



February 28, 2025

To: Stakeholders for the Executive Compensation Structure Guidelines

Subject: Draft Executive Compensation Structure Guidelines

The Office of Energy Infrastructure Safety (Energy Safety) hereby releases the draft Executive Compensation Structure Guidelines Version 1.0 (Guidelines) for public comment.

Public Comment

Opening comments will be accepted through March 20, 2025, 5:00 p.m. Pacific Time. Reply comments will be accepted through March 31, 2025, 5:00 p.m. Pacific Time

Comments must be submitted to the Executive Compensation Guidelines docket (**#Guidelines-EC**)¹ and titled: “[Commenter Name] [Opening/Reply] comments on the Draft Executive Compensation Structure Guidelines.”

To receive notifications about these Guidelines and the comments submitted to the executive compensation docket, subscribe to Energy Safety’s Executive Compensation service list by following the instructions at:

<https://energysafety.ca.gov/events-and-meetings/how-to-participate-in-public-events/>.

Adoption Meeting

Pursuant to Government Code section 15475.6, Energy Safety will hold a public meeting to adopt these Guidelines and will provide an opportunity for the public and stakeholders to comment on these Guidelines during the meeting. Energy Safety will hold this public meeting at a later date and will notice the meeting at least 10-days in advance.

Sincerely,

/s/ Suzie Rose

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

¹ Docket #Guidelines-EC
(<https://efiling.energysafety.ca.gov/EFiling/DocketInformation.aspx?docketnumber=Guidelines-EC>, accessed February 24, 2025).



OFFICE OF ENERGY INFRASTRUCTURE SAFETY
DRAFT EXECUTIVE COMPENSATION
STRUCTURE GUIDELINES FOR
ELECTRICAL CORPORATIONS

Version 1.0
February 2025

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I. INTRODUCTION

This document is the Office of Energy Infrastructure Safety's (Energy Safety's) guidelines for Executive Compensation Structure submissions. These guidelines set forth requirements for an electrical corporation to prepare and submit its Executive Compensation Structure submission, as required in Public Utilities Code sections 8389(e)(4) and 8389(e)(6). An approved Executive Compensation Structure is one of the requirements for a Safety Certification.

Additionally, process requirements, including but not limited to formatting, accessibility requirements, naming conventions, errata, public participation, and data requests, are outlined in the Energy Safety Policy Division Process Guidelines (ESPD Process Guidelines).¹ The ESPD Process Guidelines complement the Executive Compensation Structure Guidelines.

The Executive Compensation Structure Guidelines apply to all electrical corporations submitting an executive compensation structure in the State of California.

1. Background

Pursuant to Public Utilities Code section 8389(e),² an electrical corporation seeking a Safety Certification must, among other requirements, obtain approval of its executive compensation structure. Subdivision (e)(4) mandates that the executive compensation structure prioritize safety, with performance metrics that are measurable and enforceable, and may include linking 100 percent of incentives to safety performance. It may also allow for the denial of incentives if the corporation causes a catastrophic wildfire resulting in fatalities. Subdivision (e)(6) outlines the principles that the executive compensation must be based upon, including limits on guaranteed cash compensation, no guaranteed monetary incentives, and a long-term compensation structure based on the electrical corporation's performance, such as stock grants must be held for at least three years. The California Public Utilities Commission (CPUC) Decision (D.) 20-05-053 established additional requirements for Pacific Gas and Electric Company (PG&E) and encouraged other electrical corporations to consider adopting

¹ Energy Safety Policy Division Process Guidelines (<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58024&shareable=true>, accessed Feb. 24, 2025).

² For detailed regulations and requirements, refer to Section 8389 (e) of Public Utilities Code (https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=PUC§ionNum=8389, accessed Jan. 23, 2025).

similar measures from the Assigned Commissioner Ruling (ACR) Executive Compensation Proposal 9.³

II. PROCESS AND EVALUATION

1. Executive Compensation Submission

An electrical corporation seeking a Safety Certification must submit a request for approval of its Executive Compensation Structure to the appropriate year's Executive Compensation docket in accordance with the schedule established by Energy Safety, and in adherence to the requirements of these Guidelines.

2. Confidentiality

The submission process for confidential information is set forth in section 29200 of Title 14 of the California Code of Regulations.

3. Submission Requirements

An electrical corporation seeking a Safety Certification must adhere to the following requirements for Executive Compensation Structure submissions:

1. Align with all the attachments to these Guidelines: Attachment 1 with table submission templates and instructions; Attachment 2 with terms, acronyms, and definitions; Attachment 3 with metric categories and subcategories.
2. Comply with the requirements of Public Utilities Code section 8389(e)(4). Additional details can be found in Attachment 1, Sections 1.1 to 1.4.
3. New or amended contracts for executive officers must comply with the requirements of Public Utilities Code section 8389(e)(6)(A). For further details, refer to Attachment 1, Sections 1.5 to 1.7.
4. Additional narratives may be provided by the electrical corporation. If an additional narrative is provided, it must be provided separately from the Required Information

³ CPUC Decision 20-05-053, pp. 86 – 93

(<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M338/K816/338816365.PDF>, accessed Jan. 23, 2025).

Templates. Additional narratives must refer directly to the title and number of the associated templates in Attachment 1, and must include an index that specifies the sections, tables, and page numbers to which the narrative information pertains.

5. Documents submitted by an electrical corporation must provide explanations or data that aligns with the definitions of terms provided within the Required Information Templates in Attachment 1 and in Attachment 2.
6. Submissions must align with the metric classification requirements set forth in Attachment 3. Energy Safety recognizes the categorization of measures in Executive Compensation Structure submissions is based on reporting requirements specified by Energy Safety and does not necessarily reflect how the electrical corporation categorize measures for its communications to employees, reporting to other regulatory agencies, or other purposes.
7. Under CPUC D. 20-05-053, PG&E must comply with the requirements of the ACR Executive Compensation Proposal 9. PG&E must note in its submission how it is addressing the various additional requirements.
 - a. Other electrical corporations are encouraged to review and consider adopting measures from the ACR Executive Compensation Proposal 9 in the spirit of transparency and furthering the purpose of AB 1054.
 - b. If an electrical corporation adopts measures from the ACR Executive Compensation Proposal the electrical corporation must note in its submission how its compensation structure addresses the AB 1054 elements as set forth in Public Utilities Code section 8389(e).
8. To ensure transparency and clarity, electrical corporations are encouraged to provide detailed responses to the questionnaires provided in the attachments. Clear and informative submissions support effective evaluation and trend analysis.

4. Incomplete Submittals

Energy Safety will not evaluate an incomplete submittal, including but not limited to cases where the electrical corporation fails to:

1. Complete all sections of the required information templates; or
2. Provide all the required information in the level of detail prescribed by these guidelines for the required information templates; or
3. For PG&E, fully address the additional requirements of ACR Executive Compensation Proposal 9.
4. For electrical corporations other than PG&E, provide additional explanation of how its compensation structure aligns with the AB 1054 elements in Public Utilities Code

Section 8389 (e) if adopting measures from the ACR Executive Compensation Proposal.

Should Energy Safety determine that the electrical corporation's submission is incomplete, Energy Safety may take any of the following actions:

1. Energy Safety may issue a data request(s) to the electrical corporation for additional information or data to address the incomplete portion(s) of the submittal.
2. If Energy Safety determines the electrical corporation's submission cannot be remediated by data requests, Energy Safety may issue a rejection to the electrical corporation with the opportunity to resubmit.
 - a. The rejection will list the partial or incomplete portions of the submittal that the electrical corporation must address.
 - b. The rejection will provide a due date for any resubmission of the electrical corporation's executive compensation structure.
3. Energy Safety may deny approval of the Executive Compensation Structure.

5. Workshops

Energy Safety may hold one or more public workshops during the Executive Compensation Structure evaluation period or during Energy Safety's development of the Executive Compensation Structure Guidelines. Notice of workshops will include information on date, time, and location of the workshop, as well as instructions for remote attendance. Notices will be posted to the applicable Executive Compensation docket and on Energy Safety's website, www.energysafety.ca.gov.

6. Schedule

Energy Safety will annually release a schedule outlining the due dates for Executive Compensation Structure submissions and public comments, as well as anticipated decision publication timeframes. Energy Safety will provide written notice to the appropriate docket for any schedule modifications.

DATA DRIVEN FORWARD-THINKING INNOVATIVE SAFETY FOCUSED



OFFICE OF ENERGY INFRASTRUCTURE SAFETY

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