35 percent public safety related, 20 percent wildfire related and 27 percent financial related; LTIP metrics are solely financial).

In compliance with Section 8389(e)(4), SDG&E’s performance metrics are measurable and enforceable. This includes, but is not limited to, SDG&E’s lost time incident rate and the average time it takes for SDG&E staff to respond to a gas emergency. For the 2023 Submission, SDG&E added alternative metrics to capture Public Safety Power Shutoff (PSPS) preparedness for power restoration after a PSPS in the event SDG&E does not initiate a de-energization event. Prior to 2023, SDG&E did not have an alternate calculation methodology for this scenario. SDG&E’s Executive Compensation Structure also promotes measurable outcomes for safety improvements required by Wildfire Mitigation Plans (WMPs). 2023 STIP metrics include targets tied to the total number of miles hardened through WMP initiatives, vegetation contacts in the high fire threat district (HFTD), PSPS average circuit restoration time, and electric overhead fault rate during elevated fire potential. 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, leading indicators include overhead system miles, underground system hardening, and covered conductor programs, whereas wildfire risk events and vegetation contacts in HFTD are lagging, outcome-based metrics. Improvement is possible regarding safety outcome metrics that measure leading and lagging indicators of wildfire risk reduction. SDG&E may also want to consider adoption of a specific provision that compensation will be withheld in the event of a catastrophic wildfire.[17] SDG&E’s Executive Compensation Submission promotes safety as a priority and works 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 required by Public Utilities Code Section 8389(e)(4).

SDG&E’s Executive Compensation Structure also satisfies the principles outlined in Public Utilities Code Section 8389(e)(6).[18] Strict limits are placed on guaranteed cash compensation, with the primary position of the executive officers’ compensation based on achievement of objective performance metrics: on average, target incentive compensation is 66 percent of total direct compensation. There are no guaranteed monetary incentives in the compensation structure, as all incentive compensation is performance based. LTIP provides a significant portion of compensation based on the electrical corporation’s long-term performance value and is deferred for three years. On average, LTIP compensation accounts for 48 percent of an executive’s total direct compensation and is equity based. Indirect or ancillary compensation that is not aligned with shareholder and taxpayer interest is largely minimized; indirect and ancillary compensation account for 2 to 7 percent of executive compensation excluding SERP.

Stakeholder Comments

On April 12, 2023, the California Public Advocates Office of the California Public Utilities Commission (Cal Advocates) submitted comments on the electrical corporations’ Executive Compensation Structure

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[17] 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.

[18] SDG&E provides that it is compliant with Section 8389(e)(6) by not having new or amended contracts with its executive officers and by structuring its Executive Compensation Structure to meet the objectives of the statute.