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In compliance with Section 8389(e)(4), BVES's performance metrics are measurable and enforceable. For example, in the case of a reportable ignition in any quarter, the BVES executive will not receive half of the possible bonus for that quarter. Consistent with the 2023 Guidelines, BVES's Executive Compensation Structure promotes measurable outcomes for safety improvements required by Wildfire Mitigation Plans (WMP). 2023 STIP metrics include targets tied to improvements set forth in the WMP, such as the Covered Wire Program and Vegetation Management Quality Control metrics, which are focused on reducing the probability of ignition primarily by replacing high voltage bare wire with covered wire to minimize the risk of contact with the lines that cause ignition. In addition, compensation awards are based on objective, measurable, and enforceable performance metrics. These 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. For example, BVES increased the target for vegetation management quality control checks to be performed from 88-132 in 2022 to  $\geq 140$  checks in 2023 to help track impacts on ignition probability drivers. Reportable fire incidents serve as a measure of the effectiveness of reducing ignitions, while Vegetation Management Quality Control provides an indicator of the quality of vegetation-related mitigation efforts. BVES indicates that it will eliminate short-term incentives in the event of a catastrophic wildfire.<sup>17</sup> Its Executive Compensation Structure 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."<sup>18</sup>

BVES's Executive Compensation Structure also satisfies the principles outlined in Public Utilities Code Section 8389(e)(6).<sup>19</sup> Strict limits are placed on guaranteed cash compensation, with the primary position of the executive officers' compensation based on achievement of objective performance metrics: target incentive compensation is 50.5 percent of total direct compensation, excluding indirect or ancillary compensation. There are no guaranteed monetary incentives in the compensation structure, as all incentive compensation is performance based. LTIP is deferred for three years and is based on a single financial performance-based metric (i.e., achievement of its wildfire mitigation project capital spending as established in its wildfire mitigation plan).<sup>20</sup> Indirect or ancillary compensation that is not aligned with shareholder and taxpayer

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<sup>16</sup> The BVES executive receives the minimum payout for spending levels at 85 percent of the authorized budget, target payout at 92.5 percent, and the maximum at 100 percent of the authorized budget. See BVES 2023 Executive Compensation Structure Submission, Table 4d.1.

<sup>17</sup> This is an element of ACR 9. As noted above, if an electrical corporation chooses to adopt ACR 9 measures, it can list them in section 8 of its Executive Compensation Structure Submission Guidelines.

<sup>18</sup> BVES 2023 Executive Compensation Structure Submission, page 7.

<sup>19</sup> BVES argues that it is compliant with Section 8389(e)(6) by not having new or amended contracts with executive officers and structuring its Executive Compensation Structure to meet the objectives of the statute. Due to its unique background as a former division of Golden State Water Company, its small size compared to larger IOUs, BVES states that it has greater difficulty achieving cost-effective compensation while meeting the statutory requirements. See BVES 2023 Executive Compensation Structure Submission, page 8.

<sup>20</sup> BVES is not a publicly traded company and does not issue stock; all short-term and long-term incentives are paid in cash.

