



Paul Marconi
President, Treasurer, and Secretary
Bear Valley Electric Service, Inc.
P.O. Box 9028
San Dimas, CA 91773-9028

Subject: Decision on Bear Valley Electric Service Company Inc.'s 2025 Executive Compensation Structure

Mr. Marconi:

Bear Valley Electric Service Company, Inc. (BVES) submitted its 2025 Executive Compensation Structure on May 23, 2025.¹ On July 10, 2025, BVES submitted a revised Executive Compensation Structure with non-substantive changes.² This letter sets forth the approval of BVES's 2025 Executive Compensation Structure. The Office of Energy Infrastructure Safety (Energy Safety) determines that BVES's submission satisfies the requirements of Public Utilities Code sections 8389(e)(4) and 8389(e)(6) and the Executive Compensation Structure Guidelines Version 1.0 (Guidelines).³

Recent legislative changes from SB 254 (2025-2026), signed into law and effective on September 19, 2025,⁴ amended the Public Utilities Code sections for Executive Compensation. This decision is based on the Public Utilities Code sections and section numbers for Executive Compensation that existed at the time of the electrical corporation's submission of its Executive Compensation Structure. Future executive compensation structure decisions will be evaluated by Energy Safety under the newly amended Public Utilities Code sections.

¹ BVES 2025 Executive Compensation Structure Submission:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58537&shareable=true>, (accessed July 7, 2025).

² BVES Revised 2025 Executive Compensation Structure Submission:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58883&shareable=true>, (accessed July 7, 2025).

³ Executive Compensation Structure Guidelines Version 1.0:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58205&shareable=true>, (accessed July 7, 2025).

⁴ SB 254 (2025–2026):

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202520260SB254, (accessed November 26, 2025).

Background

Energy Safety's Executive Compensation Structure approval indicates that the electrical corporation has an executive incentive compensation structure that meets statutory criteria. Having an approved executive compensation structure is one of several requirements necessary to obtain a Certificate from Energy Safety under Public Utilities Code section 8389(e). 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 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 Pacific Gas and Electric Company (PG&E) to comply with the requirements of Assigned Commission Ruling Executive Compensation Proposal 9 (ACR 9).⁵ Energy Safety's Executive Compensation Structure Guidelines Version 1.0 encourages other electrical corporations to review and consider adopting the measures from ACR 9 in the spirit of transparency.⁶

Within the framework of Decision 19-04-020,⁷ the CPUC requires PG&E, Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) to annually disclose safety performance metrics (SPMs) to measure the safety improvements. This requirement does not apply to BVES.

Energy Safety's Executive Compensation Structure Guidelines

On April 3, 2025, Energy Safety published the Executive Compensation Structure Guidelines ("Guidelines") Version 1.0.⁸ The Guidelines set out requirements relating to executive compensation stating that the electrical corporation's Executive Compensation Structure

⁵ Investigation 19-09-016, Assigned Commissioner Ruling and Proposals:

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M327/K303/327303409.PDF>, (accessed July 7, 2025).

⁶ Executive Compensation Structure Guidelines Version 1.0:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58205&shareable=true>, (accessed July 7, 2025).

⁷ CPUC Decision 19-04-020:

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M288/K389/288389255.PDF>, (accessed July 7, 2025).

⁸ Executive Compensation Structure Guidelines Version 1.0:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58205&shareable=true>, (accessed July 7, 2025).

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.⁹

Discussion

Energy Safety has determined that the documentation submitted by BVES in relation to its 2025 Executive Compensation Structure meets the requirements set forth in Public Utilities Code section 8389(e)(4) and 8389(e)(6)(A), and in Energy Safety's Guidelines Version 1.0.

Each of BVES's executive officers as designated by Public Utilities Code section 451.5(c) are subject to the submitted executive officer incentive compensation structure. BVES asserts that it has one executive officer who fulfills the duties of the corporation's President, Treasurer, and Secretary.

BVES's Executive Compensation Structure has four components: Base Salary, Quarterly-Term Incentive Program (QTIP), Short-Term Incentive Program (STIP), and Long-Term Incentive Program (LTIP). For 2025, BVES's listed executive officer, the Base Salary component target performance level compensation is 49.5 percent of total compensation, the QTIP component target performance level compensation is 5.7 percent, the STIP component target performance level compensation is 25.6 percent, and the LTIP component target performance level compensation is 19.2 percent.

BVES's Executive Compensation Structure satisfies the requirements outlined in Public Utilities Code section 8389(e)(4) in that it contains components for public safety and financial stability. 100 percent of BVES's QTIP is weighted to safety measures, including 50 percent weighted to wildfire safety measures and 50 percent weighted to other safety measures. Fifty-three percent of the STIP is weighted to safety measures including 31.5 percent weighted to wildfire safety measures and 21.5 percent weighted to other safety measures.

BVES'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 its Wildfire Mitigation Plans. BVES's 2025 QTIP and STIP metrics include both lagging and leading indicators to track progress in mitigating wildfire risks and consequences of wildfire mitigation work. QTIP lagging metrics include Fire

⁹ Executive Compensation Structure Guidelines Attachments Version 1.0:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58206&shareable=true>, (accessed July 7, 2025).

Incidents, which is measured by the number of Reportable Fire Incidents as defined in CPUC Decision 14-02-015 Appendix C.¹⁰ STIP leading metrics include Wildfire T&D System Hardening: Covered Wire Program, which is measured in circuit miles of covered conductor installed; and Wildfire T&D System Hardening: Evacuation Route Hardening, which is measured in the number of poles that have undergone hardening. In compliance with Public Utilities Code section 8389(e)(4), BVES has provided documentation that its incentive compensation structure includes performance metrics that are measurable and enforceable.

Under Public Utilities Code section 8389(e)(4), the electrical corporation may deny all incentive compensation in the event the electrical corporation causes a catastrophic wildfire that results in one or more fatalities. BVES states that a material portion of executive incentive compensation will be withheld if BVES is the ignition source of a catastrophic wildfire. BVES asserts, "In the event the Corporation causes a catastrophic wildfire that results in one or more fatalities due to negligent operations and/or facilities that are not compliant with state and/or other applicable standards, the STIP will not be paid to the Executive. If such an event is under investigation by state authorities, the STIP will be held until the formal results of the investigation are made available."¹¹

The STIP and LTIP target performance metrics are structured to ensure utility financial stability. BVES states that its executive compensation structure promotes safety and helps ensure public safety and utility financial stability.¹² BVES's STIP financial weighting is 16 percent and its LTIP financial weighting is 100 percent.

BVES's Executive Compensation Structure also satisfies the requirements outlined in Public Utilities Code section 8389(e)(6). BVES'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 50.5 percent of total direct compensation. QTIP accounts for 5.7 percent and STIP accounts for 25.6 percent of total direct compensation. There are no guaranteed monetary incentives in the compensation structure.

BVES's LTIP provides a significant portion of executive compensation based on the electrical corporation's long-term performance value and is deferred for three years. Target LTIP accounts for 19.2 percent of total direct compensation and is based on a single financial

¹⁰ CPUC Decision 14-02-015:

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M087/K892/87892306.PDF>, (accessed July 7, 2025).

¹¹ BVES's 2025 Executive Compensation Structure, page 7.

¹² BVES's 2025 Executive Compensation Structure, page 1 (Attachment).

performance metric.¹³ Indirect or ancillary compensation that is not aligned with shareholder and taxpayer interest is largely minimized at two percent of total compensation excluding Supplemental Executive Retirement Plans (SERPs).

Stakeholder Comments

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

Conclusion

Energy Safety has determined that BVES's Executive Compensation Structure satisfies the requirements of the Public Utilities Code section 8389(e)(4) and 8389(e)(6) and the Guidelines.

The intricacies and dynamic nature of Executive Compensation requirements pertaining to wildfire mitigation and safety necessitate careful consideration. Before applying for an annual Certificate, BVES 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.¹⁴

Sincerely,

/s/

Suzie Rose

Program Manager, Electrical Undergrounding and Culture Division
Office of Energy Infrastructure Safety

¹³ BVES is not a publicly traded company and does not issue stock; all short-term and long-term incentives are paid in cash.

¹⁴ For detailed regulations and requirements, refer to Section 8389 (e)(4) of Public Utilities Code https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=PUC§ionNum=8389, (accessed Sep. 23, 2025).