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Subject: Decision on Southern California Edison Company's 2025 Executive Compensation Structure

Mr. Backstrom:

Southern California Edison Company (SCE) submitted its 2025 Executive Compensation Structure on May 23, 2025.¹ On June 06, 2025, SCE submitted a revised Executive Compensation Structure with non-substantive changes.² This letter sets forth the approval of SCE's 2025 Executive Compensation Structure. The Office of Energy Infrastructure Safety (Energy Safety) determines that SCE'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), 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 SCE 2025 Executive Compensation Structure Submission:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58552&shareable=true>, (accessed July 7, 2025).

² SCE Revised 2025 Executive Compensation Structure Submission:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58621&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 the actual salaries for electrical corporation 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, 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 1.0.⁸ The Guidelines set out requirements relating to executive

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).

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 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 SCE 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 SCE's executive officers as designated by Public Utilities Code section 451.5(c) are subject to the submitted executive officer incentive compensation structure. SCE asserts that it has six executive positions: 1) President and Chief Executive Officer; 2) Executive Vice President and Chief Operating Officer; 3) Senior Vice President (SVP) and Chief Financial Officer; 4) SVP and General Counsel; 5) SVP and Chief Customer Officer; and 6) SVP, Transmission and Distribution.

SCE'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 SCE's listed executive officers, the Base Salary component target level compensation ranges from 20.3 percent to 37 percent of total compensation, the STIP component target level compensation ranges from 18.2 percent to 20.3 percent, and the LTIP component target level compensation ranges from 42.7 percent to 61.4 percent.

SCE'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. Nonetheless, the balancing between these two components skews toward financial measures and away from safety measures, as only 40 percent of SCE's STIP is weighted to safety measures and none of its LTIP contains safety measures. As SCE's STIP represents between 18.2 percent to 20.3 percent of total executive incentive compensation, the safety weighting of its total incentive compensation structure is 7.3 percent to 8.1 percent. For comparison, this is lower than SDG&E's (9.5 percent to 11.1 percent) and significantly lower than PG&E's (24 percent to 28.2 percent).

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).

SCE'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 SCE's Wildfire Mitigation Plans. SCE'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 risk areas (HFRA). STIP lagging metrics include CPUC Reportable Ignitions in HFRA, which is measured by the total number of reportable fire ignitions associated with SCE equipment within its HFRA. STIP leading metrics include Covered Conductor, which is measured by the total number of miles of covered conductor installed in its HFRA; and Targeted Undergrounding, which is measured by the total number of overhead circuit miles de-energized through targeted undergrounding deployment in its HFRA. In compliance with Public Utilities Code section 8389(e)(4), SCE 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. SCE states that a material portion of executive incentive compensation may be withheld at the discretion of the compensation committee if SCE is the ignition source of a catastrophic wildfire. SCE asserts, "The Compensation Committee has discretion to reduce or eliminate an annual incentive award in the event of a significant lapse in safety or compliance, including if SCE is the ignition source of a catastrophic wildfire."¹⁰ Discretion does not, however, indicate a clear policy direction that predefined incentives are intended to provide. This is in contrast to PG&E, whose board made a policy statement that 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."¹¹ Bear Valley Electric Service (BVES) identifies that in such a situation the STIP will not be paid to the executive, and if an event is under investigation, the STIP will be withheld until formal results of the investigation are made available.¹²

The STIP and LTIP target performance metrics are structured to ensure utility financial stability. SCE states that its executive compensation structure promotes safety and helps

¹⁰ SCE's 2025 Executive Compensation Structure, page 88.

¹¹ PG&E's 2025 Executive Compensation Structure Submission:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58542&shareable=true>, page 64, (accessed July 8, 2025).

¹² BVES 2025 Executive Compensation Structure Submission:

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

ensure public safety and utility financial stability.¹³ Annual and long-term incentive awards are tied to metrics that SCE reports support these goals. SCE's STIP financial weighting is 30 percent and its LTIP financial weighting is 100 percent.

SCE's Executive Compensation Structure also satisfies the requirements outlined in Public Utilities Code section 8389(e)(6). SCE'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 63 percent to 79.7 percent of total direct compensation. There are no guaranteed monetary incentives in the compensation structure, as all incentive compensation is performance based.

SCE'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 42.7 percent to 61.4 percent of total direct compensation and is equity based. Indirect or ancillary compensation not aligned with shareholder and taxpayer interest is minimized; indirect and ancillary compensation account for greater than 0.1 percent but less than 12.3 percent¹⁴ of total compensation excluding Supplemental Executive Retirement Plans (SERPs). According to SCE, the increase reflects additional security measures for executives facing elevated personal safety threats.

Stakeholder Comments

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

Recommendations

Level of Safety Incentive:

Existing statute does not require SCE's long-term incentive compensation to include safety metrics. Nonetheless, failing to include safety in long-term incentive compensation dilutes the relevance of safety to incentive compensation. Safety represents only a percentage (40 percent of STIP is weighted to safety metrics) of a percentage (STIP represents 18.2 percent to 20.3 percent of total incentive compensation) of SCE's overall compensation structure. Thus, the safety component of each executive's overall compensation is as low as a single-digit percentage. This is low compared to other major utilities, one of which includes safety as up to 28.2 percent of the overall compensation. In its 2026 filing, in order to demonstrate that it

¹³ SCE's 2025 Executive Compensation Structure, page 90.

¹⁴ SCE's 2025 Executive Compensation Structure, page 65-67.

is meeting the spirit of the requirements in Public Utilities Code section 8389, SCE should describe how it is modifying its long-term incentive compensation to include safety, increasing its short-term compensation targets for safety components, or both, to increase the safety component of its executive incentive compensation.

Executive Engagement:

Two of the lowest scoring workforce survey statements in Energy Safety's 2024 Safety Culture Assessment for SCE were "I am regularly asked for my ideas and suggestions about wildfire hazards and ways to address them" and "The company cares about my opinions."¹⁵ Executives are directly responsible for the culture of the company. The company has improved in frontline worker input and involvement, but in 2024 it missed safety culture roundtable sessions with frontline workers.¹⁶ SCE must continue growth in this area to increase its capacity to be a learning organization. These results indicate that workers do not consistently feel heard, highlighting the need for more meaningful executive–employee interaction. Energy Safety recommends that SCE's board include executive engagement with the workforce in safety discussions as a component of its executive incentive compensation structure. Energy Safety further recommends that the incentive(s) use performance measures, rather than input measures, such as number of engagements, as input metrics are poor predictors of cultural performance.

Compensation Withholding Provision:

Public Utilities Code section 8389 (e)(4) identifies an approvable executive incentive compensation structure as "structured to promote safety as a priority and to ensure public safety and utility financial stability" may include "denying all incentive compensation in the event the electrical corporation causes a catastrophic wildfire that results in one or more fatalities." Energy Safety recommends that SCE follow the example of PG&E and BVES to develop a policy that creates a presumption that would withhold a material portion of incentive compensation in this circumstance. This recommendation follows from a similar recommendation in the decision on SCE's 2024 Executive Compensation Structure.

This reporting period covers the January 2025 wildfires, whose causes have yet to be determined. In its Executive Compensation Structure submission, SCE notes that the

¹⁵ 2024 Safety Culture Assessment Report for SCE:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=59957&shareable=true>, (accessed December 19, 2025).

¹⁶ 2024 Safety Culture Assessment Report for SCE:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=59957&shareable=true>, (accessed December 19, 2025).

"Compensation Committee exercised [its] discretion to eliminate bonuses for 2018 for certain Executive Officers in light of the impact of wildfires on SCE's service area."¹⁷ Should SCE's equipment be found to have caused a catastrophic wildfire in 2025, Energy Safety expects SCE to withhold a material portion of executives' incentive compensation in line with the company's share of the cause. As the cause is unlikely to be determined this calendar year, SCE's Compensation Committee should demonstrate good judgement and exercise its discretion to suspend vesting of performance shares, stock options, and restricted stock units pending completion of the causal investigations of the wildfires.

Conclusion

Energy Safety has determined that SCE'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 SCE's 2025 Executive Compensation Structure, as governed by Security and Exchange Commission rules, has passed, Energy Safety urges SCE to 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, SCE 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.¹⁸

Sincerely,

/s/ Caroline Thomas Jacobs

Caroline Thomas Jacobs
Director
Office of Energy Infrastructure Safety

¹⁷ SCE's 2025 Executive Compensation Structure, page 88.

¹⁸ 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).