overhead facilities goal established in the Corporation’s Wildfire Mitigation Plan (WMP).