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**Subject: Decision on San Diego Gas & Electric Company's 2025 Executive Compensation Structure**

Ms. Fulton:

San Diego Gas & Electric Company (SDG&E) submitted its 2025 Executive Compensation Structure on May 23, 2025.<sup>1</sup> This letter sets forth the approval of SDG&E's 2025 Executive Compensation Structure. The Office of Energy Infrastructure Safety (Energy Safety) determines that SDG&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> SDG&E's 2025 Executive Compensation Structure Submission:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58540&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 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).<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 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 compensation, long-term incentive program new or amended contracts, and ACR 9 executive compensation proposals.<sup>8</sup>

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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).

<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).

## Discussion

Energy Safety has determined that the documentation submitted by SDG&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 SDG&E's executive officers as designated by Public Utilities Code section 451.5(c) are subject to the submitted executive officer incentive compensation structure. SDG&E asserts that it has five executive positions: 1) Chief Executive Officer (CEO); 2) President; 3) Chief Operating Officer & Chief Safety Officer; 4) Senior Vice President (SVP) and Chief Financial Officer (CFO), Controller and Chief Accounting Officer(CAO); 5) Senior Vice President (SVP) and General Counsel.

SDG&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 five of SDG&E's listed executive officers, the Base Salary component target level compensation ranges from 25 percent to 37 percent of total compensation, the STIP component target level compensation ranges from 18 percent to 21 percent, and the LTIP component target level compensation ranges from 44 percent to 54 percent.

SDG&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. Nonetheless, the balancing between these two components skews toward financial measures and away from safety measures, as only 53 percent of SDG&E's STIP is weighted to safety measures and none of its LTIP contains safety measures. As SDG&E's STIP represents between 18 percent to 21 percent of total incentive compensation, the safety weighting of its total incentive compensation structure is 9.5 percent to 11.1 percent.<sup>9</sup>

SDG&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 its Wildfire Mitigation Plans. SDG&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 the high fire threat district (HFTD). STIP lagging metrics include: Vegetation Contacts in HFTD, which is measured by the number of outages or ignitions on the primary voltage system caused by vegetation contacts in the HFTD during periods of elevated or extreme fire potential; and Public Safety Power Shut Offs (PSPS) Average Circuit Restoration Time, which is measured by the average hours for power restoration after PSPS de-energization events. STIP leading metrics include

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<sup>9</sup> For comparison, this is significantly lower than PG&E's (24 percent to 28.2 percent).

Wildfire & PSPS System Hardening, measured in miles of hardened or replaced infrastructure across multiple programs. In compliance with Public Utilities Code section 8389(e)(4), SDG&E 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. SDG&E states that a material portion of executive incentive compensation may be withheld if SDG&E is the ignition source of a catastrophic wildfire. SDG&E asserts, “The Board of Directors has discretion to reduce or eliminate an annual incentive award in the event of a significant lapse in safety or compliance, including if SDG&E is the ignition source of a catastrophic wildfire. Consistent with Public Utilities Code Section 8389(e)(4), ‘this may include tying 100 percent of incentive compensation to safety performance and denying all incentive compensation in the event the electrical corporation causes a catastrophic wildfire that results in one or more fatalities.’”<sup>10</sup> 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.”<sup>11</sup> This is also in contrast to Bear Valley Electric Service (BVES), who 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.<sup>12</sup>

The STIP and LTIP target performance metrics are structured to ensure utility financial stability. SDG&E states that its executive compensation structure promotes safety and helps ensure public safety and utility financial stability.<sup>13</sup> SDG&E’s STIP financial weighting is 27 percent and its LTIP financial weighting is 100 percent.

SDG&E’s Executive Compensation Structure also satisfies the requirements outlined in Public Utilities Code section 8389(e)(6). SDG&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> SDG&E’s 2025 Executive Compensation Structure, page 79.

<sup>11</sup> 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).

<sup>12</sup> BVES 2025 Executive Compensation Structure Submission:

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

<sup>13</sup> SDG&E’s 2025 Executive Compensation Structure, page 77.

compensation based on achievement of objective performance metrics. Accordingly, total target incentive compensation is 63 percent to 75 percent of total direct compensation. There are no guaranteed monetary incentives in the compensation structure, as all incentive compensation is performance based.

SDG&E's LTIP provides a significant portion of executive compensation based on the electrical corporation's long-term performance value. Target LTIP accounts for 44 percent to 54 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 to two percent<sup>14</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:

Existing statute does not require SDG&E's long-term incentive compensation to include safety. Nonetheless, failing to include safety in long-term incentive compensation dilutes the relevance of safety to compensation. Wildfire safety is only a percentage (20 percent of STIP is weighted to wildfire safety) of a percentage (STIP represents 18 percent to 21 percent of total incentive compensation) of the overall compensation structure. Thus, wildfire safety component of executive overall compensation represents 3.6 percent to 4.2 percent of total incentive compensation. This is low compared to other major utilities, one of which includes wildfire safety as up to 8.75 percent of overall compensation. In its 2026 filing, SDG&E must describe how it is modifying its long-term incentive compensation to include safety, or increasing wildfire safety weighting within its STIP, or both, to increase the safety component of its executive incentive compensation.

#### Workforce Engagement in Safety Event Reporting

Three of the lower scoring workforce survey statements in Energy Safety's 2024 Safety Culture Assessment for SDG&E were "People report mistakes they make, even if others do not notice them," "The company cares about my opinions," and "I am regularly asked for my

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<sup>14</sup> SDG&E's 2025 Executive Compensation Structure, page 62.

ideas and suggestions about wildfire hazards and ways to address them.”<sup>15</sup> Executives are directly responsible for creating sustainable conditions where workers feel safe to report mistakes or hazards. SDG&E has taken efforts to facilitate safety event reporting; however, these workforce perceptions indicate an apprehensive to fully embrace the existing near-miss reporting system. This highlights a need to identify the root cause(s) of the sub-optimal workforce near-miss reporting perceptions and actions to address the barriers to strengthening its reporting culture. Energy Safety recommends that SDG&E include targets for measurable improvement in the volume of workforce near-miss reports as a component of its executive incentive compensation structure.

**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 SDG&E 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 SDG&E’s 2024 Executive Compensation Structure.

**Conclusion**

Energy Safety has determined that SDG&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 SDG&E’s 2025 Executive Compensation Structure, as governed by Security and Exchange Commission rules, has passed, SDG&E must incorporate the recommendations listed above or identify why it cannot do so in its 2026 Executive Compensation Structure submission.

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<sup>15</sup> 2024 Safety Culture Assessment Report for SDG&E:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=59956&shareable=true>, (accessed December 19, 2025).

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The intricacies and dynamic nature of Executive Compensation requirements pertaining to wildfire mitigation and safety necessitate careful consideration. Before applying for an annual Certificate, SDG&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>16</sup>

Sincerely,

/s/

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

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<sup>16</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).