



Kaled Awada  
Executive Vice President, Chief People Officer  
Pacific Gas and Electric Company  
300 Lakeshore  
Oakland, CA 94612

**Subject: Decision on Pacific Gas and Electric Company’s 2024 Executive Compensation Structure**

Mr. Awada:

Pacific Gas and Electric Company (PG&E) submitted its 2024 Executive Compensation Structure on April 12, 2024.<sup>1</sup> This letter sets forth the approval of PG&E’s 2024 Executive Compensation Structure. The Office of Energy Infrastructure Safety (Energy Safety) determines that PG&E’s submission satisfies the requirements of Public Utilities Code sections 8389(e)(4) and 8389(e)(6) and the 2024 Executive Compensation Structure Submission Guidelines (2024 Guidelines).<sup>2</sup>

**Background**

Energy Safety’s executive compensation approval indicates that an electrical corporation has an executive incentive compensation structure that meets statutory criteria. Having an approved executive incentive compensation structure is one of several requirements necessary to obtain a safety certification from Energy Safety under Public Utilities Code section 8389(e). The safety certification is designed to encourage electrical corporations to invest in safety and improve safety culture to limit wildfire risks and reduce costs by granting the electrical corporation certain advantages in cost recovery proceedings following a catastrophic wildfire. Energy Safety does not set or approve salaries for electrical corporations executives.

Public Utilities Code section 8389(e)(4) requires that an electrical corporation’s Executive Compensation Structure promote safety as a priority and ensure public safety and utility financial stability. This includes implementing performance metrics for all executive officers

---

<sup>1</sup> PG&E’s 2024 Executive Compensation Structure Submission:  
<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=56478&shareable=true>

<sup>2</sup> 2024 Executive Compensation Structure Submission Guidelines:  
<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=56042&shareable=true>

that are measurable and enforceable. Public Utilities Code section 8389(e)(6)(A) further imposes requirements on any new or amended contracts for executive officers, specifically placing strict limits on guaranteed cash compensation, with a primary portion of their compensation based on objective performance metrics.

California Public Utilities Commission (CPUC) Decision 20-05-053 requires PG&E to comply with the requirements of Assigned Commissioner's Ruling Executive Compensation Proposal 9 (ACR 9).<sup>3</sup> Energy Safety's 2024 Executive Compensation Structure Submission Guidelines encourages other electrical corporations to review and consider adopting the measures from ACR 9 in the spirit of transparency and furthering the purpose of Assembly Bill 1054.<sup>4</sup>

Within the framework of Decision 19-04-020<sup>5</sup>, the CPUC requires PG&E, Southern California Edison (SCE), Southern California Gas Company (SoCalGas), and San Diego Gas & Electric (SDG&E) to annually disclose safety performance metrics to measure the safety improvements.

### **Energy Safety's 2024 Executive Compensation Structure Submission Guidelines**

On December 8, 2023, Energy Safety published the 2024 Executive Compensation Structure Submission Guidelines ("2024 Guidelines").<sup>6</sup> The 2024 Guidelines set out requirements relating to executive compensation stating that the electrical corporation's 2024 Executive Compensation Structure must include specified sections that indicate the incentive compensation components, executive officer exclusion rationale, short-term incentive program components, long-term incentive program components, fixed versus incentive compensation, indirect and ancillary compensation, long-term incentive program new or amended contracts, and ACR 9 executive compensation proposals.<sup>7</sup>

### **Discussion**

Energy Safety has determined that the documentation submitted by PG&E in relation to its 2024 Executive Compensation Structure meets the requirements set forth in Public Utilities Code Section 8389(e)(4) and 8389(e)(6)(A), and in the 2024 Guidelines.

---

<sup>3</sup> Investigation 19-09-016, Assigned Commissioner Ruling and Proposals, February 18, 2020:

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M327/K303/327303409.PDF>

<sup>4</sup>2024 Executive Compensation Structure Submission Guidelines, December 12, 2023:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=56042&shareable=true>, pages 1 and 2

<sup>5</sup> CPUC Decision 19-04-020 (accessed July 26, 2022):

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M288/K389/288389255.PDF>

<sup>6</sup> 2024 Executive Compensation Structure Submission Guidelines

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=56042&shareable=true>

<sup>7</sup> 2024 Executive Compensation Structure Submission Guidelines Attachments

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=56043&shareable=true>

Each of PG&E's executive officers as designated by Public Utilities Code 451.5(c) are subject to the submitted executive officer incentive compensation structure. PG&E asserts that it has six executive positions: 1. Executive Vice President (EVP), Chief Customer and Enterprise Solutions Officer, 2. EVP, Operations and Chief Operating Officer (COO), 3. EVP, Engineering, Planning and Strategy, 4. EVP, Chief People Officer, 5. EVP, Chief Information Officer (CIO) and, 6. Vice President, Controller and Utility Chief Financial Officer (CFO). PG&E did not include its Chief Safety Officer in its submission.

PG&E's Executive Compensation Structure has three components: Base Salary, Short-Term Incentive Program (STIP), and Long-Term Incentive Program (LTIP). For 2024, across all six of PG&E's listed executive officers, the Base Salary component target level compensation ranges from 19 percent to 38.3 percent of total direct compensation, the STIP component target level total direct compensation ranges from 17.1 percent to 19.4 percent, and the LTIP component target level total direct compensation ranges from 42.6 percent to 63.8 percent.

PG&E's Executive Compensation Structure satisfies the requirements outlined in Public Utilities Code Section 8389(e)(4). PG&E's Executive Compensation Structure supports the principles of promoting safety as a priority and ensuring public safety, with 60 percent of the STIP metrics and 40 percent of LTIP metrics relying on safety measures. The 2024 LTIP target metrics are consistent with both 2022 and 2023 Compensation Structures with 40 percent of LTIP metrics relying on safety measures. The 2024 STIP safety measures are reduced by ten percent compared to both 2022 and 2023, of which five percent was a reduction in wildfire safety metrics. While PG&E's 2024 Compensation Structure continues to promote safety as a priority within the meaning of the statute, the STIP five percent reduction in wildfire safety metrics from past years reduces its officers' express financial incentive to prevent catastrophic wildfires. Energy Safety urges PG&E to consider increasing the role of wildfire safety metrics in future iterations of its STIP Executive Compensation Structure.

The STIP and LTIP target metrics are also structured to ensure utility financial stability. Specifically, 30 percent of the STIP supports financial stability and 35 percent of LTIP supports financial stability.

In compliance with Public Utilities Code Section 8389(e)(4), PG&E has provided documentation that its incentive compensation structure includes performance metrics that are measurable and enforceable. Many of PG&E's STIP metrics are similar to executive compensation metrics approved by the CPUC in Decision 20-05-053.<sup>8</sup> Additionally, PG&E

---

<sup>8</sup> Investigation 19-09-016: Order Instituting Investigation on the Commission's Own Motion to Consider the Ratemaking and Other Implications of a Proposed Plan for Resolution of Voluntary Case filed by Pacific Gas and Electric Company, pursuant to Chapter 11 of the Bankruptcy Code, in the United States Bankruptcy Court, Northern District of California, San Francisco Division, In re Pacific Gas and Electric Corporation and Pacific Gas and Electric Company, Case No. 19-30088

states that in accordance with the Decision, a material portion of executive incentive compensation will be withheld if PG&E is the ignition source of a catastrophic wildfire. PG&E asserts, "...PG&E implemented this portion of D.20-05-053 in the Board's June 25, 2020 Policy Statement, which provides in part: "There shall be a presumption that a material portion of executive incentive compensation shall be withheld if the Utility is the ignition source of a catastrophic wildfire, subject to any decision by the Board that such withholding would be inappropriate based on the conduct of the Utility. Any such determination by the Board shall be subject to Commission review and modification.""<sup>9</sup>

PG&E's Executive Compensation awards are based on objective, measurable, and enforceable performance metrics. The Executive Compensation Structure promotes measurable outcomes for safety improvements required by Wildfire Mitigation Plans. PG&E's 2024 STIP metrics include both lagging and leading indicators to track progress in mitigating wildfire risks in the high fire threat district (HFTD) and high fire risk area (HFRA). Lagging, outcome-based indicators include the Weather-Normalized CPUC Reportable-Fire Ignitions Rate metric, which is measured by the rate of distribution and transmission reportable fire ignitions occurring in high-risk weather conditions in the HFTD and the HFRA. Leading indicators include a quality pass rate metric that tracks the quality of inspection transmission audits and vegetation management distribution audits.

PG&E's Executive Compensation Structure also satisfies the requirements outlined in Public Utilities Code Section 8389(e)(6). PG&E's Executive Compensation Structure places strict limits on guaranteed cash compensation, with the primary portion of the executive officers' compensation based on achievement of objective performance metrics. Accordingly, total target incentive compensation is 59.7 percent to 83.2 percent of total direct compensation. There are no guaranteed monetary incentives. STIP accounts for 17.1 percent to 19.4 percent of total direct compensation.

PG&E's LTIP provides a significant portion of executive compensation, based on the electrical corporation's long-term performance and value. Target LTIP accounts for 42.6 percent to 63.8 percent of total direct compensation and is granted in Performance Shares which, if earned, become vested after three years. Indirect or ancillary compensation not aligned with shareholder and taxpayer interest is minimized; between zero percent to 3.1 percent of total compensation excluding Supplemental Executive Retirement Plans (SERPs).

---

<sup>9</sup> PG&E's 2024 Executive Compensation Structure, page 67.

## Stakeholder Comments

No parties filed opening or reply comments during the comment period.

## Conclusion

Energy Safety has determined that PG&E's Executive Compensation Structure Submission satisfies the requirements of the Public Utilities Code Section 8389(e)(4) and 8389(e)(6)(A) and the 2024 Guidelines. While PG&E's Executive Compensation Structure Submission satisfies these requirements, Energy Safety is troubled by the reduction PG&E made to the STIP safety measure weighting in 2024 as it demonstrates an erosion of the emphasis on safety and accountability of its executive officers in meeting those metrics. Energy Safety also notes that PG&E's Chief Safety Officer is not listed in its submission. Energy Safety urges PG&E to evaluate whether adding the position as an included executive in future iterations of its Executive Compensation Structure promotes its safety objectives. The intricacies and dynamic nature of Executive Compensation requirements pertaining to wildfire mitigation and safety necessitate careful consideration. Before applying for an annual safety certification, PG&E must verify that its implemented Executive Compensation framework aligns with the objectives outlined in Public Utilities Code section 8389, with an emphasis on prioritizing safety.

Sincerely,



Suzie Rose  
Program Manager, Electrical Safety Policy Division  
Office of Energy Infrastructure Safety