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**Subject:           Decision on Pacific Gas and Electric Company’s 2025 Executive Compensation Structure**

Mr. Awada:

Pacific Gas and Electric Company (PG&E) submitted its 2025 Executive Compensation Structure on May 23, 2025.<sup>1</sup> This letter sets forth the approval of PG&E’s 2025 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 Executive Compensation Structure Guidelines Version 1.0 (Guidelines).<sup>2</sup>

Recent legislative changes from SB 254 (2025-2026), signed into law and effective on September 19, 2025,<sup>3</sup> 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.

## **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

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<sup>1</sup> PG&E’s 2025 Executive Compensation Structure Submission:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58542&shareable=true>, (accessed July 8, 2025).

<sup>2</sup> Executive Compensation Structure Guidelines Version 1.0:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58205&shareable=true>, (accessed July 8, 2025).

<sup>3</sup> SB 254 (2025–2026):

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

necessary to obtain a Certificate from Energy Safety under Public Utilities Code section 8389(e). Energy Safety does not set or approve compensation packages 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 PG&E to comply with the requirements of Assigned Commission Ruling Executive Compensation Proposal 9 (ACR 9).<sup>4</sup> 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.<sup>5</sup>

Within the framework of Decision 19-04-020,<sup>6</sup> 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.

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

On April 3, 2025, Energy Safety published the Executive Compensation Structure Guidelines ("Guidelines") Version 1.0.<sup>7</sup> The Guidelines set out requirements relating to executive compensation stating that the electrical corporation's 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

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<sup>4</sup> Investigation 19-09-016, Assigned Commissioner Ruling and Proposals  
<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M327/K303/327303409.PDF>, (accessed, July 8, 2025).

<sup>5</sup> Executive Compensation Structure Guidelines Version 1.0:  
<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58205&shareable=true>, (accessed July 7, 2025).

<sup>6</sup> CPUC Decision 19-04-020  
<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M288/K389/288389255.PDF>, (accessed, July 8, 2025).

<sup>7</sup> Executive Compensation Structure Guidelines Version 1.0:  
<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58205&shareable=true>, (accessed July 8, 2025).

compensation, long-term incentive program new or amended contracts, and ACR 9 executive compensation proposals.<sup>8</sup>

## Discussion

Energy Safety has determined that the documentation submitted by PG&E 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 PG&E's executive officers as designated by Public Utilities Code section 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's Executive Compensation Structure has three components: Base Salary, Short-Term Incentive Program (STIP), and Long-Term Incentive Program (LTIP). For 2025, across all six of PG&E's listed executive officers, the Base Salary component target level compensation ranges from 22.7 percent to 38.4 percent of total compensation, the STIP component target level compensation ranges from 18.9 percent to 25 percent, and the LTIP component target level compensation ranges from 40.4 percent to 56.9 percent.

PG&E'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. Sixty percent of PG&E's STIP and 28 percent of its LTIP are weighted to safety measures.<sup>9</sup> Safety represents only a percentage (60 percent of STIP and 28 percent of LTIP) of a percentage (STIP—18.9 percent to 25 percent of total incentive compensation, LTIP—40 percent to 56.9 percent of total incentive compensation) of PG&E's overall executive compensation structure. PG&E also changed the weighting of Performance Stock Units/Performance Restricted Stock Units (PSU/PRSUs) in its 2025 LTIP by 30 percent (from 100 percent to 70 percent) and incorporated Restricted Stock Units (RSUs) into its LTIP at a weight of 30 percent.

PG&E's Executive Compensation awards are based on objective, measurable, and enforceable performance metrics. The Executive Compensation Structure promotes

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<sup>8</sup> Executive Compensation Structure Guidelines Attachments Version 1.0:  
<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58206&shareable=true>, (accessed July 7, 2025).

<sup>9</sup> The STIP safety weighting was reduced by 10 percent (from 70 percent to 60 percent) in 2024, and the LTIP safety weighting decreased 12 percent (from 40 percent to 28 percent) in 2025.

measurable outcomes for safety improvements required by its Wildfire Mitigation Plans. PG&E's 2025 STIP metrics include both lagging and leading indicators to track progress in mitigating wildfire risks and consequences of wildfire mitigation work in high fire threat districts (HFTDs) and high fire risk areas (HFRA). STIP lagging metrics include Weather-Normalized CPUC Reportable Fire Ignitions Rate, 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. STIP leading metrics include Quality Pass Rate (QPR), which is measured by the average performances of Distribution and Pole Clearing inspections, based on established quality standards within eligible Vegetation Management Quality Control (VMQC) activities. 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>10</sup> 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. PG&E states that 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>11</sup>

The STIP and LTIP target performance metrics are structured to ensure utility financial stability. PG&E states that its executive compensation structure promotes safety and helps ensure public safety and utility financial stability.<sup>12</sup> PG&E's STIP financial weighting is 30 percent and its LTIP financial weighting is 54.5 percent.

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'

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<sup>10</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.

<sup>11</sup> PG&E's 2025 Executive Compensation Structure, page 64.

<sup>12</sup> PG&E's 2025 Executive Compensation Structure, page 1.

compensation based on achievement of objective performance metrics. Accordingly, total target incentive compensation is 61.5 percent to 77.3 percent of total direct compensation. There are no guaranteed monetary incentives.

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 40.4 percent to 56.9 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 3.7 percent<sup>13</sup> of total compensation excluding Supplemental Executive Retirement Plans (SERPs).

### **Stakeholder Comments**

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

### **Recommendations**

#### Level of Safety Incentive:

The recent reductions in weighting of safety measures diminish the relative importance of safety within total compensation. In its 2026 filing, PG&E must explain the basis for the changes in its STIP and LTIP that reduced the weighting of safety measures and provide justification for these changes.

#### Executive Engagement:

The workforce survey statements "I am regularly asked for my ideas and suggestions about wildfire hazards and ways to address them" and "The company cares about my opinions" have consistently been among the lowest scoring in Energy Safety's Safety Culture Assessments for PG&E since 2021.<sup>14</sup> PG&E has shown efforts to close this gap and strengthen organizational trust over the past year, including through the engagement of several of its officers with frontline employees. Employees have nonetheless demonstrated a strong interest in engaging the broader base of company officers in safety-related discussions. Energy Safety recommends that PG&E's board include executive engagement with frontline workers in safety discussions as a component of its executive incentive compensation structure. Energy Safety further recommends that the incentive(s) use performance

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<sup>13</sup> PG&E's 2025 Executive Compensation Structure, page 43.

<sup>14</sup> 2024 Safety Culture Assessment Report for PG&E:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=59958&shareable=true>, (accessed December 19, 2025).

measures, rather than input measures, such as number of engagements, as input metrics are poor predictors of cultural performance.

## **Conclusion**

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

While the time for making changes to PG&E's 2025 Executive Compensation Structure, as governed by Security and Exchange Commission rules, has passed, PG&E must incorporate the recommendations listed above or identify why it cannot do so in its 2026 Executive Compensation Structure submission.

The intricacies and dynamic nature of Executive Compensation requirements pertaining to wildfire mitigation and safety necessitate careful consideration. Before applying for an annual Certificate, 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.<sup>15</sup>

Sincerely,

/s/

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

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<sup>15</sup> 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&sectionNum=8389](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=PUC&sectionNum=8389), (accessed Sep. 23, 2025).