WEBVTT

1

00:00:05.009 --> 00:00:14.549

Adrian Ownby: Okay we'll give it about two minutes for people who are just now registering for the workshop to join and then we'll go ahead and get started.

2

00:02:23.910 --> 00:02:28.140

Adrian Ownby: hey James really quickly, how can I.

3

00:02:29.250 --> 00:02:31.680

Adrian Ownby: minimize this like to be able to.

4

00:02:32.460 --> 00:02:33.300

James Pearce: add a full screen.

5

00:02:33.330 --> 00:02:34.140

Adrian Ownby: So yeah.

6

00:02:34.230 --> 00:02:39.240

James Pearce: If you just go to the top, you can kind of exit out of full screen their personal drop down there.

7

00:02:40.350 --> 00:02:42.030

Adrian Ownby: Okay exit full screen there's.

8

00:02:43.140 --> 00:02:44.880

Adrian Ownby: A lot, there was a way to do that, thank you.

9

00:02:55.140 --> 00:03:08.430

Adrian Ownby: Okay, I think we should go ahead and get started it's 903 alright good morning everyone, welcome to the executive compensation workshop.

10

00:03:09.570 --> 00:03:23.520

Adrian Ownby: held by the office of energy infrastructure safety, my name is Adrian ownby on the energy safety lead for the upcoming update to the executive compensation guidelines next slide please.

11

00:03:26.670 --> 00:03:32.520

Adrian Ownby: So for this presentation it's going to be a fairly quick one.

12

00:03:33.780 --> 00:03:41.610

Adrian Ownby: we're going to discuss it a quick safety message will go through the workshop objectives, the agenda for the workshop.

13

00:03:43.050 --> 00:03:52.860

Adrian Ownby: The next steps after workshops completed, and then the discuss the workshop logistics next slide please.

14

00:03:57.810 --> 00:03:59.040

Adrian Ownby: James next slide.

15

00:04:02.850 --> 00:04:04.680

James Pearce: I did advance the slide Adrian I don't know.

16

00:04:05.610 --> 00:04:08.160

Adrian Ownby: yeah there it is, and I see Thank you.

17

00:04:09.570 --> 00:04:11.280

Adrian Ownby: i'm just getting a little delay, I think.

18

00:04:12.330 --> 00:04:19.500

Adrian Ownby: Okay, so safety message we want you to remember to be aware of your surroundings.

19

00:04:21.030 --> 00:04:26.100

Adrian Ownby: To stay hydrated and cool know your evacuation routes.

20

00:04:27.150 --> 00:04:32.580

Adrian Ownby: Remember, to stand up and move around, we have a couple of breaks during the workshop will have a full lunch.

21

00:04:34.380 --> 00:04:39.030

Adrian Ownby: You know there's plenty of opportunity to stand up and around we encourage you to do that.

22

00:04:40.800 --> 00:04:54.150

Adrian Ownby: And to remember to practice your public health guidance, whatever that may be or wherever you happen to be, and if you feel something say something if you think you're having a medical issue, please let us know.

23

00:04:55.860 --> 00:04:56.730

Adrian Ownby: Next slide please.

24

00:05:02.610 --> 00:05:23.910

Adrian Ownby: So this workshops intended to accomplish several different things we want to provide the public with information regarding utility executive compensation systems and current trends in our systems, especially as they're focused on safety and improving safety performance public safety.

25

00:05:24.930 --> 00:05:28.680

Adrian Ownby: We also want to provide some utility specific information regarding.

26

00:05:29.790 --> 00:05:34.620

Adrian Ownby: The utilities processes developing an executive compensation system.

27

00:05:35.700 --> 00:05:43.170

Adrian Ownby: we're going to present the results of our contractor North star consulting research on executive compensation.

28

00:05:44.220 --> 00:05:47.880

Adrian Ownby: or presenting possible changes or potential changes to the.

29

00:05:48.960 --> 00:05:54.660

Adrian Ownby: To the or and or 2023 executive compensation guidelines.

30

00:05:55.920 --> 00:06:04.980

Adrian Ownby: Finally, we're seeking feedback on those ideas, mainly we're interested in written feedback submitted to the relevant docket.

31

00:06:06.150 --> 00:06:14.070

Adrian Ownby: Does she see, but there will be plenty of opportunity during the workshop to provide us with the verbal feedback as well.

32

00:06:15.420 --> 00:06:25.530

Adrian Ownby: I want to remind everybody that docket 2022 dash gc on the office of energy infrastructure safety website, you can find it there.

33

00:06:26.220 --> 00:06:38.520

Adrian Ownby: that's your source of information on this proceeding you'll be able to find today's presentation and reports in that docket eventually I will need to post, all of us to the docket.

34

00:06:40.350 --> 00:06:41.220

Adrian Ownby: Next slide please.

35

00:06:45.870 --> 00:06:54.090

Adrian Ownby: Excuse me so really briefly this morning's workshop agenda is the brief introduction, which is which your your.

36

00:06:55.140 --> 00:06:56.400

Adrian Ownby: hurdling through right now.

37

00:06:58.050 --> 00:07:02.490

Adrian Ownby: After that we'll have a consultant presentation by john element.

38

00:07:03.630 --> 00:07:20.640

Adrian Ownby: it's got a lot of important information to share, about executive compensation and utilities will take a brief 10 minute break after his presentation, then for restaurant utilities, will make presentations.

39

00:07:22.170 --> 00:07:33.030

Adrian Ownby: And that'll take about an hour after that there'll be a short staffed presentation by me and then we'll break for lunch so just a quick word about the utility presentations.

40

00:07:34.710 --> 00:07:39.210

Adrian Ownby: We have asked them to make short presentations covering three things.

41

00:07:40.650 --> 00:07:47.280

Adrian Ownby: The timing and processes of the development of their executive compensation compensation structures.

42

00:07:48.720 --> 00:08:04.500

Adrian Ownby: we'd like to get an answer to this question what's that the absolute final date we can issue executive compensation guidelines for 2022 that can be incorporated into their 2022 executive compensation submissions.

43

00:08:05.610 --> 00:08:16.380

Adrian Ownby: And I mean we all recognize it the the likely answer, that is, it depends on what's new in the guidelines, but we would appreciate knowing what the what the ranges depending on how we modify the guidelines.

44

00:08:18.060 --> 00:08:24.540

Adrian Ownby: And finally we're looking for them to to give us a heads up regarding changes that are being considered for their.

45

00:08:26.010 --> 00:08:34.500

Adrian Ownby: executive compensation structures, at least in broad terms of not with whatever specificity, they can provide at this time.

46

00:08:36.540 --> 00:08:50.670

Adrian Ownby: will be proceeding through the utility presentations in alphabetical order strike bear Valley, then going to San Diego gas and electric southern California Edison we'll wrap up with Pacific gas and electric next slide please.

47

00:08:54.090 --> 00:09:02.220

Adrian Ownby: And after lunch we'll have two presentations by our contractor northstar consulting.

48

00:09:03.240 --> 00:09:20.880

Adrian Ownby: they'll present their research data and findings regarding best practices and safety oriented industries we'll have a brief break followed by longer presentation from North star regarding potential changes to the guidelines.

49

00:09:21.930 --> 00:09:27.870

Adrian Ownby: And finally, at the end of the workshop will have a facilitated comments questions and answer session.

50

00:09:29.340 --> 00:09:33.510

Adrian Ownby: i'm hoping that will be at least an hour we scheduled it for about 75.

51

00:09:35.400 --> 00:09:36.450

Adrian Ownby: Next slide please.

52

00:09:39.900 --> 00:09:40.530

Adrian Ownby: Okay.

53

00:09:41.820 --> 00:09:42.390

Adrian Ownby: So.

54

00:09:44.670 --> 00:09:49.650

Adrian Ownby: We will be considering all the feedback made regarding the ideas presented in this workshop.

55

00:09:50.850 --> 00:10:06.480

Adrian Ownby: However, if you want to have your comments considered to have a potential impact on the draft 2022 executive compensation guide, then we really will need your feedback by October 15 of this year.

56

00:10:08.070 --> 00:10:26.640

Adrian Ownby: I want to emphasize this, we recognize how late, we are in the process for the utilities, as a result, we expect a focus changes in the on the for the 2022 guides on requiring more transparency and consistency in the executive compensation submission.

57

00:10:29.400 --> 00:10:33.750

Adrian Ownby: We will have a 30 day comment period, once we release the draft guidance.

58

00:10:34.950 --> 00:10:35.790

Adrian Ownby: and

59

00:10:37.050 --> 00:10:38.880

Adrian Ownby: We expect to have the.

60

00:10:40.440 --> 00:10:44.910

Adrian Ownby: Draft guidance issued in December of this year.

61

00:10:46.470 --> 00:10:48.810

Adrian Ownby: Absolute latest early next year.

62

00:10:49.950 --> 00:11:06.810

Adrian Ownby: And we will we're planning on issuing the executive compensation guides for 2023 by the end of June next year to give the utilities six to nine months advance notice on any substantial changes that we're making.

63

00:11:08.280 --> 00:11:08.820

Adrian Ownby: Next slide.

64

00:11:13.560 --> 00:11:23.250

Adrian Ownby: So I will be trying to keep the workshop on schedule, but time permitting, we will have question and answer sessions at the end of the presentation.

65

00:11:25.350 --> 00:11:33.660

Adrian Ownby: I do want to emphasize an important ground rule for the proceeding, which is their comments and questions should say focused on what's being presented.

66

00:11:36.570 --> 00:11:40.860

Adrian Ownby: You can use the zoom Q amp a function to type in questions to us.

67

00:11:41.880 --> 00:11:57.150

Adrian Ownby: If possible, we will address those comments and questions and the workshop, if not presenting, we can match your name with the chatter question and answer with your registration, will be able to answer your questions, after the workshop.

68

00:11:59.610 --> 00:12:09.660

Adrian Ownby: Next up his presentation by john element, Mr element has over 44 years of experience as an executive compensation consultant.

69

00:12:10.620 --> 00:12:26.220

Adrian Ownby: He worked for willis towers Watson for 32 years for 15 of those years, Mr Allen and served as managing principal of the executive compensation and rewards practice for the firm's Western us region.

70

00:12:27.510 --> 00:12:37.200

Adrian Ownby: And 2010 Mr element, along with several other partners formed the independent consultancy a named pay governance llc.

71

00:12:38.220 --> 00:12:55.020

Adrian Ownby: over his career he's worked extensively with energy sector clients, helping them to develop executive compensation system and he's he's recently retired from pay governance and I think with that i'll turn it over to john.

72

00:13:02.280 --> 00:13:04.380

James Pearce: john you're on mute you need to unmute yourself.

73

00:13:09.630 --> 00:13:10.440

Adrian Ownby: you're on mute john.

74

00:13:15.540 --> 00:13:15.930

James Pearce: Very good.

75

00:13:16.620 --> 00:13:30.960

John Ellerman: Okay, thank you, and thanks for the introduction Adrian good morning to the attendees and those in attendance today i'm speaking to you from Dallas Texas, which is my home.

76

00:13:33.360 --> 00:13:34.110

John Ellerman: got a.

77

00:13:35.880 --> 00:13:54.540

John Ellerman: Pretty full agenda today and that i'm going to try to be as informative as possible and teach you as much about executive compensation, both within the utility industry specifically and incentive compensation, as well as overall executive compensation.

78

00:13:56.040 --> 00:13:57.360

John Ellerman: guiding principles.

79

00:13:59.910 --> 00:14:10.950

John Ellerman: In particular, and what to focus on incentive compensation plans in the investor own utility industry sector and how they incorporate safety measures into their.

80

00:14:11.940 --> 00:14:27.900

John Ellerman: incentive approach i'm also going to address certain issues that have been identified as critical to our discussion today, such as other regulatory influences, like those of the SEC, the Treasury Department and so forth.

81

00:14:30.180 --> 00:14:39.630

John Ellerman: i'm also going to close out with some discussion about the important role that the compensation committee of a publicly traded company.

82

00:14:40.890 --> 00:14:53.610

John Ellerman: board of directors place in this overall governance and steering and direction of executive compensation and then, finally, just to emphasize a point that Adrian made.

83

00:14:54.510 --> 00:15:04.710

John Ellerman: I would request that you take notes along the way, and, should you have questions, hopefully we'll be able to get to them at the end of the presentation.

84

00:15:06.540 --> 00:15:07.860

John Ellerman: Next slide please.

85

00:15:16.380 --> 00:15:19.650

John Ellerman: Okay you'll see on this slide that there are two graphs.

86

00:15:21.510 --> 00:15:38.760

John Ellerman: One graph has got total executive compensation which emphasizes the five components of executive pay and then to the right is what we refer to as total direct compensation, and I think it's important that I.

87

00:15:40.020 --> 00:15:54.540

John Ellerman: Try to keep you informed of our terminology Well, first of all, there are five elements to total executive compensation, the difference between the two charts rest with perquisites and employee benefits.

88

00:15:56.790 --> 00:16:09.300

John Ellerman: Now let's look at each of these components individually, they salary it's pretty straightforward most of you know what the salary is that is in fact a fixed component of of compensation.

89

00:16:10.080 --> 00:16:21.300

John Ellerman: Annual incentive is what is commonly referred to as an annual bonus, and the distinction between an annual and save and a long term incentive.

90

00:16:21.960 --> 00:16:41.370

John Ellerman: Compensation element is that the annual and studied as a measurement period of one year or less we made to decide to defer the payment for six months or so after the performance period, but the key is that we're measuring performance over one year.

91

00:16:42.930 --> 00:16:56.220

John Ellerman: Long term incentive compensation is a little bit more complicated in that long term incentive compensation includes such elements of pay is stock options restricted stock.

92

00:16:58.290 --> 00:17:12.960

John Ellerman: Performance shares performance units and there are a number of hybrid approaches to long term incentive compensation, the key here is that we tend to measure performance, for a period of greater than one year.

93

00:17:13.470 --> 00:17:31.530

John Ellerman: So the typical performance period for a long term incentive award is three years, sometimes, as long as five years and then in the past we've seen stock options that have actually had a performance term of 10 years.

94

00:17:33.330 --> 00:17:41.280

John Ellerman: On the benefit side and the reason why i'm de emphasizing, it is that if you take employee benefits and perquisites.

95

00:17:41.730 --> 00:17:57.030

John Ellerman: And look at their total value as a part of the value of the entire compensation opportunity for a highly paid executive like a CEO it will typically be less than 20% of the total picture.

96

00:17:58.290 --> 00:18:11.940

John Ellerman: Employee benefits are those benefits that are typically awarded to all employees in the company so we're talking about pension and retirement plans health insurance 401k plans.

97

00:18:12.570 --> 00:18:23.040

John Ellerman: group life insurance and any other benefit that's paid fully to all employees were whereas perquisites are much more restrictive in their.

98

00:18:24.150 --> 00:18:25.740

John Ellerman: use and participation.

99

00:18:27.360 --> 00:18:30.390

John Ellerman: A typical perquisites would be.

100

00:18:32.910 --> 00:18:51.420

John Ellerman: A supplemental executive retirement plan or some type of supplemental executive physical for a highly paid executive another percocet that gets a lot of attention, these days, is the use of corporate aircraft for personal reasons, by an executive.

101

00:18:53.520 --> 00:19:13.410

John Ellerman: Again, these though are relatively small, in terms of the overall picture of executive pay and it's the three elements, the long term incentive and the annual incentive plus base salary that are the primary components next slide please.

102

00:19:17.220 --> 00:19:28.980

John Ellerman: Okay let's talk about the salary, again I think you're pretty familiar with this it's a fixed compensation costs in and that distinguishes it from the other forms of.

103

00:19:29.670 --> 00:19:41.700

John Ellerman: direct compensation annual and said he said and long term incentives for a highly paid executive like a CEO who has an 8 million to $10 million.

104

00:19:42.540 --> 00:19:51.360

John Ellerman: Total pay opportunity in a given year you'll find that his base salary represents only 10 to 20% of the total picture.

105

00:19:52.200 --> 00:20:09.540

John Ellerman: and for the other named executive officers and when I make reference to named executive officers or any o's that refers to the corporate officers or included in a proxy statement of the company and their base salary may be.

106

00:20:10.830 --> 00:20:18.870

John Ellerman: 20 to 30% of the total opportunity, but again incentive compensation, which is a variable cost makes up the greatest portion.

107

00:20:20.340 --> 00:20:24.390

John Ellerman: All of you are familiar with the fact that salaries are typically reviewed annually.

108

00:20:26.190 --> 00:20:30.330

John Ellerman: And there are a number of considerations that that go into.

109

00:20:31.680 --> 00:20:40.350

John Ellerman: The adjustment of may salaries from one year to the next, and that includes assessments of executives performance.

110

00:20:42.990 --> 00:20:43.530

John Ellerman: The.

111

00:20:49.590 --> 00:21:07.500

John Ellerman: Market responsive market competitiveness, meaning that we want to make sure that our executives are paid fairly, these are the two others holding similar positions and companies of comparable size in our same industry.

112

00:21:08.820 --> 00:21:11.970

John Ellerman: Annual and settings, this is a variable cost.

113

00:21:13.740 --> 00:21:23.040

John Ellerman: And it's a very popular in regular form of compensation again frequently referred to as.

114

00:21:24.900 --> 00:21:25.380

John Ellerman: The.

115

00:21:29.190 --> 00:21:35.760

John Ellerman: Annual bonus that executives participate in and again we talk about the one year performance measurement period.

116

00:21:37.980 --> 00:21:49.710

John Ellerman: here's an important little point i'm getting into the weeds a little bit here, but that, next to last bullet under annual incentives annual savings are typically paid in cash.

117

00:21:50.580 --> 00:22:00.480

John Ellerman: Within 7075 days following completion of the fiscal year if the bonus is paid within 75 days following the close of the business year.

118

00:22:00.840 --> 00:22:12.810

John Ellerman: The company for able will be able to capture its tax deduction and the duck the expense of annual incentive compensation back in the year in which.

119

00:22:13.350 --> 00:22:29.460

John Ellerman: The bonuses were earned So if I paid bonuses before March 15 of 2022 the compensation expense that I accrued over the course of 2021 all of that will, in fact.

120

00:22:30.840 --> 00:22:34.110

John Ellerman: be permissible, but I have to pay it within 75 days.

121

00:22:35.460 --> 00:22:36.630

John Ellerman: next page, please.

122

00:22:39.900 --> 00:22:44.460

John Ellerman: Long term incentive compensation is quite complicated it's the most.

123

00:22:45.720 --> 00:22:51.870

John Ellerman: Complex form of compensation that we have it, typically pays its executives.

124

00:22:54.780 --> 00:23:05.700

John Ellerman: In the form of company stock and the other key indicator here is that the long term incentive plan is typically tied directly to.

125

00:23:06.720 --> 00:23:16.950

John Ellerman: The company share price now another distinction is that this makes up the greatest portion of a CEOs compensation.

126

00:23:17.550 --> 00:23:26.580

John Ellerman: The present value of that compensation opportunity which is reported in the summary compensation table of the annual proxy statement.

127

00:23:27.270 --> 00:23:40.800

John Ellerman: In fact, maybe as high as five to 10 times salary, so if I have an executive, who has a $1 million base salary as a CEO it would not if in fact we're talking about a large.

128

00:23:41.970 --> 00:23:44.100

John Ellerman: Investor own utility.

129

00:23:45.300 --> 00:24:02.640

John Ellerman: With a market cap of 50 billion or more, you would probably expect to see a long term incentive award have equal to 10 times his base salary or $10 million now there's another important point here.

130

00:24:03.990 --> 00:24:05.040

John Ellerman: In that.

131

00:24:06.180 --> 00:24:22.590

John Ellerman: What you see in the proxy statement is not what the individual actually are, this is an estimate based upon the terms of the long term incentive award at the date of grant.

132

00:24:23.310 --> 00:24:31.230

John Ellerman: Again, remember we're talking about a three five or sometimes he did a 10 year measurement period to determine what.

133

00:24:32.280 --> 00:24:57.540

John Ellerman: The size of this award will be and earned over the longer term, so therefore the accounting profession as in through fast, he has released ASC 718 and what they say in 718 is that companies are required to establish the fair value at the date of grant.

134

00:24:58.800 --> 00:25:12.270

John Ellerman: The value of the long term incentive award and in making that estimate that company, then, is permitted to approve that cost over the vesting period.

135

00:25:13.980 --> 00:25:29.100

John Ellerman: Of this is done using very sophisticated financial models, some of you may have heard of the black shows option pricing model that is used to capture the expense and the estimated fair value of stock option.

136

00:25:30.360 --> 00:25:32.820

John Ellerman: Next slide please.

137

00:25:34.260 --> 00:25:36.720

John Ellerman: Alright let's go back to annual and set these.

138

00:25:39.000 --> 00:25:53.370

John Ellerman: Was drill down here a little bit most no incentive plans today and i've stated the objectives of an annual incentive plan which is obvious, but the award opportunity is very formulaic.

139

00:25:54.090 --> 00:26:09.300

John Ellerman: And in a typical example we would have the participants base salary is target opportunity which is expressed as a percentage of salary, then there is measurement of the performance achieved.

140

00:26:10.380 --> 00:26:20.700

John Ellerman: And some companies have what I refer to as a modifier something which i'll go over with you in a little bit is the safety modifier that Duke energy uses.

141

00:26:21.570 --> 00:26:35.040

John Ellerman: In this particular example then we've got an executive probably a CEO who's got a salary of $1 million, with a target annual incentive opportunity of 150% of base pay.

142

00:26:35.970 --> 00:26:48.780

John Ellerman: let's say that the company achieved 112% of its performance targets so therefore I make the calculation, but also, I have to give it a 10% haircut because we had a.

143

00:26:49.710 --> 00:27:03.510

John Ellerman: poor performance rating this year, for example, many times this performance modifier, especially in the private sector in general, industry is tied to something we call total shareholder return.

144

00:27:04.080 --> 00:27:15.600

John Ellerman: Which is simply the change in share price from one year to the next and the payment of dividends, assuming that the dividends are reinvested, at the end of the month of which are declared.

145

00:27:16.230 --> 00:27:25.860

John Ellerman: And so, in this particular example 1 million times 150% better 12% and then a 10% haircut to the entire opportunity.

146

00:27:27.030 --> 00:27:28.440

John Ellerman: resulted in a.

147

00:27:30.630 --> 00:27:34.350

John Ellerman: $1,512,000 annual bonus.

148

00:27:35.760 --> 00:27:42.720

John Ellerman: Another point that I think is important here is that companies have in fact.

149

00:27:45.600 --> 00:27:50.520

John Ellerman: pushed annual incentive opportunities much deeper into their organization.

150

00:27:52.350 --> 00:28:00.300

John Ellerman: That is, I think, important to know in fact you're going to find some companies, the IBM PepsiCo.

151

00:28:00.840 --> 00:28:10.440

John Ellerman: And even some utilities, will provide some of my clients have provided an annual incentive opportunity to the entire workforce.

152

00:28:10.890 --> 00:28:20.160

John Ellerman: And there's some good reasons for it one it's a wonderful mechanism for communicating what's important and what are the business goals and strategies of the company.

153

00:28:21.120 --> 00:28:34.650

John Ellerman: And second it's a variable cost, it takes that pressure off of base salary and the temptation to adjust they salaries dramatically upward from year to year.

154

00:28:36.300 --> 00:28:37.500

John Ellerman: next page, please.

155

00:28:41.280 --> 00:28:43.980

John Ellerman: And i've said this before that most.

156

00:28:46.560 --> 00:28:49.410

John Ellerman: Annual incentives are in fact.

157

00:28:50.610 --> 00:29:00.060

John Ellerman: formulaic and their application performance goals and metrics are typically developed by top management and then reviewed by the awards compensation committee.

158

00:29:00.750 --> 00:29:09.480

John Ellerman: So let's talk about this for just a brief second we've got very important performance goals, and you can see i've given you just a broad categories.

159

00:29:09.900 --> 00:29:20.910

John Ellerman: For most publicly traded companies in the industrial sector those financial goals will make up 60 to 80% of the total annual and save measurement.

160

00:29:21.570 --> 00:29:36.540

John Ellerman: There may be some operational measures and again i've used those that are typically show in the utility sector oh NM expensive reliability and safety and environmental and I will come to some examples in a minute.

161

00:29:38.010 --> 00:29:56.040

John Ellerman: Well, the key here is that the annual performance goals are typically evaluated and established in the last quarter of the current fiscal year, so if i'm going to set performance targets for my.

162

00:29:57.960 --> 00:30:05.760

John Ellerman: Annual incentive plan i'm going to be engaged in some fairly rigorous.

163

00:30:08.010 --> 00:30:15.150

John Ellerman: planning of performance outcomes and establishing goals and targets which.

164

00:30:16.260 --> 00:30:28.380

John Ellerman: will be established that is management's responsibility, but once they have it, they take it to the compensation committee of the board, and that is typically done in January or February of the.

165

00:30:30.690 --> 00:30:41.250

John Ellerman: The key is they typically want to get the performance targets and the goals that are going to be applicable to annual incentives included.

166

00:30:42.810 --> 00:30:51.720

John Ellerman: And set in stone by the end of March 31 if, in fact, the company's on a calendar year or after three months.

167

00:30:53.190 --> 00:31:07.620

John Ellerman: This particular processes debate and the rigor that is embedded in the establishment of performance goals and metrics is a very rigorous one and I can't.

168

00:31:08.670 --> 00:31:10.770

John Ellerman: overemphasize it's important.

169

00:31:11.910 --> 00:31:17.490

John Ellerman: Another thing that's shown on the slide I think it's important for you is that.

170

00:31:20.070 --> 00:31:22.200

John Ellerman: When we set a performance goal.

171

00:31:23.610 --> 00:31:30.180

John Ellerman: For the most part it's going to be a target for which.

172

00:31:31.260 --> 00:31:43.530

John Ellerman: 100% of the achievement, will be the scorecard So if I had an earnings per share goal that makes up 50% of my bonus opportunity and we hit that earnings per share target right on the button.

173

00:31:43.920 --> 00:31:57.600

John Ellerman: That we're going to pay 100% or 50% of the of the target angel and say, and we typically build a range around these there is a threshold with financial metrics.

174

00:31:59.040 --> 00:32:02.070

John Ellerman: That threshold can be as as.

175

00:32:03.840 --> 00:32:28.230

John Ellerman: High as 80 to 90% of the target and the maximum can be like 110 220% or 125% of a target and we have a range of outcomes, where we will pay if in fact we get over the threshold we're going to pay anywhere between 50 to 200% of the of the bonus target for the discipline.

176

00:32:31.350 --> 00:32:50.730

John Ellerman: And we use straight line interpolation again most companies make this a very mathematical process, they look at the goals they look at the target opportunity and if I add performance that was at a 75% of the achievement of the payout.

177

00:32:52.110 --> 00:33:03.000

John Ellerman: of target, you know, then I would think that 75% would also be the payout under this example I presented one final comment, I want to make.

178

00:33:03.450 --> 00:33:26.670

John Ellerman: There are two different kinds of goals or targets that are regularly used and we refer to them as either absolute or relative and absolute goal is a singular goal like earnings per share or a 5% reduction in safety mishaps.

179

00:33:28.140 --> 00:33:29.820

John Ellerman: This is established.

180

00:33:31.440 --> 00:33:45.990

John Ellerman: in isolation, it comes directly from the company's business planning process and we refer to it as an absolute goal most annual incentive targets and goals are in fact absolute.

181

00:33:46.770 --> 00:33:59.580

John Ellerman: But there is also another category and that's what we refer to as relative targeting or relative goals if, in fact, our total shareholder return.

182

00:34:00.240 --> 00:34:22.440

John Ellerman: equals 95% of the average total shareholder return for a group of peer companies, you know we match ourselves to 10 other utilities and that's a relative performance measurement when we started adopting total shareholder return as an important metric.

183

00:34:23.880 --> 00:34:33.630

John Ellerman: Little more than five years ago relative performance measurement became much more important to the whole performance measurement process.

184

00:34:35.070 --> 00:34:36.270

John Ellerman: Next slide please.

185

00:34:40.260 --> 00:34:46.170

John Ellerman: The goal setting process annual goals and targets i've already told you about the.

186

00:34:48.750 --> 00:34:58.170

John Ellerman: Discussion that occurs in the end of the negotiation between the compensation committee of the Board and top management and.

187

00:35:00.750 --> 00:35:04.950

John Ellerman: The Board probably has this is probably the toughest.

188

00:35:06.840 --> 00:35:07.830

John Ellerman: single.

189

00:35:09.840 --> 00:35:27.840

John Ellerman: task that the board's compensation committee will have to make you want to make sure that your performance goals are aligned with company performance and that they're reasonable and realistic and coming to that point and depending upon management to present you with all of the.

190

00:35:30.000 --> 00:35:37.410

John Ellerman: Benchmarking in and planning that went into setting up particular performance target is important.

191

00:35:38.310 --> 00:35:47.160

John Ellerman: here's again a performance modifier which I talked about, not all annual incentive plans have this, but I think that it's a best practice.

192

00:35:47.400 --> 00:35:55.980

John Ellerman: And lately we've seen total shareholder return become very, very popular in in the general industry sector as a modifier.

193

00:35:56.700 --> 00:36:11.520

John Ellerman: And i've seen situations where yes, the company earned a bonus score of 125% of target and so everyone is expecting a payout of 125%.

194

00:36:11.940 --> 00:36:25.740

John Ellerman: But we tacked on to the back of that as a performance modifier and in this particular case, the company had a performance mine modifier that was tied to a share price performance.

195

00:36:26.220 --> 00:36:42.540

John Ellerman: Over the past year and we did not have a positive share price performance, so you will see that hundred 25% bonus achievement in fact reduced down to something like 75 and 50% of the performance targets.

196

00:36:44.130 --> 00:36:45.210

John Ellerman: Next slide please.

197

00:36:48.300 --> 00:37:00.240

John Ellerman: This is a good example of an annual and setting plan I captured this from the Duke energy most recent proxy statement now understand that a proxy statement.

198

00:37:00.900 --> 00:37:17.490

John Ellerman: Is an SEC reporting requirement and a chart like this, or something comparable to it is in fact a reporting requirement, this is going to show Well, first of all, this proxy statement was released in April of 2021.

199

00:37:18.930 --> 00:37:22.470

John Ellerman: To shareholders in the investment Community the.

200

00:37:24.420 --> 00:37:25.410

John Ellerman: scorecard.

201

00:37:27.870 --> 00:37:41.520

John Ellerman: shows that we had really four major categories, we had a look at the very far left hand column, we had adjusted earnings per share.

202

00:37:43.110 --> 00:37:53.820

John Ellerman: operations and maintenance expense operational excellence and you can see, there were a whole bunch of metrics under that including safety and environmental.

203

00:37:54.660 --> 00:38:08.430

John Ellerman: And then finally customer satisfaction, each of those goals is weighted in this particular example the weightings only come to 80% because Duke gives a 20%.

204

00:38:09.570 --> 00:38:21.780

John Ellerman: metric to individual performance based upon management by objectives and individual goals and targets that are applicable to that position so here we're only showing 80%.

205

00:38:22.650 --> 00:38:33.600

John Ellerman: You can see also as I noted before threshold target maximum here's the actual result $5 and 12 cents subtotal.

206

00:38:34.290 --> 00:38:55.230

John Ellerman: Now later when you get a chance to read these footnotes, this is a really interesting situation 50% of the bonus opportunity at Duke is tied to a single financial metric which is earnings per share and they're showing the result to be $5 and 12 cents.

207

00:38:57.030 --> 00:39:00.390

John Ellerman: That is an adjusted earnings per share in.

208

00:39:02.610 --> 00:39:12.060

John Ellerman: Duke made several adjustments to its operating results and as recognition of the pandemic and coven.

209

00:39:13.440 --> 00:39:28.140

John Ellerman: They really only earned $4 and 50 cents yet their plan allowed them to report and adjusted EP so $5 and 12 cents what really happened in this case was that Duke.

210

00:39:30.480 --> 00:40:00.510

John Ellerman: dukes compensation committee elected to reduce that pay out of 150% 100 1900 and 40 and 64 they the total payout came to something like 90% if you are 95 if you look at the weightings and do the math calculations, however Duke only paid 51% of target opportunity for.

211

00:40:02.550 --> 00:40:20.250

John Ellerman: Key to that also was that performance modifier in that do cat a fatality among its workforce, and that was a substantial reduction to the performance calculation.

212

00:40:21.240 --> 00:40:37.680

John Ellerman: you'll see all companies, though utilities and non utilities alike me some kind of scorecard like this, I think it's Duke what is a very good one, because it gives you the threshold target maximum and result, how they calculated it and the weightings some companies are not quite.

213

00:40:38.730 --> 00:40:41.850

John Ellerman: As laboratories extensive and that kind of reporting.

214

00:40:43.080 --> 00:40:43.800

John Ellerman: Next place.

215

00:40:49.410 --> 00:40:57.480

John Ellerman: let's get down to long term and settings long term incentives address a number of important objectives for the company.

216

00:40:58.830 --> 00:41:18.330

John Ellerman: But not the least of which the most important is to build long term value of the company, yes, it can serve as a wonderful retention vehicle because you have to stick around three to five years to get it, it does in fact reinforce a pay for performance culture, etc.

217

00:41:19.950 --> 00:41:29.340

John Ellerman: Another thing that it does is that it counterbalances the short term focus of annual surveys there's all kinds of have.

218

00:41:29.910 --> 00:41:42.150

John Ellerman: Long term and steady vehicles in place you're familiar with stock options you sell them see stock options used in a utility sector, these days, there are some companies that do.

219

00:41:43.860 --> 00:41:46.140

John Ellerman: That but they're not as prominent as they were.

220

00:41:46.830 --> 00:41:56.460

John Ellerman: The reason why options you're not typically performance and this is true, the general industry sector as well, is that about 10 years ago, or maybe a little longer than that.

221

00:41:56.880 --> 00:42:04.770

John Ellerman: Companies had to start recognizing expense for stock options on the income statement that was not the case before.

222

00:42:05.430 --> 00:42:23.700

John Ellerman: And then the other thing it takes probably three to four shares of stock options to equal to the value of one restricted share or one performance share so therefore it's much more diluted and that.

223

00:42:25.500 --> 00:42:39.990

John Ellerman: is very troublesome obviously to the investor Community most companies grant long term and settings on an annual basis and typically happens sometime in that first quarter.

224

00:42:41.340 --> 00:42:44.640

John Ellerman: At the time of the annual bonus determination.

225

00:42:46.320 --> 00:42:53.310

John Ellerman: When the bonuses are awarded you'll find that at that same meeting, companies will in fact.

226

00:42:55.500 --> 00:42:59.010

John Ellerman: make their annual grants have long term incentive compensation.

227

00:43:00.570 --> 00:43:02.190

John Ellerman: Another thing is that.

228

00:43:04.530 --> 00:43:15.510

John Ellerman: Long term incentive compensation is much more restrictive and its application that angle incentives, whereas companies will push down.

229

00:43:16.560 --> 00:43:21.360

John Ellerman: Annual bonus or annual incentive opportunities go all rank and file employs.

230

00:43:22.380 --> 00:43:42.390

John Ellerman: However, unions, being excluded that seldom happens, but with respect to long term insights i've seen some very large companies that restrict long term incentive compensation grants to only 25 to 35 key executives for someone in your industry.

231

00:43:44.130 --> 00:44:06.300

John Ellerman: Probably the norm is 250 to 500 participants, if you had a 10,000 Member workforce some companies again choose to take long term incentive compensation deeper into their organization it just varies from company to company and strategy and strategy next slide please.

232

00:44:09.360 --> 00:44:18.000

John Ellerman: So I just talked about those first two points size of the grant opportunities, let me say one thing about.

233

00:44:20.400 --> 00:44:26.400

John Ellerman: grant opportunities the higher you are up into food chain, the greater your.

234

00:44:27.540 --> 00:44:38.190

John Ellerman: Long term and set a goal or your opportunity is going to be as a as a percentage of a salary so for a CEO.

235

00:44:39.690 --> 00:44:52.500

John Ellerman: I think if you were to look at some survey data today the average is about 750% of the CEO space pay is in the form of a long term and setting on a value basis and.

236

00:44:55.260 --> 00:45:06.630

John Ellerman: just below that you will see the other named executive officers typically having opportunities in the 200% to 500% range.

237

00:45:09.000 --> 00:45:11.550

John Ellerman: I also mentioned before that.

238

00:45:13.350 --> 00:45:29.490

John Ellerman: We have three year measurements five year measurements it's more typical these days to find a three year performance measurement cycle, the reason why is that it's very difficult, given all the variables that can play.

239

00:45:31.200 --> 00:45:34.350

John Ellerman: havoc on earnings goals and targets.

240

00:45:36.270 --> 00:45:44.190

John Ellerman: You know past three years it's just very hard for companies to foresee those and to recognize them and establishment of goals.

241

00:45:46.710 --> 00:45:50.400

John Ellerman: You will see something that's referred to as time lapse restricted stock.

242

00:45:51.480 --> 00:46:00.390

John Ellerman: 20 years ago we couldn't use restricted stock, it is simply a reward of company shares that will.

243

00:46:01.020 --> 00:46:15.030

John Ellerman: result in the executive earning those shares simply by showing up to the office, it is in fact nothing more than time lapse there's no performance indicator associated with whatsoever.

244

00:46:15.540 --> 00:46:26.070

John Ellerman: But it is an important part of executive pay these days, because companies are working hard to make sure that their management teams are.

245

00:46:27.330 --> 00:46:36.240

John Ellerman: tied to significant shareholder interest through grants of stock and time lapse restricted stock is the one way to do that.

246

00:46:37.800 --> 00:46:43.830

John Ellerman: However, if you do see time lapse restricted stock seldom will you see there, there are.

247

00:46:46.290 --> 00:46:54.840

John Ellerman: Other situations that are different than this, but for the most part it's copy limited to like 30% of the total award opportunity.

248

00:46:56.670 --> 00:46:57.600

John Ellerman: Next, please.

249

00:47:01.470 --> 00:47:14.760

John Ellerman: And the rigor that a company's compensation committee goes through in interacting with top management and establishing those three year or five year performance goals.

250

00:47:15.450 --> 00:47:28.710

John Ellerman: that's very typical The other thing I failed to mention was that sometimes we see companies have two or three different types of long term incentive compensation in play, at the same time.

251

00:47:31.230 --> 00:47:48.240

John Ellerman: That is not unusual, so I could have 70% of the opportunity awarded in the form of performance shares tied to total shareholder return and safety metric but then 30% is in fact devoted to time that's restricted stock.

252

00:47:52.080 --> 00:47:53.010

John Ellerman: Next slide please.

253

00:47:57.600 --> 00:48:03.180

John Ellerman: Okay, I pulled this from the proxy statement of the southern company, I hope you can read it.

254

00:48:04.320 --> 00:48:08.160

John Ellerman: Again, you will have an opportunity to get copies of the slides.

255

00:48:09.990 --> 00:48:11.790

John Ellerman: let's go to the table at the top.

256

00:48:14.730 --> 00:48:21.360

John Ellerman: Southern company uses several different types of long term incentive compensation.

257

00:48:23.040 --> 00:48:42.360

John Ellerman: One is called PS use psu is an acronym for performance share unit, the difference between a performance share and performance share unit is that the unit has the ability to be paid in cash or stock usually at the direction of the compensation committee of the board.

258

00:48:43.470 --> 00:48:49.650

John Ellerman: Well, if you look at the first line under performance period to the far left it says during the performance period.

259

00:48:54.030 --> 00:48:57.780

John Ellerman: The performance shares that were awarded to.

260

00:48:59.400 --> 00:49:13.110

John Ellerman: executives at the southern company had four metrics excuse me three metrics it was relative total shareholder return consolidated return on equity and then cumulative earnings per share.

261

00:49:14.700 --> 00:49:26.220

John Ellerman: Also, there was the grant of some performance based restricted stock units, but the metric associated with that is not shown on this particular slide.

262

00:49:26.850 --> 00:49:38.370

John Ellerman: Well, if you keep going down you're going to see that, over the course of years and now the grant that was made in 2020 for the 3000 for the three your measurement period of.

263

00:49:41.160 --> 00:50:09.690

John Ellerman: They are a good measuring and a relative term shareholder return their consolidated return on equity, there are no longer measuring cube the GPS, only the CEO as an his performance chair goals, a greenhouse gas reduction goal, and that is for him and him alone and there's other considerable.

264

00:50:12.690 --> 00:50:22.650

John Ellerman: discussion about what they measured now here's another really interesting and unusual attribute of the.

265

00:50:23.610 --> 00:50:31.710

John Ellerman: Southern company long term incentive approach sit down at the very bottom there's another graph there, it says maximum.

266

00:50:32.220 --> 00:50:42.510

John Ellerman: 98th percentile or higher that's their relative total shareholder return performance, so if they made a tell will relative total shareholder return.

267

00:50:42.870 --> 00:50:53.730

John Ellerman: 14% and that was at the 98th percentile then everyone's going to get 200% of the goals that they were or the shares that they were granting and.

268

00:50:54.540 --> 00:51:07.200

John Ellerman: There is also an absolute performance target have consolidated our week, but what I want to make special mention of is come down to the very bottom, where it says threshold.

269

00:51:08.250 --> 00:51:10.740

John Ellerman: You can see that they are actually making a payment.

270

00:51:12.780 --> 00:51:16.140

John Ellerman: At the 10th percentile of relative performance.

271

00:51:17.340 --> 00:51:28.440

John Ellerman: Now the payout may be minimal if it said 1112 1520 or whatever, but they're still making a payout that is an extraordinarily low.

272

00:51:29.580 --> 00:51:34.230

John Ellerman: Performance threshold in fact you sell them see one that low.

273

00:51:37.290 --> 00:51:52.080

John Ellerman: I don't know what precipitated the COMP committee to agree to establish such a low performance target, but it is highly unusual and I would imagine some shareholders are going to squawk.

274

00:51:53.460 --> 00:52:05.880

John Ellerman: Because usually have to get to the least to the 25th percentile and more likely to 35th or 45th percentile to have any kind of a payout on a long term performance plan.

275

00:52:07.740 --> 00:52:08.790

John Ellerman: Next slide please.

276

00:52:13.290 --> 00:52:21.570

John Ellerman: This is one of the better approaches to long term incentive compensation and i've seen, and I wanted to include this for you.

277

00:52:22.170 --> 00:52:30.750

John Ellerman: And here i'm going to show you another extreme performance measurement this is dukes long term incentive plan design.

278

00:52:31.440 --> 00:52:38.520

John Ellerman: And they've got performance shares as well, and they measure three metrics earnings per share on a three year yearly basis.

279

00:52:39.000 --> 00:52:52.470

John Ellerman: Its way to 50% weighted 50% on total shareholder return against a select group of peer companies, and then they have a metric for total or for safety.

280

00:52:53.010 --> 00:53:15.210

John Ellerman: And it is weighted 25% as well, and all of my research for this particular assignment and preparing this presentation, for you today, other than the State of California, this is the only long term incentive plan, and I saw that and a safety metric included, but what's unusual here is that.

281

00:53:16.380 --> 00:53:16.860

John Ellerman: The.

282

00:53:18.480 --> 00:53:19.230

John Ellerman: target.

283

00:53:20.730 --> 00:53:24.600

John Ellerman: In terms of what to achieve.

284

00:53:26.130 --> 00:53:27.510

John Ellerman: is so high.

285

00:53:28.860 --> 00:53:41.220

John Ellerman: Compared to, in other words to get target, you have to be $15 acuity DPS wait a bit go to the next slide please.

286

00:53:44.250 --> 00:53:48.090

John Ellerman: here's the one that I like this is the relative, this is what other.

287

00:53:50.070 --> 00:54:12.180

John Ellerman: graph or table that they use for measuring their performance and Duke safety metric is called ti car and it's something that ei helps them with and it's the number of occupational injuries in those instances per 100 employees and they measure themselves against a.

288

00:54:13.350 --> 00:54:21.690

John Ellerman: group of companies it's called the group one large company index and it excludes though gas or companies that do not have.

289

00:54:23.670 --> 00:54:51.690

John Ellerman: Gas or nucular and here, look at the look at the performance scale here in order to get at 100% of your target Award for that metric you have to achieve 98th percentile It means that dukes ti cr score as to be better than nine of the 10 companies included in their.

290

00:54:53.100 --> 00:55:14.520

John Ellerman: peer group of comparables also look they don't pay anything for below 75th percentile and only when you get to the top of the company, do you get a 200% pay out that is very unusual and a typical of the kinds of performance skills that we see.

291

00:55:18.480 --> 00:55:20.250

John Ellerman: Okay next slide please.

292

00:55:22.890 --> 00:55:25.380

John Ellerman: it's very important that executives.

293

00:55:27.570 --> 00:55:33.270

John Ellerman: hold a fair amount of company stock, that is a important consideration.

294

00:55:34.530 --> 00:55:46.560

John Ellerman: viewed by the investment Community so companies have what we call share ownership guidelines and typically an executive will have five years to reach the goal.

295

00:55:47.340 --> 00:56:02.160

John Ellerman: But it means that he or she must hold number of shares of stock at its its current share price equal to as much as five or six times the executives base salary.

296

00:56:04.920 --> 00:56:15.060

John Ellerman: Another key consideration with respect to long term and settings is dilution and the number of shares that we hold in our plan anytime that a company.

297

00:56:16.740 --> 00:56:30.330

John Ellerman: wants to use new shares for purposes, whether they purchase them on the open market, or they drop down treasury shares or whatever the vehicle they happen to be, they have to have shareholder approval.

298

00:56:30.960 --> 00:56:42.570

John Ellerman: So therefore companies very closely watch the number of shares that they hold and reserved for purposes of long term incentive compensation next slide please.

299

00:56:45.240 --> 00:56:59.610

John Ellerman: I did go back and look at the incentive compensation plans of 10 prominent utilities, the only California utility that I included was sempra.

300

00:57:01.980 --> 00:57:11.820

John Ellerman: And I just took these from a list, in fact, this is the list of companies that are included in the peer group for next era energy.

301

00:57:12.960 --> 00:57:26.610

John Ellerman: But it includes next era, and you can see that two companies American electric power and exelon do not measure safety anywhere in their annual incentive plans.

302

00:57:27.240 --> 00:57:42.570

John Ellerman: With respect to long term incentives Duke was the only one that I saw and you could refer to this slide later to look at, specifically the metrics that they're using and how they measure it next slide please.

303

00:57:45.750 --> 00:57:50.430

John Ellerman: Okay, I would say that, up to this point you're probably.

304

00:57:52.470 --> 00:57:55.470

John Ellerman: discouraged by the absence of.

305

00:57:58.200 --> 00:58:01.740

John Ellerman: Safety as a regular form of.

306

00:58:02.910 --> 00:58:28.770

John Ellerman: Performance metric in the incentive compensation plans of of large investor owned utilities, but i'm telling you there is hope right around the corner and that is something this is a sweeping way it's called E SG or which stands for environmental, social and governance criteria.

307

00:58:31.020 --> 00:58:55.980

John Ellerman: The idea is to move away from solely shareholder privacy as the governing principle of a publicly traded corporation, and instead to consider criteria that are of critical importance to all stakeholders, whether they be shareholders employees customers.

308

00:58:57.150 --> 00:59:09.030

John Ellerman: The local community or others with a vested interest in the company's performance outcomes, this has just emerged over the course of the past five years.

309

00:59:09.870 --> 00:59:18.510

John Ellerman: You can't pick up a copy of the Harvard Business Review and now reading one or two articles about this particular subject and I just gave a very.

310

00:59:19.110 --> 00:59:30.000

John Ellerman: Important presentation to University of Texas graduate Business School last week on this very subject the institutional investors are behind a lot of this.

311

00:59:31.650 --> 00:59:42.510

John Ellerman: Big institutional investors who really put their foot out our black rock state street vanguard and calipers but all of them had some clear interest in it.

312

00:59:43.770 --> 00:59:55.110

John Ellerman: What we have seen tues some research on my firm and others, is that the UK any new companies, as well as their utilities there one to two years ahead of the US.

313

00:59:55.830 --> 01:00:09.030

John Ellerman: In terms of adopting SG and incorporating them into incentive compensation plans I don't think we will know much more about SG although there's a lot of.

314

01:00:10.500 --> 01:00:33.180

John Ellerman: written material about the subject, but we will really find out how sweeping this changes in the 2022 proxy season, meaning the proxies that come out in 2000 in April 2022 and back then we'll start to see exactly what corporate America has done to adopt this new governance principle.

315

01:00:34.200 --> 01:00:45.750

John Ellerman: This, to our mind is the biggest change in executive compensation delivery in the past 20 years because the typical corporate company.

316

01:00:46.200 --> 01:00:55.680

John Ellerman: Remember shareholder privacy concern primary driver, we were putting the Sheriff over above all other constituents and stakeholders of the company.

317

01:00:56.190 --> 01:01:15.450

John Ellerman: Well, that is swiftly changing and now financial metrics are being dropped back to 4050 60% of the total incentive opportunity and SG is suddenly surfacing next slide please.

318

01:01:18.150 --> 01:01:30.300

John Ellerman: A couple things I think you need to know one is that the SEC is going to release mandatory Su disclosure rules very shortly we've been waiting for them.

319

01:01:31.290 --> 01:01:51.990

John Ellerman: it's so late in the year, however, that I doubt that they will be applicable for 2022 disclosures but more likely 2023 because the SEC always gives a comment period of 90 days or longer for corporate America to respond to two new reporting guides.

320

01:01:53.520 --> 01:02:01.590

John Ellerman: institutional investors are going to continue to use the SG as an important lever i'm sure many of you are familiar with.

321

01:02:03.630 --> 01:02:09.210

John Ellerman: The proxy fight that occurred at Exxon Mobil a couple of months ago.

322

01:02:10.230 --> 01:02:23.910

John Ellerman: In that proxy fight a relatively small institutional investor named engine number one which was somebody that know that none of us really heard of they wanted.

323

01:02:24.870 --> 01:02:41.160

John Ellerman: Exxon Mobil to swiftly change its corporate drivers and its business strategy to suddenly reduce its carbon footprint and they wanted an elimination of the carbon footprint for Exxon Mobil by 2030.

324

01:02:42.750 --> 01:02:44.850

John Ellerman: A lot of negotiations occurred.

325

01:02:46.410 --> 01:03:05.070

John Ellerman: It ended up with engine number one getting to other nominees to serve on the board of directors, which was a big defeat for Exxon Mobil and the institutional investors that I told you about before the big boys.

326

01:03:06.900 --> 01:03:24.810

John Ellerman: The vanguards of the world, they were very, very prominent in this particular matter, in that they jumped into the fray as well and held considerable influence over the decisions made by Exxon Mobil next slide please.

327

01:03:27.330 --> 01:03:35.580

John Ellerman: So what are some of these SG performance metrics, these are the ones that we typically see the most prominent in the environmental.

328

01:03:38.580 --> 01:03:53.940

John Ellerman: Sector our energy efficiency, renewable energy and carbon emissions or greenhouse gas now social is really almost an acronym for human resources because that's what's being measured.

329

01:03:54.810 --> 01:04:06.270

John Ellerman: it's human resources related metrics, with the exception of maybe a community of back, but look at what we're looking at diversity human capital, inclusion and belonging.

330

01:04:06.960 --> 01:04:19.410

John Ellerman: and employee safety and when it comes to employee safety, these are the three key metrics that we found companies reporting on next slide please.

331

01:04:24.180 --> 01:04:40.080

John Ellerman: This is an interesting slide almost every public company today of fortune 1000 size or less is going to have a slide like this one of the things that I was asked to do was to in fact.

332

01:04:41.850 --> 01:04:45.480

John Ellerman: Provide best practices well here's what.

333

01:04:47.640 --> 01:04:58.890

John Ellerman: The southern company thinks or its best practices and each year, they will put into their proxy statement this chart and it will say what we do what we don't do.

334

01:04:59.700 --> 01:05:11.790

John Ellerman: And I challenge you to find risk or excuse me not risk that safety included in any of this it's just not there, even though safety is very important in the.

335

01:05:13.170 --> 01:05:14.640

John Ellerman: Performance metrics of the company.

336

01:05:15.780 --> 01:05:16.830

John Ellerman: Next slide please.

337

01:05:19.740 --> 01:05:21.150

John Ellerman: So I would just like to.

338

01:05:22.470 --> 01:05:35.100

John Ellerman: comment, a little further on it, what do I think are best practices well as Adrian told you earlier i've been at this business for about 44 years i've probably designed a couple thousand incentive plans.

339

01:05:36.540 --> 01:05:42.390

John Ellerman: And here's what I always I keep going back to this every time I confirm with a company.

340

01:05:43.620 --> 01:06:00.060

John Ellerman: you're your best practice in your incentive plan is going to be meaningful if there's a strong alignment between your business strategy your planning and the performance metrics that you include in the incentive plan.

341

01:06:01.320 --> 01:06:23.340

John Ellerman: Another thing that I think is important is that those goals need to be rigorous and fair yet achievable and i've had way too many clients who have adopted performance goals that are just so far beyond the reach of management's influence and.

342

01:06:24.750 --> 01:06:36.000

John Ellerman: they're out of the water before they even get started so make sure that you go through this planning process carefully and make sure that the rigorous and fair.

343

01:06:37.560 --> 01:06:43.440

John Ellerman: incentive compensation goals that are within management's influence again.

344

01:06:45.840 --> 01:07:05.850

John Ellerman: You want management to engage in behaviors that are important to the achievement of performance goals and execution of the business strategy, so therefore make sure that you give them performance goals that they can directly influence and if they have a good line of sight to.

345

01:07:07.860 --> 01:07:17.310

John Ellerman: Another key and here's a place where I will be critical of the utility industry annual incentive plan goals that are reasonable, a number.

346

01:07:18.870 --> 01:07:19.290

John Ellerman: Of.

347

01:07:21.030 --> 01:07:34.740

John Ellerman: It is not uncommon to see some large utility organizations with annual incentive opportunities that measured 20 to 30 performance goals.

348

01:07:35.400 --> 01:07:46.830

John Ellerman: All they're doing is spreading the risk management cannot pay attention to and cannot influence more than, say five or six.

349

01:07:47.370 --> 01:08:04.650

John Ellerman: Key Performance targets or performance goals of the year so cut them back put them down to something that's reasonable don't include seven safety metrics 10 financial metrics three environmental metrics and wrap them all up in the same plan.

350

01:08:05.940 --> 01:08:09.660

John Ellerman: Nothing will get achieved and all you've done is frustrated management.

351

01:08:11.160 --> 01:08:11.820

John Ellerman: Finally.

352

01:08:12.930 --> 01:08:21.630

John Ellerman: The communication about incentive plan performance expectations measurements also is really, really into consideration.

353

01:08:23.280 --> 01:08:24.300

John Ellerman: Next slide please.

354

01:08:26.730 --> 01:08:28.440

John Ellerman: Alright i'm coming to the wrap up.

355

01:08:31.140 --> 01:08:39.840

John Ellerman: There are some people out there who have a lot to say about executive compensation and especially incentive compensation.

356

01:08:40.890 --> 01:08:58.350

John Ellerman: The biggest player in this regard is the Securities and Exchange Commission the Securities and Exchange Commission is by far the largest federal regulatory authority and their mission in life is to protect shareholder interest.

357

01:08:59.730 --> 01:09:01.950

John Ellerman: To make sure that.

358

01:09:02.970 --> 01:09:06.420

John Ellerman: The individual investor is not fraud.

359

01:09:07.830 --> 01:09:18.840

John Ellerman: And is receiving disclosures that are accurate and timely and allowing the individual to make a realistic.

360

01:09:20.760 --> 01:09:22.620

John Ellerman: decision about investment.

361

01:09:23.850 --> 01:09:46.260

John Ellerman: Now, in the whole area of disclosure when you pick up a proxy statement today for a fortune 1000 company at least 25 pages of that proxy statement is going to be tied to executive compensation information there is so much information regarding executive pay in a proxy statement that.

362

01:09:47.910 --> 01:09:52.470

John Ellerman: it's also mind blowing it's both there in terms of.

363

01:09:54.300 --> 01:10:08.370

John Ellerman: written form, as well as know numerous tables that are required some key things that the SEC has particular influence on is the annual say on pay.

364

01:10:10.500 --> 01:10:25.890

John Ellerman: public companies are required to give their shareholders, each year, a say, have a vote as to whether or not they accept and like or dislike and do not approve of their.

365

01:10:27.150 --> 01:10:44.010

John Ellerman: executive compensation program the truth of the matter is more than 90% of companies today get a performance score of 90% or higher on that particular metric but there's a lot that goes into it the failure rate is 50.

366

01:10:45.360 --> 01:10:54.810

John Ellerman: there's a CEO pay ratio, which is relatively new metric here we look at the direct compensation of the CEO and we look at the.

367

01:10:56.040 --> 01:11:08.430

John Ellerman: Total pay of a rank and file worker at the media and we establish we establish with that ratio is so if you're.

368

01:11:10.020 --> 01:11:16.410

John Ellerman: CEO has total direct compensation of a million dollars and your average employee gets.

369

01:11:19.260 --> 01:11:23.730

John Ellerman: total compensation of 100,000 per year than the ratio is one to 10.

370

01:11:25.350 --> 01:11:28.050

John Ellerman: The treasury continues to.

371

01:11:29.100 --> 01:11:29.490

Make.

372

01:11:30.900 --> 01:11:45.420

John Ellerman: adjustments to the internal revenue code which can be really frustrating for all of us here are three really big sections that have the internal revenue code that have a great influence on pay these are code sections on 62.

373

01:11:49.080 --> 01:12:05.880

John Ellerman: And then, finally, the financial Accounting Standards Board, one thing that they really have a lot of influence on is how companies are able to expense and their accounting for stock based compensation and that's all embedded ese.

374

01:12:07.380 --> 01:12:08.130

John Ellerman: next page.

375

01:12:11.730 --> 01:12:17.430

John Ellerman: there's a boogeyman out there, and he goes by the name of ISS there's probably.

376

01:12:19.740 --> 01:12:23.040

John Ellerman: No other single organization sometimes that gets.

377

01:12:24.150 --> 01:12:45.960

John Ellerman: More discussion in the compensation committee meeting then ISS is s stands for institutional shareholders services, this is what is referred to as a proxy advisory firm there's another one it's also influential called glass Lewis, but ISS is by far the largest.

378

01:12:47.490 --> 01:12:58.410

John Ellerman: When a company has to vote an annual proxy statement, many of those votes will deal with executive compensation matters like to say on PayPal like the.

379

01:12:59.550 --> 01:13:17.910

John Ellerman: Approval of additional shares to be added to a long term incentive plan well ISS will advise the fidelity's the vanguards and calipers and these other large institutional investors on how to vote those proxies.

380

01:13:18.960 --> 01:13:30.210

John Ellerman: regularly they provide a negative voting advice recommendation to about 350 companies each year.

381

01:13:31.740 --> 01:13:44.280

John Ellerman: But, yet only about 50 to 60 companies fail the past rate is 50% and again more than 90% of companies get more than 90%, but this is a real.

382

01:13:45.330 --> 01:13:54.210

John Ellerman: hammer point for board compensation committees, because if you fail the say on a vote your executive pay plan.

383

01:13:55.770 --> 01:14:18.780

John Ellerman: did not stand the test of ISS or glass Lewis or other key institutions, then in fact institutional investors will become very proactive in addressing executive paid matters at your company and there's nothing that frustrates aboard more than that, next page, please.

384

01:14:23.820 --> 01:14:43.470

John Ellerman: let's talk about the Boards compensation committee the Boards compensation committee has a very important agenda, they typically be four times a year usually the executive compensation consultant, that is advising that committee is in those meetings as well.

385

01:14:44.760 --> 01:14:56.550

John Ellerman: I regularly attend for board or for compensation committee meetings a year per client well what are their responsibilities and here's a laundry list.

386

01:14:59.220 --> 01:15:11.070

John Ellerman: What most important is to evaluate the CEOs performance and recommend any adjustments to his or her pay the CEO in turn will look at the people that report to.

387

01:15:11.580 --> 01:15:24.180

John Ellerman: him or her, and make recommendations on our that page should be adjusted show it and that third bullet point I think is their most important one.

388

01:15:24.600 --> 01:15:35.370

John Ellerman: And that's approved Ian in reviewing those performance metrics goals and targets to the incentive compensation plans, there are some others that are in there as well.

389

01:15:36.870 --> 01:15:43.440

John Ellerman: But it's a very full agenda now, these directors who serve on.

390

01:15:46.410 --> 01:16:05.820

John Ellerman: boards of directors of large fortune s&p 500 companies are paid very well they're paid in most cases right around $300,000 a year, maybe more than that, and less than that but native on the company, but you're paid very well and.

391

01:16:07.080 --> 01:16:09.750

John Ellerman: They have a very, very difficult task.

392

01:16:13.860 --> 01:16:14.520

John Ellerman: With that.

393

01:16:16.110 --> 01:16:29.640

John Ellerman: i'm going to turn this back to Adrian and I hope I have time to engage with you later to discuss any questions that may have been raised.

394

01:16:30.660 --> 01:16:34.620

Adrian Ownby: Oh, I think we have a couple of different questions that have been typed into.

395

01:16:35.070 --> 01:16:39.510

Adrian Ownby: chat and got about nine or 10 minutes here that we can go ahead and.

396

01:16:40.710 --> 01:16:42.990

Adrian Ownby: handle those questions if.

397

01:16:44.400 --> 01:16:48.960

Adrian Ownby: Alan or JESSICA, would like to go ahead and.

398

01:16:50.400 --> 01:16:57.030

Adrian Ownby: read those out loud if you typed it the question to me go ahead and be the person to reach the question.

399

01:16:58.050 --> 01:16:58.470

Adrian Ownby: I think.

400

01:17:00.150 --> 01:17:09.510

Adrian Ownby: There was a request from Paul Marconi that we display slide 11 again, but I think that might have been as part of another question that was answered so.

401

01:17:13.440 --> 01:17:15.690

Adrian Ownby: Let us know, Paul that's not the case.

402

01:17:17.880 --> 01:17:19.380

Adrian Ownby: So I think.

403

01:17:23.070 --> 01:17:24.750

Jessica McHale: Adrian this is JESSICA.

404

01:17:25.860 --> 01:17:29.310

Jessica McHale: I will read you one of the first questions from will abrams.

405

01:17:30.360 --> 01:17:35.550

Jessica McHale: So the question reads if the shareholders are largely protected from utility liabilities.

406

01:17:35.940 --> 01:17:39.810

Jessica McHale: Like wildfires through the California wildfire fund and the executives.

407

01:17:40.080 --> 01:17:51.360

Jessica McHale: From the utilities, do not have such protections will any executive compensation structure tied to performance be blunted given that executives, first and foremost answer is to shareholders.

408

01:17:51.720 --> 01:18:05.490

Jessica McHale: And then there's a second part of the question might be discouraged otherwise highly qualified executives from seeking positions at io us if their incentive structures are not aligned with utility and investor incentive structures.

409

01:18:08.460 --> 01:18:10.860

John Ellerman: Okay, I think that.

410

01:18:13.620 --> 01:18:20.700

John Ellerman: The respect to the first question, I think the focus on ESP and the fact that.

411

01:18:24.000 --> 01:18:27.540

John Ellerman: utility executive plans are being.

412

01:18:28.560 --> 01:18:35.850

John Ellerman: Revised as we speak, and we're probably going to see a whole new set for 2022 I think that the.

413

01:18:38.250 --> 01:18:43.680

John Ellerman: emphasis upon safety is is going to be clearly obvious.

414

01:18:45.780 --> 01:18:50.520

John Ellerman: Could you repeat the the second part of the question, or the first one again, please.

415

01:18:52.230 --> 01:19:07.500

Jessica McHale: or um yeah so the second part of the questions, might we discourage otherwise highly qualified executives from seeking positions at io us if their incentive structures are not aligned with utility investor incentive structures.

416

01:19:08.580 --> 01:19:11.640

Jessica McHale: And let me know if you'd like me to read the first part, the first question.

417

01:19:14.310 --> 01:19:15.300

John Ellerman: me answer this one.

418

01:19:21.540 --> 01:19:23.670

John Ellerman: Well that's a tough question first of all.

419

01:19:25.410 --> 01:19:28.470

John Ellerman: There is probably a gap and pay between.

420

01:19:29.490 --> 01:19:40.710

John Ellerman: Investor owned utilities and general industry companies of comparable size and general industry, probably pay a CEO 25% or more.

421

01:19:42.900 --> 01:19:50.520

John Ellerman: Greater opportunity than, then the CEO of an investor owned utility now is that going to thwart somebody from.

422

01:19:52.260 --> 01:19:54.840

John Ellerman: site usually I find that.

423

01:19:56.100 --> 01:19:57.750

John Ellerman: Those executives, who are.

424

01:19:58.920 --> 01:20:01.080

John Ellerman: attracted to particular industry.

425

01:20:03.000 --> 01:20:07.290

John Ellerman: are very committed to it and I can't see.

426

01:20:09.270 --> 01:20:25.320

John Ellerman: executives they already know they're getting a little bit of a pay cut, but the same time I don't think that the change in metrics were the emphasis upon safety or security or environmental whatever other metrics that you include.

427

01:20:26.670 --> 01:20:32.010

John Ellerman: are going to be that compelling to make them make a difference, you know or.

428

01:20:33.420 --> 01:20:35.100

John Ellerman: not consider joining utility.

429

01:20:43.290 --> 01:20:51.000

Adrian Ownby: We can mark that one is answered um how about the second question here from Stacy hunter JESSICA, you want to have.

430

01:20:51.150 --> 01:20:56.790

Jessica McHale: Our yeah So the question from CC hunter is what would be a good CEO ratio.

431

01:21:02.280 --> 01:21:04.110

John Ellerman: You know we've tried to benchmark that.

432

01:21:05.460 --> 01:21:09.450

John Ellerman: by industry and we come up with.

433

01:21:11.190 --> 01:21:13.530

John Ellerman: Absolutely no conclusions.

434

01:21:14.610 --> 01:21:27.090

John Ellerman: The numbers tend to drift all over the place, we find that the typical median employee salary or or direct compensation is about.

435

01:21:28.830 --> 01:21:36.630

John Ellerman: $150,000 per year, and given that and let's say that we had a CEO of.

436

01:21:39.510 --> 01:21:46.560

John Ellerman: Large utility you edit at a $10 million total direct compensation package, which would.

437

01:21:48.030 --> 01:21:54.570

John Ellerman: be considered reasonable at this point, therefore, somebody can do the math but.

438

01:21:55.980 --> 01:22:03.600

John Ellerman: That would be a ratio that and I would typically see that these numbers tend to fluctuate all over the place, you know, think about.

439

01:22:05.340 --> 01:22:15.240

John Ellerman: Retailers who've got all those hourly employees at the same time, look at your own industry, where you have all that engineering and technical talent.

440

01:22:16.860 --> 01:22:24.150

John Ellerman: That is highly paid to be competitive, and so it just varies from industry sector industry sector.

441

01:22:26.220 --> 01:22:30.300

James Pearce: Adrian we do have one head raised from William abrams who'd like to ask his question.

442

01:22:31.200 --> 01:22:33.510

Adrian Ownby: Okay, we we.

443

01:22:34.620 --> 01:22:47.160

Adrian Ownby: Could you do me a favor and Paul is still interested in seeing slide 11 again so if you could go ahead and put that up on the screen appreciate it, I think that's the last.

444

01:22:49.140 --> 01:22:54.330

Adrian Ownby: Type question that we have, or no Chris parks, has a type of question too.

445

01:22:59.100 --> 01:22:59.580

Adrian Ownby: So.

446

01:23:00.870 --> 01:23:02.850

James Pearce: that's slide 11 up on the screen right now.

447

01:23:03.060 --> 01:23:03.990

Adrian Ownby: Thanks appreciate it.

448

01:23:10.230 --> 01:23:10.980

Adrian Ownby: and

449

01:23:13.950 --> 01:23:17.730

Adrian Ownby: Chris parks his question, is it appears several companies have adopted.

450

01:23:18.090 --> 01:23:22.470

Adrian Ownby: An employee safety metric what is an effective metric for public safety.

451

01:23:26.550 --> 01:23:27.360

John Ellerman: Most of the.

452

01:23:28.560 --> 01:23:34.830

John Ellerman: I don't know if i'm the best person to answer this but I typically see it in environmental incidents.

453

01:23:36.780 --> 01:23:39.990

John Ellerman: and companies tend to be no more specific than that.

454

01:23:41.580 --> 01:23:49.560

John Ellerman: The occurrence of an environmental incident is our public concern now that I did find one utility that had.

455

01:23:52.110 --> 01:24:00.300

John Ellerman: A gas leak and gas out each, but it was a utility that was both electric and gas and.

456

01:24:01.830 --> 01:24:03.300

John Ellerman: Then, that was the way that they mentioned.

457

01:24:04.470 --> 01:24:05.550

John Ellerman: public safety.

458

01:24:08.820 --> 01:24:10.140

James Pearce: i'll go ahead and allow will you may.

459

01:24:13.530 --> 01:24:14.430

James Pearce: be able to unmute yourself.

460

01:24:16.500 --> 01:24:17.940

William Abrams: Great thanks very much and.

461

01:24:19.140 --> 01:24:28.050

William Abrams: Thank you for the great conversation I didn't want to just follow up on on the question that I wrote.

462

01:24:29.250 --> 01:24:36.210

William Abrams: On the Q amp a to guess help clarify a bit so you know part of my concern is that.

463

01:24:37.680 --> 01:24:39.450

William Abrams: You know Lately we see.

464

01:24:40.620 --> 01:24:52.590

William Abrams: value to shareholders not fluctuating based upon wildfires and other liabilities coming to utilities, because of.

465

01:24:53.340 --> 01:25:01.590

William Abrams: The regulatory structures and the California wildfire Fund and other things that sort of protect those investor interest so.

466

01:25:01.980 --> 01:25:16.200

William Abrams: You know i'm really trying to understand how we start to align interests, where investors and executives are tied to the safety performance of a company and.

467

01:25:16.770 --> 01:25:40.170

William Abrams: You know, as I said in my Q amp a right, first and foremost CEOs and other executives, have a responsibility to shareholders, so you know really just concerned and wondering if if if there is any best practices out there about how we tie investor incentives.

468

01:25:41.310 --> 01:25:50.640

William Abrams: And executives incentives, together with safety performance, so that we're all on the same page in terms of.

469

01:25:52.230 --> 01:25:55.110

William Abrams: Where the focus needs to be Thank you.

470

01:25:58.380 --> 01:26:00.510

John Ellerman: Good question, there are.

471

01:26:02.670 --> 01:26:08.730

John Ellerman: Actually, some mutual funds now that have a separate set of.

472

01:26:09.750 --> 01:26:15.660

John Ellerman: Investor funds that they select the companies that are going to.

473

01:26:16.890 --> 01:26:25.290

John Ellerman: they're going to purchase it hold in their portfolios solely on their ESP performance and.

474

01:26:27.420 --> 01:26:36.780

John Ellerman: I think it's quite interesting and I think that he SG is going to be the vehicle that will, in fact.

475

01:26:38.940 --> 01:26:41.910

John Ellerman: Somewhat reduce that shareholder.

476

01:26:43.740 --> 01:26:49.620

John Ellerman: Impact influence and bring other influences into the equation.

477

01:26:52.620 --> 01:26:56.370

John Ellerman: there's Another thing I didn't mention this in my presentation to.

478

01:26:58.980 --> 01:27:09.240

John Ellerman: Most of these SG metrics are multi year measurements, meaning that you know what good is it to measure.

479

01:27:10.320 --> 01:27:28.080

John Ellerman: A reduction in employee turnover over a one year period if you set a a rigorous and effective goal for reducing employee turnover in a particular location or you company why.

480

01:27:29.310 --> 01:27:34.800

John Ellerman: It seems to me that's something that you have to measure on a on a three year basis and so.

481

01:27:36.840 --> 01:28:03.750

John Ellerman: At a minimum and maybe even longer than that and so far companies are not there there's this these metrics of ESP there are a lot of there may be as many as 50 or more boutique consulting firms that are out there, capturing SG data.

482

01:28:05.940 --> 01:28:21.510

John Ellerman: By company and by industry sector and as that becomes more prolific and we have more companies measuring the SG and bringing and having executives and boards.

483

01:28:23.160 --> 01:28:33.900

John Ellerman: ever have a vested interest in those measurements, I think the our chances for success in getting executives to.

484

01:28:35.490 --> 01:28:42.840

John Ellerman: diminish some of the over influence on financial metrics and and shareholder interests will start to diminish.

485

01:28:46.830 --> 01:28:57.090

Adrian Ownby: Okay well we're running about five minutes long at this point, I think we need to go ahead and start the break.

486

01:28:58.380 --> 01:29:02.340

Adrian Ownby: let's go ahead and keep it at 10 minutes because not too long at the moment.

487

01:29:03.750 --> 01:29:05.730

Adrian Ownby: And we'll be back.

488

01:29:07.980 --> 01:29:10.740

Adrian Ownby: 44 the utility presentation.

489

01:39:54.660 --> 01:39:57.030

Adrian Ownby: Okay, it looks like it's.

490

01:39:58.320 --> 01:40:00.180

Adrian Ownby: 1040 and.

491

01:40:02.520 --> 01:40:16.110

Adrian Ownby: we're now going into the utility presentations I think first up is Keith switzer with golden state water who's presenting for bbs.

492

01:40:18.090 --> 01:40:21.540

Adrian Ownby: Whenever you're ready James to start the presentation.

493

01:40:30.210 --> 01:40:35.280

Adrian Ownby: Your little little teeny sounding, I think, maybe, but I think you're coming through.

494

01:40:40.110 --> 01:40:43.380

Adrian Ownby: hold it a little bit closer yeah sorry about that yeah.

495

01:40:47.040 --> 01:40:48.840

Keith Switzer: And I am as a dream of ice.

496

01:40:50.250 --> 01:40:51.540

Keith Switzer: Water goes.

497

01:40:56.010 --> 01:40:56.760

Keith Switzer: To speak on the.

498

01:40:58.080 --> 01:40:58.650

Keith Switzer: Electric.

499

01:41:04.200 --> 01:41:05.160

Keith Switzer: that's why.

500

01:41:08.100 --> 01:41:09.390

Keith Switzer: talk a little bit about.

501

01:41:15.270 --> 01:41:17.190

Keith Switzer: we're magnitude different.

502

01:41:18.390 --> 01:41:20.100

Keith Switzer: presentations here today.

503

01:41:21.330 --> 01:41:38.940

Keith Switzer: very small really small absolute scale we have just under 25,000 customers and we have 45 employees total our annual revenues are about $40 million.

504

01:41:40.080 --> 01:41:58.350

Keith Switzer: per service area is quite small, as well as you can imagine it's 32 square miles we basically serve the communities that surround big bear lake in the San Bernardino mountains our service territory is pretty rural and obviously it's a mountain Community our biggest.

505

01:41:59.580 --> 01:42:04.650

Keith Switzer: load, if you will, is is the to ski areas that operate in our service territory.

506

01:42:05.940 --> 01:42:17.190

Keith Switzer: Bear valley is also small on a relative basis, as I said, I worked for golden stay water that's an affiliate of bear valley our company is American States water.

507

01:42:19.980 --> 01:42:25.740

Keith Switzer: Bear valley as a percentage of your revenue is under 10% so about 8%.

508

01:42:26.760 --> 01:42:34.650

Keith Switzer: it's it's you know the the biggest part of a wr is the water utility that's in California and regulated by the Commission.

509

01:42:35.940 --> 01:42:44.790

Keith Switzer: Stay water, the company I work for their roughly two thirds of the aws or family bear valley represents about a little lip.

510

01:42:47.190 --> 01:42:47.730

Keith Switzer: service.

511

01:42:50.430 --> 01:42:54.300

Keith Switzer: Operations doing utility type service.

512

01:42:58.170 --> 01:43:05.130

Keith Switzer: Lastly, family is relatively as a standalone company, it was created in.

513

01:43:08.220 --> 01:43:15.780

Keith Switzer: July of last year, through a corporate reorganization approved mission Commission issued a decision and late.

514

01:43:17.460 --> 01:43:26.730

Keith Switzer: authorizing the request to do the reorganization and it was finalized and went into the implemented in July of 2020.

515

01:43:27.480 --> 01:43:42.360

Keith Switzer: Prior to that bear valley had been offered as a division of the water company for many years, I think, an excess of 60 years, but it was not a standalone company, it was just a division, can we go to the next slide.

516

01:43:45.090 --> 01:43:46.260

Keith Switzer: So just a.

517

01:43:48.450 --> 01:44:05.250

Keith Switzer: Second, compensation program and it has multiple components very similar to this and just described, we have currently a plan that has four components, it has a base salary a quarterly term.

518

01:44:06.930 --> 01:44:08.880

Keith Switzer: short term incentive plan.

519

01:44:13.140 --> 01:44:15.750

Keith Switzer: More as I go through the presentation.

520

01:44:17.430 --> 01:44:18.090

Keith Switzer: Next slide.

521

01:44:22.260 --> 01:44:22.950

Keith Switzer: So.

522

01:44:24.540 --> 01:44:30.660

Keith Switzer: did not exist as a company until July last year, so.

523

01:44:31.800 --> 01:44:50.820

Keith Switzer: have an executive compensation plan, there were no officer level positions and what was bear valley services division electric once it became a company and we needed to create an executive compensation plan and created executive position and bear rally.

524

01:44:51.990 --> 01:44:58.050

Keith Switzer: So that first plan was our 2021 executive compensation plan.

525

01:44:59.310 --> 01:45:16.650

Keith Switzer: And that was submitted to while what was formerly the wildfire safety division in January of 2021 so as we put together that plan, there were a couple of things that were somewhat unique to bear Valley, maybe relative to some of the other companies that are here today, one was.

526

01:45:18.000 --> 01:45:31.920

Keith Switzer: As we were in developing the plan, they were equity considerations within the a wr family by that I mean we have several officers at a wr we have a TD see which is multi component.

527

01:45:32.580 --> 01:45:51.390

Keith Switzer: similar to what bear Valley, now has, and so there were considered there were equity considerations about the overall ttc of the officers at bear valley relative to the officers are going to stay water and how they compare it across the companies and then the composition of the team.

528

01:45:53.490 --> 01:46:01.260

Keith Switzer: A long term experience with executive compensation and go and save water that has served.

529

01:46:04.800 --> 01:46:06.720

Keith Switzer: Up to DC and.

530

01:46:08.940 --> 01:46:13.140

Keith Switzer: Across the two companies and, as we did that that created.

531

01:46:14.700 --> 01:46:23.310

Keith Switzer: Some consternation and how we address base salary for the newly created position and President of air Valley.

532

01:46:24.570 --> 01:46:32.730

Keith Switzer: Because of considerations of how large the ttc would be and where this where the individual who became President.

533

01:46:34.740 --> 01:46:57.840

Keith Switzer: Was we had some conflicts, if you will, between how much of the ttc was in base salary relative to the guidelines we were seeing and whether you know it made sense to blow up the ttc in order to keep the current base salary at the level that it was and be within the guidelines of.

534

01:46:58.920 --> 01:47:03.360

Keith Switzer: The executive compensation so next slide please.

535

01:47:04.500 --> 01:47:07.260

Keith Switzer: So what we submitted in January.

536

01:47:08.310 --> 01:47:22.050

Keith Switzer: Of 2021 was a three components structure it had base salary step, which is our short term incentive plan which is analogous to the annual incentive plan that Australia has spoke about.

537

01:47:23.220 --> 01:47:26.400

Keith Switzer: Our long term incentive plan, which is a.

538

01:47:27.780 --> 01:47:29.580

Keith Switzer: three year plan basically.

539

01:47:31.230 --> 01:47:37.320

Keith Switzer: The we had 16 performance metrics between the step and the our tip and.

540

01:47:38.730 --> 01:47:42.210

Keith Switzer: The we had basically two thirds of T.

541

01:47:43.980 --> 01:48:01.110

Keith Switzer: Sorry, that was consistent with the structure that we had for officers of global state water and in our submission we we explain why that number was what it was and and the constraints that we were trying to operate within.

542

01:48:02.640 --> 01:48:04.260

Keith Switzer: But that plan was.

543

01:48:05.280 --> 01:48:18.030

Keith Switzer: rejected, we had a action statement from wildfire safety in April of 2021 that denied the plan that was submitted and again bear valley 15 days to.

544

01:48:19.590 --> 01:48:21.270

Keith Switzer: to submit a new plan.

545

01:48:22.410 --> 01:48:24.570

Keith Switzer: So if we can go to the next slide.

546

01:48:29.850 --> 01:48:30.750

Keith Switzer: We submitted.

547

01:48:32.010 --> 01:48:33.270

Keith Switzer: A revised.

548

01:48:34.350 --> 01:48:40.410

Keith Switzer: May of this year and it places it three two or three component.

549

01:48:42.180 --> 01:48:52.620

Keith Switzer: We created a fourth tier or fourth structure it still has a base salary and it still has a short term.

550

01:48:56.190 --> 01:49:03.150

Keith Switzer: Long term so balance is a three year plan, but we added, you can see, the second bullet here the quarterly.

551

01:49:05.400 --> 01:49:17.730

Keith Switzer: Instead of plan, which has to performance metrics and those metrics are measured on a quarterly basis every three months and paid four times throughout the year.

552

01:49:19.260 --> 01:49:38.820

Keith Switzer: And so, in that plan our base salary was reduced down to just under 50% 49.4% the Q tip was another 5.3% the step is about 34% of the ttc and the tip is 11.3.

553

01:49:42.330 --> 01:49:43.470

Keith Switzer: So we can go.

554

01:49:48.270 --> 01:50:03.060

Keith Switzer: 16 metrics and the entire plan 12 of them are safety related metrics I was the database and that's that's typical base salary, but in the Q tip we have two metrics.

555

01:50:03.540 --> 01:50:12.750

Keith Switzer: Fire incidents and employee electrode contacts, those are both considered safety metrics the step is where we have the majority of the metrics we have.

556

01:50:14.850 --> 01:50:17.040

Keith Switzer: 13 in there and.

557

01:50:18.210 --> 01:50:18.960

Keith Switzer: majority of.

558

01:50:21.480 --> 01:50:41.670

Keith Switzer: What we consider safety metrics are all tied to our wildfire safety plan wildfire mitigation plan i'm sorry, which has a transmission distribution hardening projects in the plan and all of the progress on all of those has been incorporated into as a performance metric in to the.

559

01:50:42.810 --> 01:50:58.050

Keith Switzer: executive compensation and they're all listed here, and then, in addition to those 10 we have three others, we have a supplier diversity utilization metric that's tied to the US dp gentlemen.

560

01:51:00.000 --> 01:51:11.070

Keith Switzer: We have performance on socks and some deficiencies actually the target there is zero deficiencies and then there is a financial one.

561

01:51:11.790 --> 01:51:20.160

Keith Switzer: Which is an Eva target and then the long term plan which is again and pays out of three years there's only one metric.

562

01:51:21.060 --> 01:51:33.240

Keith Switzer: We can view it as both a combination of financial and St de related, but it is a cumulative spending over the three year window on the wildfire mitigation capital projects in our.

563

01:51:36.030 --> 01:51:37.740

Keith Switzer: So this this.

564

01:51:38.970 --> 01:51:44.250

Keith Switzer: This plan was as a six minute in day it was approved by wildfire.

565

01:51:45.510 --> 01:51:48.840

Keith Switzer: What was part of the welfare safety division in.

566

01:51:50.340 --> 01:51:56.640

Keith Switzer: July or August, I believe, but this is this is this is our plan as of today and it's been approved.

567

01:51:57.810 --> 01:52:18.840

Keith Switzer: If we can go to the last slide, this is a timeline for development of i'll say next year's plan, this is goes to the questions I guess that Adrian identified earlier today, so these are just rough dates, but sometime in the next month or two that.

568

01:52:20.100 --> 01:52:29.010

Keith Switzer: Number timeframe, the the bear valley management and the Board will will engage in the assessment of performance on the 2021 plan.

569

01:52:29.850 --> 01:52:40.740

Keith Switzer: After they do that that'll kind of morph into a review of the of the metrics and the plan and the development of 2022 metrics that could be you know.

570

01:52:41.730 --> 01:52:56.850

Keith Switzer: Just simply changing the target a little bit maybe dropping a metric maybe replacing it with one but that that would all happen in the kind of November, December timeframe our aws board meets in January.

571

01:52:58.170 --> 01:53:08.610

Keith Switzer: sometime in January bear valley would finalize their 2022 metrics they would not they're not approved by the aws board but they probably would be topic of discussion.

572

01:53:09.000 --> 01:53:19.260

Keith Switzer: And then early February about say the first week or second week of February, the bear valley has its own board, they would meet they need, and they would approve the.

573

01:53:20.280 --> 01:53:24.420

Keith Switzer: plan so that's the sort of table for that.

574

01:53:25.980 --> 01:53:36.030

Keith Switzer: can tell you right now is that the assessment of 2021 is has not begun, it will start very soon, here I as far as.

575

01:53:37.320 --> 01:53:52.140

Keith Switzer: As of today, I think there's no there's no plans to change any of the metrics for next year, but again, that that annual assessment hasn't really been gone so that that could change that but, as of today, there's no plans to change the.

576

01:53:53.160 --> 01:54:02.640

Keith Switzer: plan and then, as far as the question about timing this this chart sort of shows your timing going forward.

577

01:54:03.570 --> 01:54:13.980

Keith Switzer: If if if the guidelines come out and advocate for changes, you know my answer to the question that once the drop dead light is sort of what Adrian articulated earlier that.

578

01:54:14.310 --> 01:54:27.870

Keith Switzer: It depends on the nature of the changes if if it's you know, encouraging certain massaging of metrics of common metrics that can probably come to us as late as November, December and we can incorporate those.

579

01:54:28.620 --> 01:54:40.680

Keith Switzer: If there's more fundamental changes that that's going to be extremely probably maybe even a missed the boat to do that for 2022 so that concludes my presentation.

580

01:54:44.700 --> 01:54:55.350

Adrian Ownby: Okay, so before we go on to the San Diego gas electric presentation by debbie I want to remind people that if they are going to.

581

01:54:56.070 --> 01:55:13.500

Adrian Ownby: At the end of these presentations if you're chatting if you're typing questions into the Q amp a to make sure that you, you designate which utility presentation and the question is regarding, just in case we have time to do a Q amp a at the end of the presentation.

582

01:55:15.210 --> 01:55:17.940

Adrian Ownby: that's it I think it's on now to debbie.

583

01:55:20.190 --> 01:55:39.270

Debbie Robinson: Everyone i'm debbie Robinson i'm the director of compensation and payroll for sempra energy, which is the holding company and I, my team provides executive compensation support for San Diego gas and electric or sdg&e next slide please so today i'll be talking a little bit about ab.

584

01:55:40.500 --> 01:55:53.220

Debbie Robinson: Which officers are covered, what are some of the key provisions i'll give you a brief overview of our executive compensation program talk about the annual approval cycles and timelines and lastly.

585

01:55:54.420 --> 01:56:01.710

Debbie Robinson: show you the executive, or the safety measures in our annual incentive plan for 2021 next slide.

586

01:56:03.510 --> 01:56:14.940

Debbie Robinson: So that the covered officers under at 50 1034 are the executive officers of sdg&e and you can see here that the titles that are encompassed by that.

587

01:56:15.720 --> 01:56:35.400

Debbie Robinson: It does not include other employees of sdg&e and it doesn't include employees and executive officers of the holding company sempra energy, it also is not applicable to employees of other sempra energy subsidiary, such as so cow gas on core and you know the next slide.

588

01:56:37.080 --> 01:56:47.730

Debbie Robinson: So, as we look at the executive compensation provision to navy 1054 I provided some points on how sdg&e program fits within those provisions so.

589

01:56:48.300 --> 01:57:09.120

Debbie Robinson: First at 1054 provides that plan should be structured to promote safety as a priority, and then to ensure public safety and utility financial stability, so our variable pay plan, which is our annual incentive plan, we also refer to it sometimes it's ICP it includes performance measures.

590

01:57:11.640 --> 01:57:21.300

Debbie Robinson: Thank you, that promote employee public and operational safety in fact safety related performance measures are the largest part of that plan.

591

01:57:22.320 --> 01:57:32.910

Debbie Robinson: And they're weighted at 59% of the total we also provide our executives with long term equity based incentives and.

592

01:57:34.320 --> 01:57:42.120

Debbie Robinson: The l tip as as john mentioned is tied to company stock price and that promotes long term financial health and stability.

593

01:57:43.650 --> 01:57:50.700

Debbie Robinson: The second provision under at 1054 is that performance metrics be measurable and enforceable.

594

01:57:51.390 --> 01:58:02.700

Debbie Robinson: And in our variable pay plan our performance measures are quantitative and also in the the ltv for the long term equity based plan performance measures are also formulaic.

595

01:58:03.270 --> 01:58:15.600

Debbie Robinson: And after those performance results have been calculated prior to being presented to the applicable board for approval, they are reviewed by separate energies audit services department.

596

01:58:17.760 --> 01:58:37.410

Debbie Robinson: And lastly, the compensation structure for any new or amended contracts for executive officers should be based on specified principles sdg&e is executive officers don't have employment agreement so that specific provision is not applicable in this case next slide.

597

01:58:39.600 --> 01:58:52.080

Debbie Robinson: This slide just presents an overview of our total direct compensation or ttc as john refer to it in his presentation, so you have the fixed element which is the base salary that's I think.

598

01:58:52.680 --> 01:59:03.660

Debbie Robinson: We all understand that it's the your paycheck that you receive every two weeks and we generally benchmark that to the median of the market data and then at the officer level.

599

01:59:05.190 --> 01:59:23.250

Debbie Robinson: The larger portion proportion of the compensation falls in the at risk category and there are two components of that there's the variable pay, which is the annual incentive plan and there's the long term equity based compensation, which is the stock based compensation plan.

600

01:59:24.300 --> 01:59:37.650

Debbie Robinson: Within the variable pay plan the performance measures and weightings our safety employee and public safety operations, which is weighted at 59% so that's the largest component.

601

01:59:38.160 --> 02:00:00.120

Debbie Robinson: We have some metrics related to customers and customer service which are weighted at 4% diversity and inclusion metrics are weighted at 5% and we have several new dni metrics for 2021 there, there is definitely more of a focus on MSG and one component of that is diversity and inclusion.

602

02:00:01.380 --> 02:00:09.120

Debbie Robinson: Then we have financial measures which make up 27% of the plan and individual performance, which makes up 5%.

603

02:00:10.290 --> 02:00:22.110

Debbie Robinson: And then switching focus to the long term equity based compensation equity awards for sdg&e officers are issued under semper energies long term incentive plan.

604

02:00:22.680 --> 02:00:38.070

Debbie Robinson: And it's a combination of performance and service based restricted stock units, we have to performance measures total shareholder return and earnings per share growth and the awards are subject to a three year vesting period next slide.

605

02:00:39.990 --> 02:00:47.970

Debbie Robinson: Now go over the timelines each year that we follow as we develop each component of total direct compensation next slide.

606

02:00:49.680 --> 02:01:02.880

Debbie Robinson: First, is for the the base salary, so we participate in market surveys every year and we typically participate in the surveys in April and the data comes out in October, so in October.

607

02:01:03.300 --> 02:01:21.600

Debbie Robinson: We gather that market data we meet with our managers and planning discussions talk about salaries for the upcoming year and in November, the sdg&e board of directors approves the salary adjustments for the upcoming year and then those adjustments are effective in January.

608

02:01:22.740 --> 02:01:23.370

Debbie Robinson: Next slide.

609

02:01:25.650 --> 02:01:40.050

Debbie Robinson: And then, this is the timeline for our variable compensation or annual incentives so for mid year through October we develop the proposed metrics for the upcoming years plan.

610

02:01:40.980 --> 02:01:54.540

Debbie Robinson: In November, those preliminary metrics are presented to the sdg&e board for their review and input and then we use December and then January of the plan year.

611

02:01:55.020 --> 02:02:06.990

Debbie Robinson: to incorporate the board's input and finalize those performance metrics and those plans and performance metrics are approved by the sdg&e board in February of the plan year.

612

02:02:07.560 --> 02:02:23.520

Debbie Robinson: And then march through December, there we communicate the plans to employees and throughout the year we monitor performance and provide performance updates to employees and then after the year concludes, though in January, the following year.

613

02:02:24.810 --> 02:02:34.320

Debbie Robinson: We calculate the performance results for each performance measure and, as I mentioned those performance results are then reviewed by the sempra energy audit services department.

614

02:02:35.070 --> 02:02:51.780

Debbie Robinson: And in February they're presented to the sdg&e board for final approval and the sdg&e board with also approve the specific awards for each executive officer and then those awards are paid by March 15 of that your next slide.

615

02:02:53.700 --> 02:03:02.220

Debbie Robinson: And then the last component of total direct compensation is the long term equity based compensation, so the timeline for the l tip.

616

02:03:02.760 --> 02:03:13.920

Debbie Robinson: is similar to the variable pay so for mid year through October of the prior year we're looking at the plan design and performance metrics for the upcoming years plan.

617

02:03:14.580 --> 02:03:26.820

Debbie Robinson: In November, the compensation and talent Development Committee of sempra energy board of directors approves the the structure, so the the award design what types of equity are going to be offered.

618

02:03:27.180 --> 02:03:45.060

Debbie Robinson: What performance measures are going to be used, what vesting period is going to be used, all that is approved in November, then the compensation and talent Development Committee meets again in December to approve the list of participants and the value to be granted to each participant.

619

02:03:46.140 --> 02:03:51.780

Debbie Robinson: awards are then granted in January on the first New York Stock Exchange trading day of the year.

620

02:03:52.380 --> 02:04:02.610

Debbie Robinson: And again, the awards have a three year vesting cycle and throughout the performance period were communicating with employees and providing performance updates.

621

02:04:03.360 --> 02:04:18.390

Debbie Robinson: And then, at the end of the performance period or following the end of the performance period the compensation and talent Development Committee certifies the performance results for the completed performance periods and the awards best that are paid out of the stock.

622

02:04:19.410 --> 02:04:19.980

Debbie Robinson: Next slide.

623

02:04:22.110 --> 02:04:36.210

Debbie Robinson: Lastly, I just wanted to show you the safety measures and the variable pay plan so it's been an evolution for sdg&e we've always had safety as an emphasis, but it's increased in waiting over the year so.

624

02:04:37.170 --> 02:04:49.560

Debbie Robinson: If you looked at our plan and 2016 the executive plan it had a 35% waiting on safety measures in 2021 that waiting is 59% and.

625

02:04:50.220 --> 02:05:09.420

Debbie Robinson: This shows you the different categories in which we look at safety and the measures that were in the 2016 plan versus the 2021 plan, so we have four categories of safety, we have employee safety guests safety electric safety and reliability and individual performance.

626

02:05:10.650 --> 02:05:22.080

Debbie Robinson: So i'm not going to read each measure here but This just shows you the the evolution, I will say that you can see, the plan includes both.

627

02:05:23.130 --> 02:05:34.410

Debbie Robinson: Measures of performance results such as you know, looking backward, the last time incident rate, and it also includes measures that.

628

02:05:34.920 --> 02:05:45.960

Debbie Robinson: help prevent safety issues so near misses reported, you know we're encouraging employees to report near misses that helps to prevent safety incidents from occurring.

629

02:05:48.240 --> 02:05:54.360

Debbie Robinson: So with that i'll conclude in terms of the question of what's the last eight changes can be made.

630

02:05:55.470 --> 02:06:01.770

Debbie Robinson: You know, I have to agree with Adrian, the answer is, it depends, it really depends on.

631

02:06:02.880 --> 02:06:04.440

Debbie Robinson: You know I would say at the.

632

02:06:06.690 --> 02:06:18.060

Debbie Robinson: that a change, such as removing our performance measure is much easier to make then adding a completely new performance measure for which we have no history so.

633

02:06:19.230 --> 02:06:22.320

Debbie Robinson: With that i'll conclude Thank you.

634

02:06:34.290 --> 02:06:49.770

Brian Chen: Good morning, everybody, my name is Brian Chen i'm the director of our operations performance management group at southern California Edison my team primarily leads the development of our corporate goals and also monitors the performance ongoing throughout the year.

635

02:06:51.000 --> 02:06:51.540

Brian Chen: And a slide.

636

02:06:53.430 --> 02:07:10.290

Brian Chen: For my presentation today I want to cover four main areas that includes the scope of at 1050 for various aspects of SES total direct compensation, a goal, our goal setting process and timeline and how our safety goals have progressed over the years.

637

02:07:11.610 --> 02:07:18.030

Brian Chen: At 1054 is really focused on the incentive compensation structure for utility executive officers.

638

02:07:18.750 --> 02:07:34.950

Brian Chen: And it's important to note that 1054 provides utilities, the flexibility to implement different compensation structures that meet 1050 force requirements while still being able to be tailored to each company specific situations.

639

02:07:36.000 --> 02:07:41.880

Brian Chen: And as he's executive compensation structure satisfies the requirements and attentive, maybe 1024.

640

02:07:43.260 --> 02:07:51.150

Brian Chen: We also use it incentive compensation structure that has variable or at risk ailments that strongly linked pay with safety performance and financial health.

641

02:07:52.620 --> 02:08:07.410

Brian Chen: Our goal setting process it's an annual process is similar to San diego's and probably likely you'll hear from pg&e that evaluate we evaluate both new internal and external information and we adjust our goals measures and targets accordingly.

642

02:08:09.480 --> 02:08:24.330

Brian Chen: definitely look forward to getting input from Oh, he is in the public today on ways that we can continuously improve our ability to really drive behaviors of our workforce to deliver the desired performance outcomes for a company.

643

02:08:25.710 --> 02:08:32.490

Brian Chen: And then lastly i'll spend a few minutes talking about how safety goals have really increased importance and Richard over time.

644

02:08:33.690 --> 02:08:34.200

Brian Chen: next one.

645

02:08:37.410 --> 02:08:52.260

Brian Chen: There are various elements contained within 1054, and so this table lays out a bit of the requirements and some of the elements of SEC executive compensation structure and how it meets those requirements so i'll touch on a few.

646

02:08:54.660 --> 02:09:00.120

Brian Chen: Some examples, for instance, related to promoting safety and train public safety.

647

02:09:01.560 --> 02:09:12.690

Brian Chen: SEC ice requires or has a safety and resiliency gold category that comprises a target waiting about 50% of our entire annual award.

648

02:09:13.830 --> 02:09:31.140

Brian Chen: We also have a foundational goals framework where our independent compensation committee can reduce or even completely eliminate our annual incentive awards for significant safety lapses, this is similar to the performance modifier that john referenced in his presentation.

649

02:09:32.940 --> 02:09:48.630

Brian Chen: there's a requirement around utility financial stability, so we have in our 2021 financial performance and semi annual incentive gold category A target waiting of 25% and all of our long term incentives really promote financial health.

650

02:09:49.920 --> 02:10:01.770

Brian Chen: These annual long and long term incentives are consistent with the interest of our customers, as well as other long list of other stakeholders that john kind of described in this presentation.

651

02:10:03.090 --> 02:10:10.770

Brian Chen: And it's important to note annual goals and long term incentives, they send signals to our stakeholders about our corporate priorities.

652

02:10:11.190 --> 02:10:27.480

Brian Chen: And one of these priorities is maintaining and improving our company's financial health and that's important because it allows for us to get efficient access to capital markets and the cost of capital, which ultimately impacts, the affordable rates for customers.

653

02:10:29.520 --> 02:10:37.170

Brian Chen: For the requirement related to performance metrics that are measurable and enforceable, most of our success measures in the safety and resiliency category.

654

02:10:37.590 --> 02:10:48.840

Brian Chen: And the entire performance, financial performance goal category, as well as 75% of our long term incentives are tied to meeting quantitative performance metrics.

655

02:10:50.580 --> 02:10:59.190

Brian Chen: We also have our goals and long term incentives audited annually and they're reviewed and scored by our independent board committees.

656

02:11:00.750 --> 02:11:01.200

Brian Chen: Next slide.

657

02:11:03.720 --> 02:11:10.560

Brian Chen: For the requirement related to potentially tying 100% of incentive compensation to safety performance.

658

02:11:11.580 --> 02:11:22.620

Brian Chen: Se has an independent compensation committee, so what this means is that the Members that sit on that committee are comprised of a subset of our board members who are not employees.

659

02:11:23.400 --> 02:11:30.540

Brian Chen: This compensation committee has the authority to eliminate annual awards to the city significant safety incidents or events.

660

02:11:31.020 --> 02:11:40.680

Brian Chen: And not only do they have this authority, but they also have the track record for exercising this authority and have reduced short term incentive payouts since at least 2016.

661

02:11:42.390 --> 02:11:55.830

Brian Chen: As an example, zero Annual incentive award was paid to top executive officers in 2018 in light of the impact of wildfires on the communities within se service territory.

662

02:11:57.750 --> 02:12:04.170

Brian Chen: And, to the question that came up in john's presentation about tying investor and executive incentive to safety performance.

663

02:12:04.800 --> 02:12:25.080

Brian Chen: The wildfires in 2018 dramatically reduced the stock price of sc as well as the other California investor owned utilities and that directly impacts shareholders, as well as the compensation of executive officers through the long term incentive portion that is tied to our company stock.

664

02:12:26.130 --> 02:12:34.770

Brian Chen: And wildfire risk, even today, is still tamping down as the stock performance, despite the fact that we have the wildfire fund in place.

665

02:12:36.780 --> 02:12:48.720

Brian Chen: The last requirement on this slide shows relates to plan and contract and like debbie mentioned in her presentation that we do not use employment contracts, so this provision doesn't apply to see.

666

02:12:50.220 --> 02:12:50.730

Brian Chen: next one.

667

02:12:54.000 --> 02:12:59.880

Brian Chen: As you see, we've got the common pay elements that john referenced in his presentation we use.

668

02:13:00.390 --> 02:13:14.100

Brian Chen: utilize both variable or average compensation for both short and long term incentives so our annual incentive awards are based on cash and they're tied to our annual goals which you'll see have a very strong focus on safety.

669

02:13:15.390 --> 02:13:27.690

Brian Chen: should be noted that SEC East corporate goals are the same for all employees, this includes all executives all represented employees and all non represented employees.

670

02:13:29.700 --> 02:13:41.730

Brian Chen: Our long term incentive awards are based on he is common stock which is driven by our company's performance and having this combination of short and long term incentives really promotes financial stability.

671

02:13:44.190 --> 02:13:50.820

Brian Chen: All of these elements together which you see on the page represent the total compensation for Executive Officer so.

672

02:13:51.450 --> 02:14:01.740

Brian Chen: Our compensation committee generally targets median for base pay and variable pay for executive officers, the US market data provided by independent compensation consultant.

673

02:14:02.730 --> 02:14:13.170

Brian Chen: As a point of reference, approximately half of CES newly hired officers come from utilities, but half of them also come from general industry so.

674

02:14:13.740 --> 02:14:22.470

Brian Chen: If we had an executive compensation structure that does not contain similar elements offered by other utilities, or the general industry companies.

675

02:14:23.190 --> 02:14:34.860

Brian Chen: Or it or we offer something that's very different compensation structure, it would have a detrimental effect on our ability to attract and retain qualified executives to manage the company.

676

02:14:38.070 --> 02:14:38.580

Brian Chen: Next slide.

677

02:14:41.910 --> 02:14:53.280

Brian Chen: Our annual goal development process begins in June completes in February it's quite similar to what debbie presented for sdg&e and as john shared in this presentation.

678

02:14:54.000 --> 02:15:05.250

Brian Chen: Our corporate goals process is very rigorous it involves a lot of in depth analysis internal discussions and debate in order to set the right goals success measures and targets.

679

02:15:05.820 --> 02:15:14.820

Brian Chen: It starts in June, July timeframe, where we look at new internal and external information that might inform changes to our company strategy overall.

680

02:15:15.300 --> 02:15:28.140

Brian Chen: Our compensation structure or goals we are near the end of the gold development stage where we are where we revise any existing goals or developer suggesting your goals.

681

02:15:28.950 --> 02:15:39.840

Brian Chen: All of this builds off of prior executive compensation structures that were approved by energy safety and formally the wildfire safety division as compliant with at 1054.

682

02:15:41.790 --> 02:16:00.060

Brian Chen: we're about to enter start the finalization phase so draft 2222 proposals will be provided on October October 24 gives me to our safety and operations committee of the board for their review and feedback and then the final review with our board committees occurs in December.

683

02:16:01.530 --> 02:16:10.620

Brian Chen: And January we communicate these preliminary goals to all our employees, so at that time we've essentially establish what the goals are for the year.

684

02:16:11.430 --> 02:16:23.430

Brian Chen: And then, in February, you finalize the goals, some of the targets and ranges for the success measures depend on the year and performance, so we wait until the end of the prior year to to finalize the goals.

685

02:16:24.600 --> 02:16:32.520

Brian Chen: Again with respect to adrian's questions about timing, it unfortunately depends on the nature of the guidelines and, as you can see, the process is.

686

02:16:32.850 --> 02:16:41.430

Brian Chen: Pretty involved in it does require a lot of upfront analysis when we're looking at the developmental stage of any particular goals, especially date is involved.

687

02:16:43.770 --> 02:16:44.340

Brian Chen: Next time.

688

02:16:47.850 --> 02:16:54.120

Brian Chen: As I mentioned kind of at the beginning of the presentation, as he safety goals have really progressed and matured since.

689

02:16:56.310 --> 02:17:05.640

Brian Chen: In reference to john's presentations where there's illustrations of companies that have direct ties in their annual incentive plans to safety.

690

02:17:06.570 --> 02:17:23.850

Brian Chen: Se has significantly increased our linkage to safety, over the years we've also had long standing diversity and inclusion goals that support etc so in looking at what's presented on this slide you can see, the overall waiting, which has shown near the top of the slide in this third round.

691

02:17:24.900 --> 02:17:32.640

Brian Chen: The overall weighting of our safety goals has increased each year from 10% in 2018 to 50% in 2021.

692

02:17:34.680 --> 02:17:49.440

Brian Chen: In a row below that are worker safety goals have matured from qualitative goals that support safety culture, for instance, to now include quantitative outcome based measures like employee serious injury and fatality rates.

693

02:17:50.820 --> 02:17:59.100

Brian Chen: Are wildfire resiliency goals were added in 2019 those have evolved as well to start they were largely quantitative measures.

694

02:18:00.240 --> 02:18:07.530

Brian Chen: With now had to have evolved to include outcome, as well as key mitigation activities and the numbers have also increased.

695

02:18:08.850 --> 02:18:19.710

Brian Chen: We added public safety goals in 2020 and also new goals to enhance safety and resiliency as well as contractor management capabilities in 2021.

696

02:18:20.940 --> 02:18:38.280

Brian Chen: Given this progression for 2022 goals are management will likely recommend the board and its committees continue to maintain this heavy weight on safety and resiliency goals and we're also looking at possibly increasing the weight of our quantitative metrics.

697

02:18:40.110 --> 02:18:40.590

Brian Chen: Next line.

698

02:18:42.660 --> 02:18:49.770

Brian Chen: So, want to thank Adrian and Oh, he is for the opportunity to share a bit about our executive compensation structure.

699

02:19:01.380 --> 02:19:05.280

Lisa Laanisto: My name is Lisa Linda stow can everybody hear me just making sure.

700

02:19:07.080 --> 02:19:07.320

Lisa Laanisto: That.

701

02:19:09.090 --> 02:19:09.870

James Pearce: Lisa yep.

702

02:19:10.290 --> 02:19:27.990

Lisa Laanisto: cool Thank you so much, so my name is Lisa Linda stowe director of compensation for pg&e my team, among other things, helps support the development of the incentive plans supporting management and supporting the committee and finalizing the plan, if you can skip to the next slide.

703

02:19:29.190 --> 02:19:45.390

Lisa Laanisto: So agenda will cover three sort of areas it's so similar to the other presenters but talking through some of the key regulatory requirements executive compensation program overview and then our incentive timeline if you can move to the next slide.

704

02:19:46.830 --> 02:19:57.360

Lisa Laanisto: So on this slide listed the regulatory requirements that are key to how we design the incentive plans so it's not an exhaustive list of all the requirements.

705

02:19:58.470 --> 02:20:05.400

Lisa Laanisto: i'm going to generally point out, I think things that are a little bit different and how we apply it to the other utilities.

706

02:20:06.450 --> 02:20:09.870

Lisa Laanisto: It does apply to a subset of officers at the utility.

707

02:20:10.950 --> 02:20:26.760

Lisa Laanisto: That similar, we have a bias towards outcome based metrics so when you look at market design plans, it tends to be sort of leading leading it versus lagging sort of activity versus outcome we have more of that biased on the outcome based.

708

02:20:27.780 --> 02:20:40.890

Lisa Laanisto: In our annual incentive plan we refer to that as step to 75% customer and workforce waiting and then 25% financial stability and for our equity plan.

709

02:20:41.760 --> 02:20:53.220

Lisa Laanisto: 35% public safety 35% customer experience it's about a 70% waiting of operational metrics and 30% in the financial stability and that's for our performance share units.

710

02:20:55.500 --> 02:21:04.800

Lisa Laanisto: For our AV 1054 officers, they are l tip they're currently receiving 100% performance shares we're evaluating that for the.

711

02:21:05.850 --> 02:21:14.760

Lisa Laanisto: Design plan as john mentioned there's typically a mix of equity instruments that are included so we're evaluating but no final decisions have been made.

712

02:21:15.480 --> 02:21:24.270

Lisa Laanisto: And then one last item, I would point out on this slide is in our plan of reorganization, when we were emerging from bankruptcy.

713

02:21:25.020 --> 02:21:42.420

Lisa Laanisto: We agreed to certain other requirements that are unique to pg&e one is talking about basing a significant portion of the long term incentive to safety performance and customer, you can see that in the weighting of the operational metrics and the performance shares referenced above.

714

02:21:43.440 --> 02:21:44.820

Lisa Laanisto: If you can advance to the next slide.

715

02:21:46.770 --> 02:21:55.770

Lisa Laanisto: So, from a very high level i'm including a couple slides from our proxy it's not exactly the same population is the at 1054 but it's illustrative because it helps.

716

02:21:56.100 --> 02:21:59.520

Lisa Laanisto: You know drive the design sentiment tenants of the incentive plans.

717

02:22:00.300 --> 02:22:16.830

Lisa Laanisto: So this slide is really speaking to what are the interest that we balance in our program so there's the pay for performance that's getting into that component that john referenced of the higher you are in the organization, the more of your pays at risk.

718

02:22:17.940 --> 02:22:32.040

Lisa Laanisto: that's sort of the incentive plans the alignment with the shareholders we've talked about the say on pay vote but understanding that shareholders and officers there's alignment in interest again hugely important for say on pay.

719

02:22:33.450 --> 02:22:39.390

Lisa Laanisto: Provide market competitive pay this this relates to our need to attract and retain top talent.

720

02:22:40.710 --> 02:22:44.550

Lisa Laanisto: As reference sort of previously, we have a mix of.

721

02:22:45.360 --> 02:22:55.020

Lisa Laanisto: You know people that are coming in from utility industry people coming from outside the utility industry so needing to be competitive on a to retain that talent is hugely important.

722

02:22:55.500 --> 02:23:05.040

Lisa Laanisto: And lastly, complying with legal requirements, this is a call out that some of the the regulation is somewhat unique in California, but it helps the shareholders understand the landscape.

723

02:23:06.540 --> 02:23:08.040

Lisa Laanisto: If you can advance to the next slide.

724

02:23:10.020 --> 02:23:15.270

Lisa Laanisto: This is an excerpt from our proxy again this doesn't apply specifically to the.

725

02:23:16.290 --> 02:23:24.270

Lisa Laanisto: But it's illustrative we have the same sort of three components in the total direct compensation there's the base salary that's cash.

726

02:23:24.870 --> 02:23:35.760

Lisa Laanisto: The short term incentive plan that's cash one year performance period and long term and said in incentives equities it's a three year performance period for the performance share units.

727

02:23:37.110 --> 02:23:38.580

Lisa Laanisto: If you can advance to the next slide.

728

02:23:40.050 --> 02:23:45.270

Lisa Laanisto: So this slide is just showing what were the metrics included in our most recent submission for the.

729

02:23:46.650 --> 02:23:53.100

Lisa Laanisto: At 1050 for filing not going to read out all of the metrics we have quite a few metrics.

730

02:23:54.390 --> 02:23:56.550

Lisa Laanisto: But primarily outcome based.

731

02:23:57.840 --> 02:24:10.140

Lisa Laanisto: For this dip formula it's a very similar formula to what john presented there's a target opportunity it's typically expressed as a percentage of an employee's pay, including the officers so X percent of pay.

732

02:24:10.680 --> 02:24:17.070

Lisa Laanisto: times the score equals the amount for the design there wasn't an individual performance.

733

02:24:18.390 --> 02:24:26.250

Lisa Laanisto: modifier so how the company performed is is going to be tied to how the incentive plan payout works.

734

02:24:26.760 --> 02:24:33.570

Lisa Laanisto: One thing to highlight that's true I think for all companies, especially for compensation committee is.

735

02:24:34.200 --> 02:24:42.570

Lisa Laanisto: Although there is a scorecard that committee retains discretion to exactly except reject modified based on totality of circumstances, so there is a metric.

736

02:24:42.930 --> 02:24:54.990

Lisa Laanisto: But based on circumstances things that maybe we're not contemplated in the design, they always retain that discretion and safety is a very important part of those discussions each year on whether to exercise discretion.

737

02:24:56.160 --> 02:24:57.420

Lisa Laanisto: You can advance to the next slide.

738

02:24:59.010 --> 02:25:07.890

Lisa Laanisto: This outlines the the metrics performance metrics for the l tip for the at 1054 02 2.0 score.

739

02:25:09.450 --> 02:25:23.640

Lisa Laanisto: there's again the safety and customer to 70% waiting, this is a bit unusual in the design in the marketplace, and these are absolute measures because it's difficult to find relative measures.

740

02:25:24.600 --> 02:25:32.010

Lisa Laanisto: That you would find in, say, a relative shareholder return a lot of this is driven by our PR oh I requirement.

741

02:25:33.120 --> 02:25:37.410

Lisa Laanisto: One thing that we are considering for the design, again, is.

742

02:25:38.430 --> 02:25:48.480

Lisa Laanisto: Can we provide RS us to the at 1054 officers get more in line with market design where there's different weightings of equity instruments.

743

02:25:50.370 --> 02:25:52.350

Lisa Laanisto: And can you advance to the next slide.

744

02:25:53.520 --> 02:26:10.620

Lisa Laanisto: So this slide is the company's incentive plan development timeline similar steps to the other utilities what's listed on here are just some of the High Level steps, but there is an extraordinarily rigorous process behind the scenes that happens, from the management side.

745

02:26:12.390 --> 02:26:25.410

Lisa Laanisto: and October, we will come forward with some of the High Level design tenants for the incentive plan to the compensation committee this will lay the foundation of metrics that are selected.

746

02:26:26.400 --> 02:26:37.350

Lisa Laanisto: sort of the final design that will come forward with in December will look to finalize the plans and the metrics themselves, not the actual performance targets in the December meeting.

747

02:26:38.340 --> 02:26:44.340

Lisa Laanisto: There is significant discussion with management and I would say, particularly for our company.

748

02:26:45.060 --> 02:26:52.560

Lisa Laanisto: There has been quite a bit of change with management and actually the Board and the compensation committee given where we are in our company's lifecycle at the moment.

749

02:26:53.130 --> 02:27:01.710

Lisa Laanisto: So there's lots of discussion on company strategy direction the new leadership shipped team is going so there's very rigorous conversations happening.

750

02:27:02.910 --> 02:27:10.950

Lisa Laanisto: In January, we would look to finalize the actual targets, and the reason for the disconnect between December and January is.

751

02:27:11.430 --> 02:27:24.720

Lisa Laanisto: We want to make sure we have a full year's worth of performance data, which is especially important, given the length of the wildfire season and the importance and prominence of wildfire safety in our safety in our incentive plans.

752

02:27:25.920 --> 02:27:27.210

Lisa Laanisto: Once that is.

753

02:27:28.320 --> 02:27:35.790

Lisa Laanisto: The targets are set, we would make the equity grants on march 1 or whatever appropriate day under the the trading policy.

754

02:27:36.780 --> 02:27:46.650

Lisa Laanisto: When you issue or when you grant equity awards there's grant agreements that are signed that have significant terms of the agreement it's a legal document to participants that receive.

755

02:27:47.970 --> 02:27:56.520

Lisa Laanisto: Highlighting we have our you know April may time frame, every year, there is the annual shareholder meeting and the proxy where they say on a boat happens.

756

02:27:57.510 --> 02:28:01.320

Lisa Laanisto: When you finalize a plan you'll give shareholders are sort of a preview of it in the.

757

02:28:02.220 --> 02:28:13.860

Lisa Laanisto: Here in the next year the performance of the annual plan will come out they'll vote on that and then at the end of the three year performance period there's another look that.

758

02:28:14.490 --> 02:28:23.430

Lisa Laanisto: Shareholders will get at that plan and to highlight I think two of the larger actions that the committee takes it in the February timeframe.

759

02:28:23.940 --> 02:28:35.850

Lisa Laanisto: For 2023 they would certify the 2022 scores goes through a robust auditing process evaluation of any of those larger macro events and circumstances on whether the committee should exercise discretion.

760

02:28:36.330 --> 02:28:40.530

Lisa Laanisto: And the same thing actually happens for the performance shares at the end of the performance period.

761

02:28:42.030 --> 02:28:55.050

Lisa Laanisto: one item that I do want to call out is between the October December meeting we meet with the safety nuclear oversight committee it's the board committee that's responsible for sort of safety oversight.

762

02:28:56.010 --> 02:29:06.390

Lisa Laanisto: management will talk about safety metrics with the snow Committee and the people in compensation committee and have very robust discussion on the safety metrics.

763

02:29:08.010 --> 02:29:12.720

Lisa Laanisto: In with that i'll conclude again, thank you for the opportunity and appreciate the time.

764

02:29:20.700 --> 02:29:32.490

Adrian Ownby: Okay, so it looks like we're just on time and I think there'll be some feedback and some questions about my presentation so.

765

02:29:33.750 --> 02:29:45.840

Adrian Ownby: I think we'll just go ahead and if you have questions for the utilities go ahead and make a note of those and, at the end of the workshop, we will address those.

766

02:29:46.980 --> 02:29:49.350

Adrian Ownby: But unfortunately we don't really have time right now.

767

02:29:55.830 --> 02:29:56.340

Adrian Ownby: All right.

768

02:29:57.420 --> 02:29:58.530

Adrian Ownby: Next slide please.

769

02:30:01.290 --> 02:30:21.930

Adrian Ownby: So i'm going to talk about briefly about the agenda for this presentation i'm going to talk about what our objectives are here and in this presentation, I want to address, something the definition of a contract when a walk through some potential changes to the guidelines.

770

02:30:23.400 --> 02:30:44.250

Adrian Ownby: That were were considering, including who's, including the executive compensation structure what qualifies as a primary portion and pay for performance, I talked about increasing long term compensation, transparency and how much indirect and ancillary compensation actually does occur.

771

02:30:45.960 --> 02:30:50.760

Adrian Ownby: If we have chance at the end we'll do a brief Q amp a time for.

772

02:30:52.320 --> 02:30:52.800

Adrian Ownby: Next slide.

773

02:30:56.580 --> 02:31:03.120

Adrian Ownby: So this show this presentation is going to focus on a discussion of the primary are some of the primary.

774

02:31:04.380 --> 02:31:06.780

Adrian Ownby: code sections related to executive compensation.

775

02:31:08.070 --> 02:31:12.570

Adrian Ownby: We also want to clarify how energy safety interpret some of those primary code sections.

776

02:31:14.160 --> 02:31:31.590

Adrian Ownby: related to each of those primary code sessions will be some potential changes to the executive compensation guides we'd like your feedback on it is possible, some of the potential changes will be included in the guidelines, instead of the 22 guidelines.

777

02:31:32.940 --> 02:31:43.020

Adrian Ownby: The potential changes I will discuss this presentation, are largely related to increasing the consistency and transparency among the submissions that we receive.

778

02:31:45.060 --> 02:31:45.810

Adrian Ownby: Next slide please.

779

02:31:48.240 --> 02:31:50.460

Adrian Ownby: So I think first we're going to.

780

02:31:51.540 --> 02:31:56.610

Adrian Ownby: tackle an issue that may be a little bit controversial next slide.

781

02:31:58.710 --> 02:32:05.550

Adrian Ownby: So I don't talk about contracts and section 8389 e6 a.

782

02:32:06.630 --> 02:32:12.090

Adrian Ownby: And i'm I don't usually just read slides, but there are several in here that i'm just going to read out to you.

783

02:32:14.160 --> 02:32:24.690

Adrian Ownby: So the issue is what is a contract, according to the Civil Code section 2750 contracts and agreement to do or not do a certain thing.

784

02:32:25.950 --> 02:32:43.650

Adrian Ownby: contracts of employment are also define broadly the contract of employment is a contract, by which one who's called the employer engages another is called the employee, to do something for the benefit of the employer or a third person that's Labor code section 27.

785

02:32:45.630 --> 02:32:50.430

Adrian Ownby: Is a couple of other relevant California code for us section.

786

02:32:51.780 --> 02:32:55.200

Adrian Ownby: 1619 contract is either express or implied.

787

02:32:56.220 --> 02:33:03.990

Adrian Ownby: In section 1622 all contracts, maybe oral except those are especially required by Statute to be in writing.

788

02:33:06.270 --> 02:33:09.300

Adrian Ownby: So a couple of points that I want to make here.

789

02:33:11.250 --> 02:33:13.440

Adrian Ownby: A contract is very broadly defined in law.

790

02:33:14.880 --> 02:33:17.850

Adrian Ownby: Even the definition of a contract of employment is very broad.

791

02:33:19.560 --> 02:33:33.780

Adrian Ownby: P, you see section 8389 e6 a ritual discuss in the next couple of slides applies to all new and amended contracts and all employees have a contract with their employer.

792

02:33:35.580 --> 02:33:38.040

Adrian Ownby: The only exception to the applicability of section.

793

02:33:40.080 --> 02:33:43.380

Adrian Ownby: A is not being an electric Corporation.

794

02:33:44.610 --> 02:33:48.660

Adrian Ownby: or not having any new or amended contracts for executive officers.

795

02:33:51.150 --> 02:34:04.560

Adrian Ownby: As noted every employee has a contract with their employer so every new employee represents a new contract, if you change the terms and conditions of employment for any employee, you have amended a contract.

796

02:34:06.330 --> 02:34:10.410

Adrian Ownby: bottom line as far as energy safety is concerned, section.

797

02:34:12.390 --> 02:34:17.130

Adrian Ownby: applies to every new or mindy contract for any executive officer.

798

02:34:20.940 --> 02:34:28.290

Adrian Ownby: A is not limited to contracts with certain termination compensation or other employment conditions.

799

02:34:29.400 --> 02:34:30.240

Adrian Ownby: Next slide please.

800

02:34:34.080 --> 02:34:47.100

Adrian Ownby: So previous leads directly into this, these are some potential guideline changes regarding who's included in the executive compensation structure next slide please.

801

02:34:50.550 --> 02:35:02.160

Adrian Ownby: So i'm going to apologize for the weariness so these slides, but since we're discussing code and potential and guidance changes related to that code sometimes they're necessarily wordy.

802

02:35:04.560 --> 02:35:08.910

Adrian Ownby: In this particular sign up draw your attention to the bolted sections here.

803

02:35:10.470 --> 02:35:25.440

Adrian Ownby: And 8389 e6 a electrical corporation has established a compensation structure for any new i'm into contracts for executive officers is designed as defined in section 450 1.5.

804

02:35:26.370 --> 02:35:48.660

Adrian Ownby: And the right hand side we see section 450 1.5 and, in that the term Executive Officer means any person who performs policymaking functions and is employed by the public utility subject to the board of directors, the rest of that, I think, just elaboration on those core.

805

02:35:50.820 --> 02:35:54.720

Adrian Ownby: Those core requirements to be an Executive Officer next slide please.

806

02:35:57.000 --> 02:35:57.450

Adrian Ownby: So.

807

02:36:01.680 --> 02:36:11.460

Adrian Ownby: This first potential guidance change would require that executive compensation structure submissions certified or explicitly state that the submitted executive.

808

02:36:12.000 --> 02:36:21.270

Adrian Ownby: Compensation structure covers all executive officers, as defined in public utility code section 450 1.5 in the description of the plans.

809

02:36:23.460 --> 02:36:28.260

Adrian Ownby: In the past, submitted executive compensation structures your plans often state this.

810

02:36:29.400 --> 02:36:33.270

Adrian Ownby: and refer to the definition of executive officers used in statute.

811

02:36:34.740 --> 02:36:47.400

Adrian Ownby: we're just considering formalizing a requirement that submissions explicitly certify or acknowledge the plan covers all executive bosses is defined in public utilities code section for 51.5.

812

02:36:49.530 --> 02:36:50.310

Adrian Ownby: Next slide please.

813

02:36:53.220 --> 02:37:02.820

Adrian Ownby: So related Lee we are considering require a list of which job classifications are subject to the submitted executive compensation structure.

814

02:37:03.390 --> 02:37:12.450

Adrian Ownby: And we want to know which internal executive classifications are positions are not included in the structure and why they are not included in the structure.

815

02:37:13.500 --> 02:37:19.260

Adrian Ownby: This case the potential guidance change would require that the executive compensation structure submissions include.

816

02:37:20.370 --> 02:37:36.330

Adrian Ownby: Which internal officer classifications are positions are subject to the submitted executive compensation structure and which Executive Officer classifications or positions are not included in the executive compensation structure and an explanation as to why they're not included.

817

02:37:38.910 --> 02:37:39.420

Adrian Ownby: Next slide.

818

02:37:42.570 --> 02:37:44.610

Adrian Ownby: Okay, these potential.

819

02:37:45.840 --> 02:37:52.470

Adrian Ownby: guideline changes concern what qualifies as primary portion and performance based pay.

820

02:37:53.730 --> 02:37:54.270

Adrian Ownby: Next slide.

821

02:37:58.110 --> 02:38:10.710

Adrian Ownby: So, again i've added the bold emphasis here, I want to draw your attention to this first one says, the primary portion and executive officers compensation is based on achievement of objective performance metrics.

822

02:38:11.760 --> 02:38:19.650

Adrian Ownby: And then on the right kind of a companion piece that says no monetary no guaranteed monetary incentives in the compensation structure.

823

02:38:21.540 --> 02:38:28.350

Adrian Ownby: I want to note here that the structure of compensation is basically a binary consisting of.

824

02:38:30.030 --> 02:38:34.830

Adrian Ownby: Guaranteed compensation versus performance based compensation.

825

02:38:36.840 --> 02:38:55.080

Adrian Ownby: Regarding the second section in the past is executive compensation submissions typically contain the inclusion of a statement to the effect that compensation attached to the performance metric may or will not be earned if the threshold goal or target is not achieved.

826

02:38:56.550 --> 02:39:01.080

Adrian Ownby: This has generally been considered sufficient to meet the requirements of this particular code section.

827

02:39:02.910 --> 02:39:04.230

Adrian Ownby: it's important to recognize that.

828

02:39:05.760 --> 02:39:18.330

Adrian Ownby: Compliance with this code section is complicated by the reality that executive compensation boards tend to have substantial discretion to make awards regardless of actual performance since it's been previously noted.

829

02:39:23.490 --> 02:39:24.360

Adrian Ownby: Next slide please.

830

02:39:28.950 --> 02:39:33.150

Adrian Ownby: So in this situation because compensation is split into a binary of.

831

02:39:34.350 --> 02:39:46.290

Adrian Ownby: Non performance based compensation performance based compensation, the line the primary portion of the executive officers compensation is based on achievement of objective performance metrics.

832

02:39:46.890 --> 02:39:53.850

Adrian Ownby: does suggest a basic test to comply with this section, which is that if a majority of the executive compensation.

833

02:39:54.540 --> 02:40:06.660

Adrian Ownby: For each Executive Officer position as defined in section 450 1.5 is awarded based on objective performance metrics it meets the requirements or complies with this particular section.

834

02:40:07.440 --> 02:40:17.130

Adrian Ownby: So our potential guide change would be to require that executive compensation structure submissions include a certification explicit statement.

835

02:40:17.790 --> 02:40:35.850

Adrian Ownby: For all the Executive Officer positions is defined in section 450 1.5 and majority of the executive compensation reward and both the threshold and maximum reward levels is awarded based on the achievement of objective performance measure or metrics are.

836

02:40:38.700 --> 02:40:41.070

Adrian Ownby: all know that this is a test, I believe.

837

02:40:42.150 --> 02:40:58.740

Adrian Ownby: Keith mentioned this in his presentation about bear valleys executive compensation system on this is a test or requirement that we essentially established when we rejected their initial bbs 2021.

838

02:41:00.360 --> 02:41:03.870

Adrian Ownby: executive compensation structure and then approve their.

839

02:41:05.520 --> 02:41:15.540

Adrian Ownby: The revised 2020 months submission and so for consistency and based on past precedent or consider our formalizing this requirement.

840

02:41:17.250 --> 02:41:20.910

Adrian Ownby: And this would apply to every Executive Officer position.

841

02:41:22.320 --> 02:41:28.230

Adrian Ownby: The language, can be a little bit more well written let's say could be better.

842

02:41:29.340 --> 02:41:35.670

Adrian Ownby: In the code, but the introductory paragraph special this specifies.

843

02:41:36.990 --> 02:41:43.890

Adrian Ownby: individuals and contracts and amended contracts, so it applies to every Executive Officer position.

844

02:41:45.000 --> 02:41:45.870

Adrian Ownby: Next slide please.

845

02:41:51.300 --> 02:41:59.370

Adrian Ownby: So according to many of the electric utility staff and executive compensation consultants we've interviewed over the past month or so.

846

02:42:01.380 --> 02:42:03.930

Adrian Ownby: executive compensation markets tend to exercise.

847

02:42:04.950 --> 02:42:06.360

Adrian Ownby: Negative discretion.

848

02:42:07.620 --> 02:42:19.080

Adrian Ownby: That is discretion denying compensation to people, more often than exercise positive discretion, that is providing compensations bye.

849

02:42:20.130 --> 02:42:32.820

Adrian Ownby: Performance regardless, this is an issue, and so what we're proposing is to require that executive compensation structure submission to include a certification.

850

02:42:33.510 --> 02:42:50.280

Adrian Ownby: or explicit statement that compensation associated with the performance metric will not be earned if the threshold metric target for that performance metric is not achieved and that's something that's been typical I think of most executive compensation structures.

851

02:42:53.190 --> 02:42:55.350

Adrian Ownby: Okay next slide please.

852

02:42:59.190 --> 02:43:08.190

Adrian Ownby: So we're going to talk about potential guideline changes to regarding increasing long term compensation transparency.

853

02:43:09.240 --> 02:43:09.840

Adrian Ownby: Next slide.

854

02:43:13.620 --> 02:43:18.810

Adrian Ownby: So for this this chicken code section here, I want to draw your attention to a long term.

855

02:43:20.190 --> 02:43:34.290

Adrian Ownby: Long term appears to be open, ended language, but it is essentially clarified in the second sentence, which indicates a compensation held or deferred at least three years would be considered long term.

856

02:43:36.090 --> 02:43:49.320

Adrian Ownby: significant portion is nebulous languages also nebulous language note that the language of significant portion differs from the language we discussed previously, which uses the phrase primary portion.

857

02:43:50.760 --> 02:43:57.600

Adrian Ownby: The language regarding the form this deferred compensation can take is permissive it does same may instead of shell.

858

02:43:59.400 --> 02:44:12.960

Adrian Ownby: Generally, any submitted executive compensation plan that includes a portion of its compensation consisting of some form of stock that is deleted least three years has been accepted as meeting this code sections requirements.

859

02:44:14.340 --> 02:44:14.880

Adrian Ownby: Next slide.

860

02:44:18.480 --> 02:44:20.130

Adrian Ownby: So we're proposing.

861

02:44:22.290 --> 02:44:27.450

Adrian Ownby: Another potential guidance change that would require executive compensation structure submissions include.

862

02:44:28.020 --> 02:44:35.070

Adrian Ownby: A certification or explicit statement that all executive positions is defined in public utility code section for 51.5.

863

02:44:35.820 --> 02:44:45.060

Adrian Ownby: receive a portion of the performance based compensation that is delayed three or more years without compensation, based on the electric corporations performance in value over the preceding.

864

02:44:45.660 --> 02:44:56.130

Adrian Ownby: three or more years, this is intended to be just another simple required explicit statement or certification similar to others that we have proposed.

865

02:44:57.660 --> 02:44:58.200

Adrian Ownby: Next slide.

866

02:45:02.370 --> 02:45:07.890

Adrian Ownby: related Lee were considering acquiring more detail and transparency regarding the compensation components.

867

02:45:10.230 --> 02:45:19.740

Adrian Ownby: This potential guideline change would require that all executive compensation structures missions include for each internal executive classification.

868

02:45:20.400 --> 02:45:36.990

Adrian Ownby: The compensation components and its base pay annual bonus sensitive information and long term incentive pay, including percentages of overall compensation for each component at both a threshold and maximum or reward levels.

869

02:45:39.750 --> 02:45:41.220

Adrian Ownby: that's about it for that.

870

02:45:42.360 --> 02:45:43.230

Adrian Ownby: Next slide please.

871

02:45:46.860 --> 02:45:47.940

Adrian Ownby: So, finally, we have.

872

02:45:49.020 --> 02:45:55.230

Adrian Ownby: Some potential guidance changes regarding how much indirect and ancillary compensation occurs.

873

02:45:58.020 --> 02:45:58.500

Adrian Ownby: Next slide.

874

02:46:01.260 --> 02:46:06.450

Adrian Ownby: So if the competition's not in question isn't.

875

02:46:08.130 --> 02:46:13.860

Adrian Ownby: In director ancillary then we use other code sessions to assess a particular compensation.

876

02:46:15.300 --> 02:46:21.570

Adrian Ownby: And this language is so this indirect or answer a competition language raises and our questions.

877

02:46:23.040 --> 02:46:23.580

Adrian Ownby: Next slide.

878

02:46:26.640 --> 02:46:31.920

Adrian Ownby: So some of these questions are what his intellect and director ancillary compensation.

879

02:46:34.200 --> 02:46:47.670

Adrian Ownby: And is there an acceptable standard determine if indirect or ancillary compensation not aligned was shareholder and taxpayer interest and the electric corporation has been minimized.

880

02:46:49.500 --> 02:47:00.840

Adrian Ownby: So regardless of how you answer these questions in cases where the performance metric is based entirely on either objective and enforceable safety or fiscal metrics.

881

02:47:01.710 --> 02:47:16.470

Adrian Ownby: And consists of either direct monetary compensation or stock related compensation determining that an executive compensation structure complies with the sections fairly easy eliminations easy to recognize and.

882

02:47:17.550 --> 02:47:21.420

Adrian Ownby: and easier to deal with its minimization creates issues.

883

02:47:22.770 --> 02:47:23.670

Adrian Ownby: Next slide please.

884

02:47:26.910 --> 02:47:31.230

Adrian Ownby: So what we're proposing is that.

885

02:47:33.540 --> 02:47:42.810

Adrian Ownby: In the in the next is a potential guideline change that will require all that all executive compensation structure submission to include a listing.

886

02:47:43.710 --> 02:47:52.470

Adrian Ownby: of compensation that's not direct monetary or stock related compensation, the percentage of that total compensation who's awarded.

887

02:47:53.130 --> 02:48:02.880

Adrian Ownby: That compensation and the basis upon which that compensations order this potential changes, just an attempt to get a handle on.

888

02:48:03.450 --> 02:48:11.580

Adrian Ownby: How much into direct and ancillary compensation occurs on what basis that occurs in order to determine if this is a significant issue.

889

02:48:12.240 --> 02:48:23.820

Adrian Ownby: That needs to be more aggressively addressed, or if in fact indirect and ancillary compensation all already fairly minimal for California investor owned utilities.

890

02:48:26.310 --> 02:48:30.450

Adrian Ownby: I believe that it and I also think we have about.

891

02:48:31.710 --> 02:48:35.190

Adrian Ownby: 10 minutes or more for questions.

892

02:48:36.300 --> 02:48:36.810

Adrian Ownby: So.

893

02:48:39.690 --> 02:48:40.320

Adrian Ownby: What.

894

02:48:41.430 --> 02:48:43.230

Adrian Ownby: Questions, if any, do we have.

895

02:48:47.760 --> 02:48:48.450

Adrian Ownby: It looks like.

896

02:48:51.510 --> 02:48:53.040

Adrian Ownby: Will abrams as a question.

897

02:48:55.980 --> 02:49:05.430

Ming Wu: Adrian I can read will abrams question here um yeah it looks like this question here is directed at PG amp E, many of the iron.

898

02:49:07.200 --> 02:49:13.050

Ming Wu: Many of the io us indicated that they believe investor return is adequately tied to safety performance.

899

02:49:13.530 --> 02:49:28.770

Ming Wu: If that is a correct assumption, how do you explain the inverse correlation between recent wildfires likely caused by pg&e the growing criminal charges and the relative stability of the p CG stock.

900

02:49:30.510 --> 02:49:49.680

Ming Wu: That is the first question, there and then the second question is, does the fact that pg&e victims whole 25% of PC G stock provide an added buffer for pg&e investors and how did these issues interfere with the efficacy of any compensation structure for utility executives.

901

02:49:54.180 --> 02:49:56.520

Adrian Ownby: So i'm i'm not sure the.

902

02:50:00.660 --> 02:50:11.880

Adrian Ownby: Who was, who was the who was directed at again, this was pg&e okay now leases qualified to answer that I think Keith your hand up.

903

02:50:14.400 --> 02:50:26.970

Adrian Ownby: If you want to speak go ahead and unmute yourself but I don't think that lisa's necessarily personally answer this question will we will keep them and maybe answer them later, but.

904

02:50:28.920 --> 02:50:29.370

Adrian Ownby: Keith.

905

02:50:30.630 --> 02:50:32.280

Adrian Ownby: Question go ahead and unmute yourself.

906

02:50:44.340 --> 02:50:50.460

Adrian Ownby: Okay uh he want if if you want to answer you said you had an answer for the prior question.

907

02:50:52.050 --> 02:50:52.590

Adrian Ownby: Okay.

908

02:50:52.650 --> 02:50:54.360

Adrian Ownby: Good good, and thank you.

909

02:50:57.780 --> 02:50:58.110

Adrian Ownby: Okay.

910

02:50:58.650 --> 02:50:59.040

Adrian Ownby: sure.

911

02:50:59.340 --> 02:50:59.820

Keith Switzer: Go ahead.

912

02:51:00.330 --> 02:51:01.350

Adrian Ownby: and bring up your question.

913

02:51:02.340 --> 02:51:04.170

Keith Switzer: You in your.

914

02:51:06.030 --> 02:51:17.250

Keith Switzer: suggested modifications or clarifications you use the terms thresholds and maximum a couple times for with regards to.

915

02:51:19.650 --> 02:51:23.250

Keith Switzer: just wondering if you could clarify those.

916

02:51:24.330 --> 02:51:27.960

Keith Switzer: and particularly the threshold term, it may just be a.

917

02:51:29.700 --> 02:51:31.140

Keith Switzer: terminology issue but.

918

02:51:32.190 --> 02:51:40.110

Keith Switzer: I can say in the bear valley plan there's a threshold payout there's a target payout and there's a maximum payout.

919

02:51:40.530 --> 02:51:42.990

Keith Switzer: The threshold is less than the target.

920

02:51:45.120 --> 02:51:46.230

Adrian Ownby: Yes, yeah.

921

02:51:46.290 --> 02:51:48.450

Keith Switzer: And so that's what i'm trying to figure out.

922

02:51:48.480 --> 02:51:54.030

Adrian Ownby: yeah That means that what we want to know is basically the the proportion of the.

923

02:51:55.380 --> 02:52:04.470

Adrian Ownby: Competition compensation that's earned if if you just meet the threshold, you know it let's assume that every threshold was just met.

924

02:52:05.610 --> 02:52:23.790

Adrian Ownby: what's the percentage of the compensation that that particular metric or or that particular component will provide and the same thing at the maximum level, essentially, we want to know that, through every step of the compensation.

925

02:52:25.590 --> 02:52:37.740

Adrian Ownby: based on performance, we want to know the what the percentages are so that we have a sense that it, it will always be, for instance, if it's performance based compensation that will always be the majority.

926

02:52:38.460 --> 02:52:46.650

Adrian Ownby: Or the you know the purchase of a particular component is safety component, we want to know that it's it's going to be between 25 and.

927

02:52:47.640 --> 02:52:58.050

Adrian Ownby: 30%, for example, of the performance based compensation and getting those numbers at both the threshold and the maximum level tells us that that's the case.

928

02:53:00.390 --> 02:53:11.580

Keith Switzer: So, as a follow up to that are are you implying that the future guideline will be that base salary should be.

929

02:53:13.140 --> 02:53:17.610

Keith Switzer: Less than 50% of you will have total ddc where total.

930

02:53:19.260 --> 02:53:21.390

Keith Switzer: Threshold where was opposed to the target.

931

02:53:23.100 --> 02:53:34.350

Adrian Ownby: that's sort of the implication of a requirement that a majority of the compensation be performance based if the majority of the compensation is, for this is.

932

02:53:35.340 --> 02:53:48.240

Adrian Ownby: required to be performance based, then that would be majority of the compensation provided if just the thresholds were met, and if the maximum compensation.

933

02:53:49.380 --> 02:53:50.130

Adrian Ownby: were reached.

934

02:53:52.020 --> 02:53:56.700

Adrian Ownby: matt what's called the maximum theoretical compensation, however, you want to think of it.

935

02:54:00.030 --> 02:54:00.810

Keith Switzer: Okay, thank you.

936

02:54:01.140 --> 02:54:01.470

Okay.

937

02:54:04.980 --> 02:54:08.520

James Pearce: Well, a room does have a hand raised, I think you'd like to make a public comment.

938

02:54:08.850 --> 02:54:10.140

Adrian Ownby: Okay, go ahead, well.

939

02:54:11.070 --> 02:54:12.330

James Pearce: really should be able to unmute yourself.

940

02:54:12.540 --> 02:54:13.800

Adrian Ownby: yeah you should be able to.

941

02:54:14.700 --> 02:54:19.920

William Abrams: Yes, thanks, very much just wanted to follow up with my questions I need to clarify.

942

02:54:21.000 --> 02:54:44.640

William Abrams: As I go, so you know part of the reason why I was asking this question in this form to the these panelists is because the panelists indicated that they believe that the investor return is tied to performance and adequately tied to performance and.

943

02:54:46.710 --> 02:54:52.920

William Abrams: leveraging that as a reason that there doesn't mean need to be you know additional.

944

02:54:54.990 --> 02:55:06.120

William Abrams: executive compensation tied to performance or that the executive compensation is sufficient, and so you know really i'm just trying to understand.

945

02:55:07.290 --> 02:55:27.690

William Abrams: That assumption, so you know, again I wasn't looking to sort of ask this question, but given that it was put forward by a few of the different investor owned utilities as justification for for some of their existing executive compensation structures, you know that's really why.

946

02:55:29.070 --> 02:55:37.650

William Abrams: i'm asking it is because they put it forward and so just hoping that they could put a little more substance behind.

947

02:55:38.340 --> 02:55:55.170

William Abrams: That statement about how they feel that investor compensation is tied to safety performance and and sort of the relationship between investor compensation executive compensation and safety performance, to make sure all those things are aligned.

948

02:55:59.850 --> 02:56:00.450

Adrian Ownby: So.

949

02:56:01.830 --> 02:56:13.170

Adrian Ownby: I think I understand why I asked the question I think we're going to do is get you an answer, after the workshop is over.

950

02:56:14.850 --> 02:56:20.190

Adrian Ownby: As I said, we'll try and endeavor to answer every question that people have, but I think we're.

951

02:56:21.240 --> 02:56:29.130

Adrian Ownby: I don't think Lisa feels comfortable answering that question, right now, and so we'll have to get her answer to you later okay.

952

02:56:31.680 --> 02:56:35.490

Adrian Ownby: We do have another question here from Chris parks.

953

02:56:37.560 --> 02:56:47.820

Adrian Ownby: And that says on the topic of ancillary and indirect compensation for the utilities do the utilities report all severance stock options stock bonuses.

954

02:56:48.270 --> 02:56:58.500

Adrian Ownby: hiring bonuses retention bonuses and non qualified retirement compensation in their executive compensation plans other words what compensation is not included.

955

02:57:02.490 --> 02:57:05.250

Adrian Ownby: In any one of you can feel free to.

956

02:57:07.650 --> 02:57:10.410

Adrian Ownby: To chime in about you have an answer to.

957

02:57:10.950 --> 02:57:12.960

Angela Anderson: yeah Adrian your MIC check that.

958

02:57:13.080 --> 02:57:14.160

Adrian Ownby: Sure go ahead Angela.

959

02:57:14.430 --> 02:57:21.690

Angela Anderson: Okay um I would say the short answer is most of that is not reported in the filings.

960

02:57:22.740 --> 02:57:26.580

Angela Anderson: A lot of that is reported in the utilities.

961

02:57:27.690 --> 02:57:32.340

Angela Anderson: proxy statements for the corporation, so you can get some of that there.

962

02:57:33.480 --> 02:57:37.410

Angela Anderson: They do report, whether they have perquisites or not.

963

02:57:38.280 --> 02:57:53.880

Angela Anderson: But in this one of the sessions in this afternoon we're going to talk about a little bit more on trying to get into a definition of what counts as a perk and what doesn't and ancillary compensation and the severance payments, and also the supplemental executive retirement plans.

964

02:57:55.320 --> 02:57:58.050

Angela Anderson: But most of that is not present in silence themselves.

965

02:58:02.880 --> 02:58:03.360

Adrian Ownby: Thank you.

966

02:58:06.900 --> 02:58:13.770

Adrian Ownby: JESSICA Alan, are there any other questions does anybody have their hands raised, I don't see anybody.

967

02:58:16.620 --> 02:58:16.890

Ming Wu: thinks.

968

02:58:17.700 --> 02:58:18.180

Okay.

969

02:58:19.230 --> 02:58:30.810

Adrian Ownby: Well that's great we are two minutes to noon, so I think that means we're going to break for lunch unless somebody has the last minute question.

970

02:58:33.660 --> 02:58:45.420

Adrian Ownby: And we'll be back at one o'clock I think James I think there's actually a slide that says, at the end of my presentation says we'll be back at one o'clock you're probably better to use that.

971

02:58:47.190 --> 02:58:50.190

Adrian Ownby: But that's it we'll see you soon.

972

03:59:05.340 --> 03:59:05.790

Adrian Ownby: Angela.

973

03:59:10.230 --> 03:59:11.070

Adrian Ownby: One minute.

974

03:59:11.400 --> 03:59:13.560

Angela Anderson: I got rid of the dog so we're good to go.

975

03:59:14.040 --> 03:59:18.300

Adrian Ownby: Oh yeah well i'm I only had one incident with the cat so.

976

03:59:18.660 --> 03:59:25.050

Angela Anderson: that's not bad, no he's a dog beach so he's going to be way happier than anything I would be doing.

977

03:59:27.570 --> 03:59:27.930

yeah.

978

03:59:41.850 --> 03:59:46.410

James Pearce: What are you guys ready, I can bring up the slides give it a couple more minutes for able to come back.

979

03:59:48.900 --> 03:59:51.330

Adrian Ownby: You know why don't we give it another two minutes here.

980

04:01:50.790 --> 04:01:52.020

Adrian Ownby: let's go ahead and get started.

981

04:01:53.190 --> 04:01:53.940

Adrian Ownby: Thanks James.

982

04:01:57.690 --> 04:01:58.350

Angela Anderson: Good.

983

04:02:01.530 --> 04:02:02.190

Angela Anderson: See you guys hear me.

984

04:02:02.970 --> 04:02:03.660

James Pearce: yeah totally.

985

04:02:03.840 --> 04:02:04.680

Adrian Ownby: We can hear you fine.

986

04:02:05.070 --> 04:02:18.630

Angela Anderson: Okay, great so northstar has two sessions this afternoon, the first one, we are covering the results of our benchmark study and in the second one, we are providing a little bit more discussion on.

987

04:02:19.980 --> 04:02:26.160

Angela Anderson: Some potential guidance changes and some topics for discussion going forward with compensation filings.

988

04:02:27.270 --> 04:02:30.690

Angela Anderson: If you could just I think flip to slide three.

989

04:02:31.950 --> 04:02:32.430

Angela Anderson: and

990

04:02:33.840 --> 04:02:52.740

Angela Anderson: So just a little bit about nordstrom consulting To begin with, so we have been in business, since 1999, but most of our people have been working in this industry, since they started their careers on my team or myself john Francis and ginger Lundy we're all working on this.

991

04:02:54.420 --> 04:03:01.110

Angela Anderson: More stress focus is really the utility sector regulators investor on utilities and municipalities.

992

04:03:01.740 --> 04:03:08.280

Angela Anderson: we've done a lot of work in California, so we right now have a very solid understanding of the California environment.

993

04:03:08.940 --> 04:03:21.510

Angela Anderson: Both regulatory and actually you know the climate so we've done work looking at pH new safety culture for the last five years we're also looking at the enhanced vegetation management.

994

04:03:22.710 --> 04:03:28.350

Angela Anderson: And the enhanced oversight enforcement that's going on right now pg&e and also.

995

04:03:29.910 --> 04:03:47.250

Angela Anderson: Obviously, look at the compensate compensation filings of all the utilities so we've looked at compensation and performance measures utilities throughout the US and Canada so that's just a little bit about more star next slide.

996

04:03:50.340 --> 04:04:04.020

Angela Anderson: So i'm going to give it just a quick overview of kind of what we were asked to do, and then we'll move on into some of the details, so we, I asked asked us to do some broad research into.

997

04:04:04.980 --> 04:04:18.150

Angela Anderson: kind of state of executive compensation, particularly as it relates to safety, the regulatory involvement in compensation and regulatory requirements and then some more detailed look at.

998

04:04:19.410 --> 04:04:31.980

Angela Anderson: Areas where there might have been some response similar issues and so maybe as a response that would have addressed on safety issues or compensation issues, so we looked at Australia.

999

04:04:33.210 --> 04:04:48.660

Angela Anderson: Canada, the Pacific Northwest as well as a number of people up to the next slide James we looked at a number of companies and in the utility sector, as well as in other industries so.

1000

04:04:49.740 --> 04:05:04.590

Angela Anderson: Aerospace and Defense airline biotechnology mining heavy metals construction engineering, or like gas production there's other stuff there and just industries that would have had a strong safety focus.

1001

04:05:05.070 --> 04:05:12.330

Angela Anderson: We also tried to pull some companies that were recognized as having good safety performance as well as.

1002

04:05:13.350 --> 04:05:24.840

Angela Anderson: Some recent incidents so companies that may have benefited from that and it changed, you know either the way they're handling things or their compensation program as a result of that.

1003

04:05:25.470 --> 04:05:37.380

Angela Anderson: So we started out with a list of about 80 companies that we were trying to look at and for anything that's publicly traded in the United States it's.

1004

04:05:38.100 --> 04:05:46.680

Angela Anderson: Much easier to compare so those would have proxy statements required by the SEC, so a lot of good information on the compensation.

1005

04:05:47.190 --> 04:05:57.480

Angela Anderson: Of the exam the composition of the executive compensation UK and Australia have similar requirements through annual reports, so we looked at those and then.

1006

04:05:58.260 --> 04:06:12.870

Angela Anderson: also looked at some other companies in other countries, those were a little bit you know trickier ultimately we ended up with about 51 companies with detailed data on and then others that we.

1007

04:06:13.470 --> 04:06:29.100

Angela Anderson: have more I would say, you know descriptive or anecdotal information on, we also have a lot of information based on our prior experience and then in group interviews and discussions that we had with some of the compensation consultants for the utilities.

1008

04:06:30.600 --> 04:06:37.170

Angela Anderson: So this all has culminated in a report that North star prepared that I would.

1009

04:06:37.830 --> 04:06:46.170

Angela Anderson: characterize a little bit like our executive compensation primer as well as the results of that research and comparative statistics.

1010

04:06:46.680 --> 04:07:06.300

Angela Anderson: So that is, I believe, in the final regroup view stages and will eventually end up being posted to the docket for everybody's review so where we had data that was comparable you'll see some graphs and statistics, where there's discussions of the way things have been handled.

1011

04:07:08.190 --> 04:07:18.120

Angela Anderson: You know it's it result it's more in the appendix that you'll see to the document so unfortunately that's not there yet, but it will be there, so if you could flip to the next slide James.

1012

04:07:19.290 --> 04:07:29.130

Angela Anderson: So this is generally the information that we were collecting where we can collect consistent data across the board some of these were more.

1013

04:07:29.730 --> 04:07:36.570

Angela Anderson: To develop a better understanding of the industry and the state of the industry and state of executive compensation.

1014

04:07:36.960 --> 04:07:44.460

Angela Anderson: As well as in some of it is information that we were tracked and have a database that's now in with with you know this detail.

1015

04:07:45.300 --> 04:07:53.640

Angela Anderson: So we looked at, you know the philosophy and compensation design generally many have similar philosophy and we'll get into that later.

1016

04:07:54.450 --> 04:08:04.500

Angela Anderson: We looked at the relative proportion of base salary short term and long term incentives, so the total direct compensation that john and others spoke to earlier.

1017

04:08:06.120 --> 04:08:14.760

Angela Anderson: other kinds of perks that were being offered right now by utilities and non utility entities use of performance modifier fires or.

1018

04:08:15.720 --> 04:08:21.660

Angela Anderson: A triggers so a trigger would be something where in until a certain you know i'll give an example.

1019

04:08:22.320 --> 04:08:31.950

Angela Anderson: excel energy has an earnings per share trigger and so unless they hit that trigger there's no short term incentive once they hit the trigger and they'll pay out a short term incentive.

1020

04:08:32.490 --> 04:08:44.370

Angela Anderson: And then we looked at the standard of performance ranges the threshold that should be target not minimum and maximum and then also the level of detail that the entities we're recording on their metrics.

1021

04:08:45.570 --> 04:08:47.430

Angela Anderson: So if you could go to the next slide.

1022

04:08:48.660 --> 04:08:58.620

Angela Anderson: Most of our detailed numerical data is on the target performance incentives of proportion of base salary and short term and long term, and then.

1023

04:08:59.070 --> 04:09:11.040

Angela Anderson: In the individual incentives and the measures associated with each of those so if we could flip to the next slide so I just feel it.

1024

04:09:11.970 --> 04:09:26.430

Angela Anderson: necessary to add a few comments just based on North stars experience, having looked at utilities and compensation and metrics for a long time, so these are just some broad observations that we'd like to make.

1025

04:09:28.050 --> 04:09:39.090

Angela Anderson: You know, there are different philosophies regarding compensation and they tend to get more complex, the more complex an organization gets So if you have.

1026

04:09:39.810 --> 04:09:58.080

Angela Anderson: One company that really has one one single operating purpose that tends to be fairly straightforward, if you have a holding company with multiple subsidiary companies with different operations, then that's going to get started to get a little bit more complicated and you may see a hybrid.

1027

04:09:59.100 --> 04:10:05.970

Angela Anderson: of a group focus for some metrics and then you may also see a hybrid of some.

1028

04:10:06.540 --> 04:10:18.480

Angela Anderson: Individual business units or individual companies that have their own measures that are more closely aligned with that function, so it could be a you know strictly corporate focus it could be a combination of.

1029

04:10:20.100 --> 04:10:37.080

Angela Anderson: Subsidiary entity and then holding company focus and i've also seen where things have got down to the business unit level the theory being that if you know one unit is suffering like perhaps electric the theory being that the gas operations shouldn't suffer if they're performing well.

1030

04:10:38.130 --> 04:10:45.780

Angela Anderson: So there's always that you know there's trade offs with each of those models and there's a variety of models, but which we've seen so.

1031

04:10:46.260 --> 04:10:57.480

Angela Anderson: I think one of the important things is that in a perfect world, an organization would have a strategy and goals and the metrics and the performance would tie to that.

1032

04:10:58.860 --> 04:11:11.190

Angela Anderson: it's been my experience over a number of years that that's sometimes a little more challenging for utilities and the utility industry has historically had a pool effectively of.

1033

04:11:12.600 --> 04:11:20.400

Angela Anderson: metrics that it seemed to choose from, but they don't necessarily have the same strategy focused and other other organizations might have.

1034

04:11:20.970 --> 04:11:32.610

Angela Anderson: And that's you know the perfect world, and then there's the feedback loop So if you see that you're feeling and certain metrics that we're looking at you know you're looking at those as a way to identify an issue early and correct it.

1035

04:11:34.860 --> 04:11:48.150

Angela Anderson: I want to talk briefly, I know john covered this about the compensation committee and I think sometimes in some of these discussions with multiple stakeholders and different views and different areas of concern.

1036

04:11:49.770 --> 04:11:53.400

Angela Anderson: there's a there's a different focus on the compensation committee.

1037

04:11:55.260 --> 04:12:02.220

Angela Anderson: I believe that you know if done properly it's the job of the compensation committee to act as kind of a control.

1038

04:12:02.670 --> 04:12:12.000

Angela Anderson: And so they're there in the event of some significant event or something happening that's outside of what is normal, a normal expectations are normal performance.

1039

04:12:12.420 --> 04:12:17.580

Angela Anderson: They have the ability to step in and act as a control and say you know what we're going to cut compensation.

1040

04:12:17.910 --> 04:12:28.860

Angela Anderson: At this level for this year, or no executives will receive a bonus or no one will receive a bonus, and that authority, I think, is an important element of the compensation.

1041

04:12:29.820 --> 04:12:40.710

Angela Anderson: cycle effectively for lack of a better word that that shouldn't be ignored, I mean you don't want to see them going into individual measures and getting really granular.

1042

04:12:41.430 --> 04:12:50.160

Angela Anderson: But you do want to see them if something is going on, that needs to be addressed that it's being addressed and that they can override management if they feel they need to.

1043

04:12:52.110 --> 04:12:56.700

Angela Anderson: incentive measures we see them classified all different ways.

1044

04:12:58.740 --> 04:13:02.220

Angela Anderson: A lot of things like cost effectiveness or.

1045

04:13:03.060 --> 04:13:18.450

Angela Anderson: grow new product development, some will consider those you know organised the operational goals, some people would consider them more financial so there's just a variety of ways that incentive measures get classified and that can make comparison, a little bit.

1046

04:13:19.740 --> 04:13:22.680

Angela Anderson: Challenging on the next slide.

1047

04:13:24.600 --> 04:13:33.930

Angela Anderson: There are measures you know, everybody talks about the type of measure and it's you know income or input outcome leading lagging and.

1048

04:13:34.710 --> 04:13:52.740

Angela Anderson: it's important but measures can be both so reliability and metric, for example, could be a lagging measure of reliability your liabilities poor that's already happened, but it also is a leading indicator potentially of customer service, so there are a lot of nuances involved in metrics.

1049

04:13:54.090 --> 04:13:58.560

Angela Anderson: metrics most of them, probably all of them can be gained.

1050

04:13:59.820 --> 04:14:13.650

Angela Anderson: I like to use the example because it's fairly straightforward and people understand it, you know i've worked in places where at the call Center the average talk time was a metric of performance metric for the call Center so.

1051

04:14:14.370 --> 04:14:19.290

Angela Anderson: A customer service representative would just transfer the call when they were hitting their talk time.

1052

04:14:19.770 --> 04:14:26.460

Angela Anderson: or average speed of answer because you don't want the customer sitting on hold for an extended period of time was a measure.

1053

04:14:27.420 --> 04:14:34.800

Angela Anderson: They pick up the phone when they were hitting that you know that went the window out go out the window as a performance measure and then hang up on the customer.

1054

04:14:35.100 --> 04:14:43.770

Angela Anderson: So generally if you give people a measure and you're going to give them a compensation component attached to that they're going to find a way to game it.

1055

04:14:46.080 --> 04:14:58.950

Angela Anderson: oftentimes I think that people don't necessarily really truly understand the nuances of a metric and how it's calculated, so they may have a belief or an understanding and this happens at all levels of an organization.

1056

04:14:59.430 --> 04:15:09.420

Angela Anderson: Of what the measure is trying to do and reality that it's not doing that at all or it's much more complicated than they gave it credit for, or they just didn't really understand.

1057

04:15:10.170 --> 04:15:19.770

Angela Anderson: Because it hadn't delved into the calculation what it really was doing so that's a risk and then importantly, you cannot solve everything with metrics.

1058

04:15:20.820 --> 04:15:26.400

Angela Anderson: I know there's a real strong push for this and, yes, it's true that what you pay people to do, they will focus on.

1059

04:15:27.570 --> 04:15:40.590

Angela Anderson: But it's not a solution to everything it's a it's part of a portfolio of things that can be done, but it is not the answer or a panacea, by any stretch of the imagination so.

1060

04:15:41.820 --> 04:15:57.060

Angela Anderson: Those are just some things that you know we wanted to pass on from our experience, just to kind of make sure that we were level setting expectations and understanding about you know our views on compensation, and so what it cannot cannot do.

1061

04:15:59.820 --> 04:16:03.300

Angela Anderson: The next slide please so.

1062

04:16:04.350 --> 04:16:21.060

Angela Anderson: Designing appropriate set of metrics and Designing an executive compensation program that does what you're trying to do is complicated, a lot of people think it's simple and straightforward, because it seems to make sense to people but it's not that simple.

1063

04:16:22.500 --> 04:16:33.270

Angela Anderson: target setting is important if you and john john touched on this earlier this morning but it's now afternoon, and you know you may not have been paying as much tension, then, as you are now or the reverse so.

1064

04:16:35.400 --> 04:16:45.450

Angela Anderson: People don't don't realize how complicated, this is so, you need the targets to be realistic and achievable, but they also need to be moving the Needle, on performance.

1065

04:16:45.720 --> 04:16:57.540

Angela Anderson: If you set a target that's simply too difficult it is demoralizing and people just don't focus on it, they just stop you know it's not something they can achieve they know that from the beginning and they don't focus on anymore.

1066

04:16:58.500 --> 04:17:14.520

Angela Anderson: The more complex, you get on your incentive metrics and your compensation, the more difficult it gets for people to really understand it throughout the organization, so that you have the appropriate line of sight and everybody is marching to the same.

1067

04:17:16.170 --> 04:17:26.220

Angela Anderson: Performance goals and objectives there's the potential for unintended consequences which can happen with any metric or metric design.

1068

04:17:26.670 --> 04:17:36.300

Angela Anderson: As well as perverse incentives, and these are not things that anyone is necessarily intentionally doing it's just that it's very hard to find one measure.

1069

04:17:36.630 --> 04:17:54.450

Angela Anderson: That is comprehensive enough without getting overly complicated so that you're kind of backstopping for well this could happen if they were doing it this way, so we need a different measure for that it just gets very difficult not choosing a peer group for anything comparative is also.

1070

04:17:55.860 --> 04:18:04.710

Angela Anderson: Important and can affect your outcomes, so we did a review not too long ago of an entity that had a large.

1071

04:18:07.110 --> 04:18:20.730

Angela Anderson: exploration and production function in the gas industry, as well as a utility and they were using a high a group that includes both for.

1072

04:18:22.350 --> 04:18:33.510

Angela Anderson: For the peer group, so it includes some exploration and production some Shell and included utility operations, and so what was happening at the time, is it was really.

1073

04:18:35.070 --> 04:18:46.440

Angela Anderson: Changing the the balance between the utility and the relative peer group and we had recommended that in the event that they were going to seek recovery for.

1074

04:18:47.160 --> 04:18:58.170

Angela Anderson: Some of the incentive compensation for the executives they might want to choose a peer group that was more utility based, because that would be more comfortable for the regulator from regulatory standpoint.

1075

04:19:00.600 --> 04:19:09.570

Angela Anderson: You know and and that brings up also the fact that not everything that we've been looking at or discussing throughout this process.

1076

04:19:10.020 --> 04:19:25.140

Angela Anderson: is something that is ratepayer recoverable so some of these executive compensation plans, depending on the level or a hybrid you'll have some things that are completely shareholder funded and some things may be funded by ratepayers.

1077

04:19:27.240 --> 04:19:29.640

Angela Anderson: You need to send you know have your your.

1078

04:19:31.110 --> 04:19:40.920

Angela Anderson: metrics sending the right signals and the right message, so that people understand and are doing what they should be doing and doing the right thing, as far as you know, achieving a proper objective and outcome.

1079

04:19:41.340 --> 04:19:50.820

Angela Anderson: And then there's the mechanics of the payouts which can be depending on how complicated you start getting in terms of your long term incentive programs can be a little bit.

1080

04:19:51.990 --> 04:20:04.320

Angela Anderson: Complex there's not one single solution or you know perfect design for compensation program but those are just some considerations, so if you could flip the page.

1081

04:20:05.970 --> 04:20:14.040

Angela Anderson: So, in terms of our research we looked first in Australia, because they had suffered most recently from the.

1082

04:20:17.070 --> 04:20:19.770

Angela Anderson: bushfires which were very, very significant.

1083

04:20:21.960 --> 04:20:25.680

Angela Anderson: they'd also suffered from them back in 2009 the black Saturday bushfires.

1084

04:20:26.760 --> 04:20:38.760

Angela Anderson: We did not find any effect on executive officer compensation that has resulted from that it may change, you know the those bushfires were still fairly.

1085

04:20:39.240 --> 04:20:53.790

Angela Anderson: are still fairly recent, the most recent one, it did affect the you know the mitigation plans and some of the capital expenditures, but didn't hasn't had an effect really our compensation Australia utilities and also Canadian.

1086

04:20:55.050 --> 04:21:01.920

Angela Anderson: Although they report much the similar in same information that US does it is not.

1087

04:21:03.450 --> 04:21:12.180

Angela Anderson: The compensation is on the same level as in the US, so if you could flip to the next slide which was our look at Canada.

1088

04:21:12.870 --> 04:21:27.990

Angela Anderson: So the Canadian electric market varies depending on whether it's you from province to province and territory it's largely determined what the market looks like by the provinces, with the federal government having a role in new clear.

1089

04:21:29.070 --> 04:21:34.650

Angela Anderson: Inter inter provincial transmission and some other areas.

1090

04:21:35.550 --> 04:21:50.910

Angela Anderson: They use similar performance metrics to the United States, we had to em BC hydro and your bronze power there in our report that you can see it, you know it could be cut from any utilities listen performance measures their safety customer satisfaction similar.

1091

04:21:52.620 --> 04:22:00.600

Angela Anderson: Financial performance measures that they're, including in their compensation, the compensation levels tend to be lower and may vary depending on whether the.

1092

04:22:00.930 --> 04:22:13.530

Angela Anderson: utilities are investor owned utilities, or whether they're on by the government so some of the io us do have a long term incentive, but we didn't see as much of that for the government owned and then.

1093

04:22:14.190 --> 04:22:24.510

Angela Anderson: we've seen some small numbers, I mean it's like 20% in in terms of what they're referring to is like a setback award and you know report, Canada and.

1094

04:22:25.770 --> 04:22:30.780

Angela Anderson: Australia refer to it as remuneration so you'll see that in the report, when you get to our.

1095

04:22:33.330 --> 04:22:49.320

Angela Anderson: The one nice thing if you could go the next slide is Canada did develop the Canadian electricity Association, which is a basically a group of utilities did develop a wildfire mitigation guide i'm sure many of you are familiar with this.

1096

04:22:51.300 --> 04:23:11.610

Angela Anderson: One of their key things findings was that wildfires are only going to get worse, they set forth a number of best practices in this document that cover that is very similar to what we're seeing in California and in the US productive D and D energy ization wildfire mitigation plans.

1097

04:23:13.440 --> 04:23:19.650

Angela Anderson: they've got suggested metrics, but there is again no ties to compensation so.

1098

04:23:23.520 --> 04:23:25.560

Angela Anderson: In a nutshell, I would say.

1099

04:23:27.180 --> 04:23:32.370

Angela Anderson: California is kind of on the cutting edge of regulation and.

1100

04:23:33.540 --> 04:23:37.650

Angela Anderson: Trying to drive wildfire.

1101

04:23:39.060 --> 04:23:45.690

Angela Anderson: Positive wildfire outcomes using compensation performance metrics as as the method to do it.

1102

04:23:46.800 --> 04:23:48.450

Angela Anderson: If you can flip to the next slide.

1103

04:23:52.230 --> 04:24:02.730

Angela Anderson: So we we did also look out, which I think is interesting and I don't know if this is merely an issue of presentation, or if it really is.

1104

04:24:03.870 --> 04:24:24.720

Angela Anderson: One more than one, a process but there seem to be greater ties, or at least greater reported ties in some of the other countries that we looked at between risks and the development of performance measures and planning, then we see here in the United States, so I think that risk focuses.

1105

04:24:26.340 --> 04:24:28.440

Angela Anderson: was much more prevalent in.

1106

04:24:29.760 --> 04:24:41.850

Angela Anderson: In other countries, at least in terms of discussion and actually the responses to issues seem to be somewhat more productive and there are some examples of that that you'll see in the detailed research report.

1107

04:24:42.960 --> 04:24:49.290

Angela Anderson: Some of the discussion that we have already touched on the ESC s G corporate governance.

1108

04:24:50.130 --> 04:25:04.590

Angela Anderson: goals we see, and those are more prevalent in the utility industry than others, but you know we are seeing that as a trend, both in terms of inclusion, as well as in terms of investors, focusing on companies that are focused that way.

1109

04:25:05.700 --> 04:25:22.350

Angela Anderson: The effective coven 19 which you know we're seeing in some temporary changes in compensation some executives temporarily not taking salary other changes but but, overall, not a significant change in terms of the.

1110

04:25:23.490 --> 04:25:37.620

Angela Anderson: Performance measures or executive compensation and then an increase in diversity, equity and inclusion as an element of compensation, and also as an element of utility sustainability plans.

1111

04:25:39.570 --> 04:25:49.140

Angela Anderson: There is more emphasis on safety among utilities, but it's still limited and not as extensive in some other industries as it might a bit.

1112

04:25:50.730 --> 04:25:51.840

Angela Anderson: So next slide.

1113

04:25:55.410 --> 04:26:06.240

Angela Anderson: And I apologize, because I know i'm talking quickly, but we don't have a lot of time for this as a lot of research so California really isn't in the forefront of trying to balance.

1114

04:26:07.500 --> 04:26:10.650

Angela Anderson: regulatory oversight and executive compensation.

1115

04:26:12.270 --> 04:26:24.120

Angela Anderson: Neither nor starting or any of the compensation consultants we interviewed or any of the industry research identified any comparable examples of a regulator trying to really solve for.

1116

04:26:25.770 --> 04:26:44.190

Angela Anderson: A significant public safety concern using compensation system when we understand, this is only one component of what we is doing and the state's doing to try to address wildfires but that that level of regulator involvement in the process is unique in California right now.

1117

04:26:47.340 --> 04:27:03.030

Angela Anderson: Okay, so i'm going to try to go through fairly quickly, the next few slides if you could flip over is so in terms of what we collected and similar is I just will say right now, when you're looking at a proxy statement or a filing or anything of that sort.

1118

04:27:04.320 --> 04:27:21.750

Angela Anderson: of almost everyone has the same philosophy suited philosophy regarding compensation pay performance target that market medium clawback policies know excessive risks stock ownership guidelines, no tax gross ups all of that, the California utilities are very similar in this respect.

1119

04:27:23.010 --> 04:27:40.980

Angela Anderson: perks are generally limited utilities pg&e and semper what some Edison none I don't remember about the bear valley and then the use of performance modifier, so I would say it's probably about a third that we're seeing in the in the data that we're looking at.

1120

04:27:42.270 --> 04:27:53.340

Angela Anderson: And all of the utilities have some sort of performance modifier and then the triggers which were, as I mentioned earlier, like having to achieve a financial target before any bonuses are paid out.

1121

04:27:53.940 --> 04:28:00.990

Angela Anderson: We don't see too much of that in what we're doing and the California utilities, we didn't see any of that so next slide.

1122

04:28:03.570 --> 04:28:16.530

Angela Anderson: This is information and we tried to be careful throughout the report and the presentation, where we were pulling this information from proxy statements versus from.

1123

04:28:17.010 --> 04:28:25.020

Angela Anderson: The utilities filings so for comparing to others, we wanted to be on a consistent basis.

1124

04:28:25.530 --> 04:28:40.410

Angela Anderson: proxy statements, the SEC requires that the named executive officers compensation be specified, as the CEO the see the CFO and then the top three most highly compensated officers.

1125

04:28:41.220 --> 04:28:59.760

Angela Anderson: that's different than the requirement in the filings and the regulation, but where we were comparing one of the utilities to others, we wanted to at least have it on a comparable basis so that's why you'll see sempra and Ms international in this exhibit versus seeing Edison and sdg&e.

1126

04:29:01.050 --> 04:29:07.230

Angela Anderson: So, on average, the CEO tip step that we found was 138% and you can see the percentages.

1127

04:29:08.760 --> 04:29:16.110

Angela Anderson: For the NGOs and the CEO the top end of the range in the exhibit here pg&e because of.

1128

04:29:16.740 --> 04:29:24.450

Angela Anderson: All the turnover in the bankruptcy, we had used two different proxy statement time frames, but it's there to give you a gauge so in terms of the percentage.

1129

04:29:25.320 --> 04:29:31.590

Angela Anderson: That their targets dip is there, consistent with you know the utility industry in general and the industry in general.

1130

04:29:32.280 --> 04:29:48.150

Angela Anderson: The same as the case for the long term as a percentage of a salary utilities tend to be a little bit higher but you're looking at you know 600% as a target for for many of them going up to over 1,000% depending on the industry.

1131

04:29:49.230 --> 04:29:55.350

Angela Anderson: In terms of the performance ranges, which is the if you're below the performance range you don't earn anything.

1132

04:29:56.010 --> 04:30:12.480

Angela Anderson: Then you have your threshold, the minimum that would be about 50% typically and then it goes up to 100% at target and between 200 and 150% at the Max so the utilities are all really you know, consistent with that in terms of their ranges as well.

1133

04:30:14.610 --> 04:30:15.330

Angela Anderson: Next slide.

1134

04:30:16.530 --> 04:30:33.360

Angela Anderson: So this is comparing the for utilities, based on their filings and that will skew things a little bit one of the things that it did, point out that was interesting and like leads to some of the suggested changes going forward.

1135

04:30:33.990 --> 04:30:54.960

Angela Anderson: Is the data is not necessarily reported consistently so pg&e is protected addison is 2020 year and P, you know sempra sdg&e and BV bear valley are projected so there's a little bit of nuances there and then what you're seeing here.

1136

04:30:56.430 --> 04:31:04.860

Angela Anderson: Is a little bit of the difference between so bear valley Obviously there are much smaller company they're not publicly traded.

1137

04:31:05.190 --> 04:31:13.290

Angela Anderson: it's a very different situation their compensation is going to tend to be a little bit higher on a base salary basis for the reasons they articulated earlier.

1138

04:31:13.860 --> 04:31:25.560

Angela Anderson: PG knees, is a little bit different because of timing that's largely because the CEO in the filing did not earn a bonus because they depart it.

1139

04:31:26.190 --> 04:31:37.560

Angela Anderson: So, but we just wanted to give you a breakdown of showing the difference between them in terms of the base you'll notice that bear Valley, is the only quarterly and then that short term and long term.

1140

04:31:39.390 --> 04:31:40.290

Angela Anderson: So next slide.

1141

04:31:41.430 --> 04:31:54.270

Angela Anderson: So, if we take the utilities and we compare themselves against the utilities in our survey and the non utilities in our survey and again this is all using proxy statement they're pretty much in line with everyone else.

1142

04:31:56.040 --> 04:32:01.080

Angela Anderson: there's not any significant deviations in the in the way it breaks down.

1143

04:32:02.190 --> 04:32:02.790

Angela Anderson: Next slide.

1144

04:32:05.310 --> 04:32:08.310

Angela Anderson: So now we're talking about the numbers of metrics.

1145

04:32:09.300 --> 04:32:16.920

Angela Anderson: These are the short term incentive plan measures that are listed in their filings for each of the utilities, I personally thought it was a bit interesting that.

1146

04:32:17.370 --> 04:32:30.510

Angela Anderson: Edison and bear valley or single commodity utilities, have the smallest and the largest number, but these numbers are hot so we've got you know 11 to 24 depending that's higher than.

1147

04:32:32.520 --> 04:32:35.040

Angela Anderson: Then, many she goes the next slide.

1148

04:32:38.910 --> 04:32:50.910

Angela Anderson: We don't consider and I don't think anyone that spoke from the executive compensation side considers large numbers of metrics of small waiting to be best practice.

1149

04:32:54.060 --> 04:32:57.330

Angela Anderson: It creates confusion regarding priorities.

1150

04:32:58.020 --> 04:33:11.610

Angela Anderson: It makes you know people feel like they're chasing small percentages of compensation, and you know if i've got a few one and two percenters here and there and then i've got a 10% well it's entirely possible i'm going to ignore the one in two percenters.

1151

04:33:12.990 --> 04:33:19.830

Angela Anderson: it's harder for employees to follow unless they're in a very specific group and they only focus on their us because there's so many out there.

1152

04:33:21.540 --> 04:33:34.080

Angela Anderson: Some utilities created indices for this, and that I think i'm not a big fan personally indices unless their industry recognized because it just blends everything together if you flip to the next slide.

1153

04:33:35.310 --> 04:33:37.890

Angela Anderson: utilities do have more metrics than others.

1154

04:33:39.420 --> 04:33:47.220

Angela Anderson: You know, based on that our discussions with the compensation consultants, this is because the utilities historically have had a lot of stakeholders.

1155

04:33:48.270 --> 04:34:00.720

Angela Anderson: it's an engineering kind of belief that if it's not on the scorecard it's not important, and so you know they've said that you could have 30 or more step metrics for utility but other industries might have three to five.

1156

04:34:01.830 --> 04:34:02.580

Angela Anderson: Next slide.

1157

04:34:04.170 --> 04:34:17.640

Angela Anderson: Our survey showed on it had, on average, the utilities had eight other industries had five financial measures among the utilities were surveyed we're still the most common and then safety, reliability and customer satisfaction.

1158

04:34:19.620 --> 04:34:21.240

Angela Anderson: So next slide.

1159

04:34:22.800 --> 04:34:26.670

Angela Anderson: I don't know why we probably don't have bear valley on this, I apologize.

1160

04:34:28.290 --> 04:34:39.090

Angela Anderson: But this is just showing the relative breakdown, now we when we were doing our comparisons on the step we reclassified people's metrics across the board, not just the California utilities.

1161

04:34:40.710 --> 04:34:48.330

Angela Anderson: realize katie and safety and safety to us or reliability metrics they are not, I mean unless you get into a really big long outage.

1162

04:34:48.570 --> 04:34:57.090

Angela Anderson: which case it would be excluded it's not really a safety issue their traditional classified as a liability so for purposes of consistency.

1163

04:34:57.690 --> 04:35:10.800

Angela Anderson: And also because people classify metrics in so many different categories, it was just unwieldy we reclassified the metrics into the you know the categories, you see here and.

1164

04:35:11.490 --> 04:35:22.560

Angela Anderson: You know, we could have even made them smaller groups, but this shows you general you know break down you've got a you know, a fair number of financial still, but it is heavily on safety.

1165

04:35:24.390 --> 04:35:25.080

Angela Anderson: Next slide.

1166

04:35:26.640 --> 04:35:30.840

Angela Anderson: This is now showing other utilities that we have in our benchmark survey.

1167

04:35:31.410 --> 04:35:38.430

Angela Anderson: excel energy looks a little odd, for the reason I mentioned earlier, which is that they have an earnings per share threshold before they get.

1168

04:35:38.850 --> 04:35:45.210

Angela Anderson: Before any bonuses earn short term bonuses are and so there's no financial listed and that's why it looks a little odd.

1169

04:35:45.600 --> 04:36:00.630

Angela Anderson: But if you look at this bar graph and then you flip to the next one, and you look at the next bar graph which is non utilities it's not a huge difference in the mids maybe waited a little more to financial but most industries are.

1170

04:36:02.970 --> 04:36:14.250

Angela Anderson: Are you know financial base the metrics are financial based, we did not in comparing are all of the metrics that were safety related have any of the short term incentives.

1171

04:36:17.100 --> 04:36:20.760

Angela Anderson: The California wants to really pushing the envelope of the most.

1172

04:36:23.580 --> 04:36:31.320

Angela Anderson: The rest of them are a fairly straightforward standard set of of you know, safety related metrics and they're largely focused on.

1173

04:36:33.330 --> 04:36:34.260

Angela Anderson: Nuclear.

1174

04:36:35.940 --> 04:36:36.630

Angela Anderson: gas.

1175

04:36:38.550 --> 04:36:45.600

Angela Anderson: Obviously gas operations, because there's that's regulated in a different way, and there are there are specific standards related to that.

1176

04:36:45.840 --> 04:36:57.780

Angela Anderson: emergency response to events and then it's employee it's mostly employee across the board, I mean there are standard ways to measure employee osha's got their standards it's just it's easier and it's more comments so.

1177

04:36:58.500 --> 04:37:14.880

Angela Anderson: We did not find any you know we really want to grab this metric and say, this is a great one we should pull it in and use it in the in what we looked at so long term incentives next slide and I know i'm over my time.

1178

04:37:17.040 --> 04:37:23.790

Angela Anderson: We were surprised to find a few more operationally based companies with long term metrics in their.

1179

04:37:25.590 --> 04:37:32.610

Angela Anderson: operationally based metrics in their long term incentive program more than I was expecting so of the 52 companies we had.

1180

04:37:33.750 --> 04:37:39.300

Angela Anderson: We had eight utilities and through nine utilities and so, if you could flip to the next slide.

1181

04:37:41.490 --> 04:37:48.990

Angela Anderson: So some of these like I might we have here each and we're showing you each of the companies there, and you can look at this at your leisure.

1182

04:37:49.440 --> 04:38:03.240

Angela Anderson: Some of these I might personally have called you know really that's more of a financial related goal, but we did not mess with this definition, this is how they presented it so it's in there, so we have some environmental.

1183

04:38:03.960 --> 04:38:17.970

Angela Anderson: Some of what they're calling strategic corporate and then customer service is what we're also seeing in there, so these are the three non non financial non utility non financial goals we saw next slide.

1184

04:38:20.130 --> 04:38:29.220

Angela Anderson: This starts to become utilities, so we see again it's clean energy focused consolidate Edison has.

1185

04:38:30.060 --> 04:38:43.650

Angela Anderson: A group of them that they're rated at 25% for the totality of them that cover public employee safety, environmental operating excellence and customer experience and then I think we have two more slides of utilities.

1186

04:38:44.940 --> 04:38:47.070

Angela Anderson: So this is do which.

1187

04:38:48.300 --> 04:38:54.690

Angela Anderson: john was mentioning earlier with the total incident case right and then next era, energy, which has.

1188

04:38:56.370 --> 04:39:08.430

Angela Anderson: You know, some forced outages, so I would have considered that you know a little bit more production or reliability and then employee safety in there as well, and then our last company, I think you know we've got more so.

1189

04:39:09.480 --> 04:39:16.860

Angela Anderson: Nice source has some interesting ones they've got the national safety Council barometer survey, which I know some of the utilities to do.

1190

04:39:17.550 --> 04:39:33.900

Angela Anderson: A culture index one pinnacle West has some OSHA ones and customer reliability ones, and then on the last page I think now southern company which has a greenhouse gas reduction goal, so I don't know if there any more slides.

1191

04:39:35.880 --> 04:39:38.610

Angela Anderson: Oh there's still are okay so.

1192

04:39:39.870 --> 04:39:44.010

Angela Anderson: pg&e has mentioned earlier, during the discussion is the only one of the utilities.

1193

04:39:46.050 --> 04:39:56.730

Angela Anderson: That has non financial long term incentive goals bear valley has wildfire mitigation plan capital expenditures which.

1194

04:39:58.020 --> 04:40:01.920

Angela Anderson: Yes, that is well fire mitigation plan, but we consider that to be financial.

1195

04:40:03.240 --> 04:40:04.560

Angela Anderson: If we can go to the next slide.

1196

04:40:06.090 --> 04:40:16.080

Angela Anderson: And this is a slide that kind of is important, a little bit connected to the discussion that Adrian had earlier on.

1197

04:40:17.460 --> 04:40:30.120

Angela Anderson: Potential modifications to 8389 e6 so Edison offer stock options which is unique in the industry and those are four year graded.

1198

04:40:31.200 --> 04:40:44.940

Angela Anderson: vesting period the RS use for sdg&e our three year radically and which means it's not a cliff so those things are not being held for three years.

1199

04:40:47.760 --> 04:40:59.130

Angela Anderson: We have the performance share units that are being offered by all three or four utilities really they just happen to be its cash for bear Valley, because of its structure.

1200

04:41:00.300 --> 04:41:07.320

Angela Anderson: As opposed to an actual performance share, and they have the show the three year cliff on.

1201

04:41:08.490 --> 04:41:18.990

Angela Anderson: The three of them and St Jean is a three year performance i'm not 100% sure other classifying that but that's how it was described in their filing So if you flip to the next slide.

1202

04:41:20.130 --> 04:41:29.310

Angela Anderson: This kind of shows their composition of the long term incentive program relative to the other utilities and the non utilities.

1203

04:41:30.720 --> 04:41:47.400

Angela Anderson: for all intents and purposes a PS, are you which you'll see for both utilities and non utilities, is the same thing as a psu it's just the referring to it is a performance restricted share unit versus a performance your unit, but they're the same thing.

1204

04:41:48.750 --> 04:41:55.860

Angela Anderson: So you can see the breakdown so stock options, not very prevalent in the utility sector more prevalent among the nine utilities.

1205

04:41:57.240 --> 04:42:09.840

Angela Anderson: And then the breakdowns for each of the three utilities in this in the pool you know in in California from what we have is on the proxy data, which is what their values are not in there, because they don't have proxy data.

1206

04:42:10.590 --> 04:42:20.010

Angela Anderson: So that's it I know i'm horribly over time, despite talking quickly any questions, or should we wait to the end.

1207

04:42:24.990 --> 04:42:32.130

Adrian Ownby: i'm going to suggest we wait to the end I don't see any immediate questions there might be some Q amp a.

1208

04:42:35.610 --> 04:42:38.280

Adrian Ownby: But we are behind this point so.

1209

04:42:40.410 --> 04:42:45.330

Adrian Ownby: let's plan on returning to these at the end, we do need.

1210

04:42:46.380 --> 04:42:52.680

Adrian Ownby: To take a brief break do we want to take a full 10 Angela do you want to take us.

1211

04:42:54.090 --> 04:42:54.570

Angela Anderson: five.

1212

04:42:54.990 --> 04:43:01.560

Adrian Ownby: Okay, so why don't we just take a short break this time a five minute break or let's say a seven minute break and get back at.

1213

04:43:02.010 --> 04:43:03.780

150 50.

1214

04:43:04.950 --> 04:43:05.250

Adrian Ownby: Okay.

1215

04:43:06.630 --> 04:43:06.870

Angela Anderson: Great.

1216

04:43:07.260 --> 04:43:07.650

Adrian Ownby: Thank you.

1217

04:44:07.260 --> 04:44:09.300

Adrian Ownby: Change, are you still there.

1218

04:44:11.550 --> 04:44:13.260

James Pearce: Okay, Adrian.

1219

04:44:13.590 --> 04:44:14.250

yeah.

1220

04:44:16.830 --> 04:44:37.770

Adrian Ownby: we're a little off schedule here let's we did have a request from Paul Marconi to to display slides 18 and 19 briefly during the break So if you could put 18 up for about two minutes and then 19 up for two or three minutes and then put the.

1221

04:44:39.570 --> 04:44:42.150

Adrian Ownby: slide back up i'd appreciate it, you can do that.

1222

04:44:44.400 --> 04:44:45.660

Adrian Ownby: cool, thank you very much.

1223

04:51:16.800 --> 04:51:20.040

Adrian Ownby: Whenever you're ready go ahead and get started Angela.

1224

04:51:20.460 --> 04:51:23.820

Angela Anderson: Sure um Can we just jump to the next slide.

1225

04:51:26.310 --> 04:51:33.120

Angela Anderson: Okay, so I would ideally like to do this presentation, a little bit differently, and I have a little bit more time.

1226

04:51:35.040 --> 04:51:40.260

Angela Anderson: I would love for it to be a discussion format, if we can manage that I know that's difficult.

1227

04:51:41.730 --> 04:51:59.340

Angela Anderson: Virtually, but I think it would be helpful if if it's not doable i'll just we can talk about i'll give the presentation and then we can discuss questions and answers afterwards, but if we can do it with people raising issues or commenting that would be great so.

1228

04:52:00.720 --> 04:52:01.800

Angela Anderson: The next slide.

1229

04:52:05.940 --> 04:52:08.490

Angela Anderson: So this is just a little bit of.

1230

04:52:09.690 --> 04:52:18.330

Angela Anderson: timelines that we put into try to keep me on track and what we're going to go through during the course of the discussion so next one.

1231

04:52:20.070 --> 04:52:21.720

Angela Anderson: Oh, you can skip that one too sorry.

1232

04:52:23.160 --> 04:52:43.050

Angela Anderson: So what we're proposing as one of the first changes to the executive compensation submissions and the guidelines is that the information be presented to us using to Oh, he is using a template that we will establish.

1233

04:52:45.000 --> 04:52:53.580

Angela Anderson: To provide the information in a consistent manner the narrative so far have been helpful, I mean so far in the process, like the first couple of years.

1234

04:52:53.970 --> 04:53:00.840

Angela Anderson: But I think they're going to get repetitive going forward unless we have new participants entering the arena.

1235

04:53:01.380 --> 04:53:08.910

Angela Anderson: And I think it's more important to be able to streamline the review process, make sure we're getting everything that we're looking for.

1236

04:53:09.210 --> 04:53:15.810

Angela Anderson: And that will allow comparison of information so we're hoping to create a word template it's already in process.

1237

04:53:16.200 --> 04:53:28.620

Angela Anderson: which would provide the required level of detail, even some examples of what we're looking for instructions and then you know definitions, where there may be a question like what counts is a requisite what is this.

1238

04:53:29.340 --> 04:53:35.460

Angela Anderson: type of cotton, you know what is cliff vesting me just you know just so there's a glossary of key terms at the back of it.

1239

04:53:36.240 --> 04:53:49.140

Angela Anderson: We would ask that the purchase that the electric corporations actually do fill out the information and not just a Skype is a proxy statements in there and then all of the information that we're looking for be provided.

1240

04:53:50.640 --> 04:53:51.630

Angela Anderson: Next slide.

1241

04:53:53.100 --> 04:54:06.720

Angela Anderson: So one of the things that we want to make sure we have is, and this has been very interesting and i'm focusing on this a little bit differently than adrian's focus but.

1242

04:54:07.830 --> 04:54:17.970

Angela Anderson: We need to be able to see who the executive officers are by detail title, something that just says SVP doesn't really help us that much.

1243

04:54:19.350 --> 04:54:26.490

Angela Anderson: And we want percentages by each cup of of each compensation component for each of the executive officers.

1244

04:54:30.540 --> 04:54:47.640

Angela Anderson: Looking at the discuss the definition of executives executive officer in section 450 1.5 see it includes the President, Secretary treasurer and any Vice President in charge of a principal business unit division or function of the public utility.

1245

04:54:48.930 --> 04:54:59.700

Angela Anderson: I was a little surprised by answers that we got back to who was included, so I wanted to post some questions for discussion.

1246

04:55:00.570 --> 04:55:11.280

Angela Anderson: should include the holding company CEO you guys have already waiting on it, saying now if there's a senior Vice President included, should it be all senior Vice Presidents.

1247

04:55:12.420 --> 04:55:22.350

Angela Anderson: If if Vice President is in it, should it be all of them, or should it at least include key ones that are going to be policymaking in areas that we're interested in.

1248

04:55:22.800 --> 04:55:38.730

Angela Anderson: Like transmission distribution risk management safety wildfire mitigation she didn't include the entire C suite so if somebody that chief something should they be in the list the list or a little bit all over and don't necessarily even include.

1249

04:55:40.650 --> 04:55:47.670

Angela Anderson: All of the positions so one, I have one utility is file then there's no Secretary, I believe, on the list, but but there's you know.

1250

04:55:48.090 --> 04:56:00.540

Angela Anderson: we've got gone from like 440 officers to maybe you know eight or 10 and i'm not sure what that is causing that distinction, but I think there needs to be a little bit more clarity on who is.

1251

04:56:01.830 --> 04:56:12.600

Angela Anderson: being recorded and who should be reported it, so this is one of the first things that we're going to want to see which is you know, a detailed title, not just SPV or maybe.

1252

04:56:15.330 --> 04:56:22.440

Angela Anderson: I don't know if anyone has any angsty or comments on that they want to offer up at this point, or he want me just to keep going.

1253

04:56:23.400 --> 04:56:33.870

James Pearce: stir my panelists they can unmute themselves anytime they want and attendees if they want to make comment what Angeles talking about currently they can raise their hand and I can unmute them.

1254

04:56:36.090 --> 04:56:48.690

Angela Anderson: And the reason we're asking for feedback is as we're thinking this through it's helpful to hear it from someone and not just have to try to interpret something that's written up the Q amp a process helps.

1255

04:56:58.320 --> 04:57:00.240

Angela Anderson: Okay hearing nothing will move on.

1256

04:57:02.550 --> 04:57:03.720

Angela Anderson: Next slide please.

1257

04:57:06.600 --> 04:57:06.810

Mark Bennet: and

1258

04:57:07.470 --> 04:57:10.950

Mark Bennet: Yes, this is mark Bennett from southern California Edison.

1259

04:57:11.100 --> 04:57:11.460

Mark Bennet: How are you.

1260

04:57:12.120 --> 04:57:17.790

Mark Bennet: Good how are you hey I had a question about collecting this information, how are you going to maintain confidentiality.

1261

04:57:18.810 --> 04:57:20.880

Mark Bennet: of information provided.

1262

04:57:21.330 --> 04:57:26.970

Angela Anderson: I don't know that any of it is confidential we wouldn't be asking for what anyone is actually making.

1263

04:57:28.650 --> 04:57:41.520

Angela Anderson: We would just be asking for to know who who you know who you consider this applying to, and then you know all of your executive officers are on your websites so.

1264

04:57:42.540 --> 04:57:48.780

Angela Anderson: I appreciate this isn't the same as a proxy statement but we're really just wanting to know who you're considering part of this group.

1265

04:57:51.960 --> 04:58:04.890

Angela Anderson: And Ideally, we would like to see you know, we would like to see the percentage base the percentage, you know step in the percentage l tip, which is a target and not guaranteed in any way, shape or form anyway.

1266

04:58:07.710 --> 04:58:17.610

Angela Anderson: But if it was information that the utility is considered confidential, I think we could you know talk about how that gets handled internally by Oh, he is and it's any of its consultants.

1267

04:58:18.810 --> 04:58:32.370

Mark Bennet: yeah I guess so so if if this information isn't in the filings or anything else that we would normally be reporting there's just some concerns with that that there would have to be some type of a.

1268

04:58:34.140 --> 04:58:39.390

Mark Bennet: You know other other ways that we can confidentially present this data.

1269

04:58:40.050 --> 04:58:43.860

Angela Anderson: understood and some of you are recording it now, and some of you aren't.

1270

04:58:47.190 --> 04:59:06.450

Mark Bennet: Okay, and I guess another question that I had is in terms of your the officers that you're talking about so you know companies like Edison that have holding companies versus the utilities were were just strictly speaking about the utility officers right.

1271

04:59:06.990 --> 04:59:13.410

Angela Anderson: Well, that was that's where everybody was weighing in from the utility standpoint.

1272

04:59:14.850 --> 04:59:20.220

Angela Anderson: Was that it would be just the officers that are of the utility.

1273

04:59:22.080 --> 04:59:26.490

Angela Anderson: Okay, I mean i'll broach the subject that pg&e gets a little quirky.

1274

04:59:27.570 --> 04:59:32.430

Angela Anderson: Because they're they're a different sort of holding company animal than the others are.

1275

04:59:33.960 --> 04:59:34.320

Mark Bennet: mm hmm.

1276

04:59:36.930 --> 04:59:38.700

Angela Anderson: So I don't have an answer on that one yet.

1277

04:59:39.630 --> 04:59:41.520

Mark Bennet: Okay, that would be that would be helpful for us.

1278

04:59:41.670 --> 04:59:42.180

yeah.

1279

04:59:43.440 --> 04:59:54.600

Angela Anderson: I think it's more we'd like to see that you know that that the policy making senior Vice Presidents and Vice Presidents are being included, and if not, why not.

1280

04:59:58.950 --> 05:00:00.870

James Pearce: Angela we do have one hand race Republic.

1281

05:00:02.010 --> 05:00:03.420

James Pearce: Chris you should be able to meet yourself.

1282

05:00:05.100 --> 05:00:06.660

Chris Parkes: Thank you, can you hear me OK.

1283

05:00:07.200 --> 05:00:08.700

Angela Anderson: I can, Chris how are you.

1284

05:00:09.270 --> 05:00:14.190

Chris Parkes: Good good on the previous slide where you mentioned.

1285

05:00:15.600 --> 05:00:20.790

Chris Parkes: The officers or the executives to be mentioned, yes, so um.

1286

05:00:21.990 --> 05:00:32.820

Chris Parkes: I to me that I believe that this makes a lot of sense to have all this information in in fact i'm curious if the holding company CEO should not also be included.

1287

05:00:33.630 --> 05:00:43.170

Chris Parkes: You know there's also the CFO CFO is have a big impact on on resource allocation CFO may report to the CEO CEO.

1288

05:00:43.590 --> 05:01:00.300

Chris Parkes: And then, I believe, a lot of this information would already be public, it wouldn't be confidential if it's also included in SEC filings so it, you know, having this information consult consolidated as part of this analysis, makes a lot of sense.

1289

05:01:01.380 --> 05:01:04.470

Angela Anderson: yeah and so Chris like at the Vice President level.

1290

05:01:04.500 --> 05:01:23.670

Angela Anderson: Those people are not going to be in the proxy statements it's the CEO the CFO and then the three highest compensated but also sometimes for for different depending on the entity, sometimes the holding company CEO and the utility CEO are the same person.

1291

05:01:24.090 --> 05:01:25.590

Angela Anderson: And there's no real distinction.

1292

05:01:27.300 --> 05:01:28.290

Angela Anderson: Thank you i'm excited.

1293

05:01:29.400 --> 05:01:35.400

Angela Anderson: or it may be that there's this holding company CFO and then there's a different CFO for the enterprise.

1294

05:01:36.990 --> 05:01:38.310

Angela Anderson: For the utility price.

1295

05:01:38.340 --> 05:01:41.010

Chris Parkes: Sorry, thank you and are any of the.

1296

05:01:42.120 --> 05:01:49.020

Chris Parkes: Senior Vice President or Vice President also some of the named executives, that would be part of the SEC filings.

1297

05:01:49.950 --> 05:01:52.470

Angela Anderson: is certainly.

1298

05:01:53.490 --> 05:01:59.700

Angela Anderson: it's possible at the SVP level I don't imagine it would be likely at the VP level got it.

1299

05:01:59.880 --> 05:02:05.730

Chris Parkes: Okay, but it does make sense that, having been able to connect that position to the.

1300

05:02:07.770 --> 05:02:15.270

Chris Parkes: To be able to have this at a granular level would be very informative otherwise it becomes very difficult to track so.

1301

05:02:16.320 --> 05:02:18.930

Angela Anderson: Anyway, yeah sure.

1302

05:02:21.330 --> 05:02:25.080

Angela Anderson: So next slide or two slides maybe.

1303

05:02:25.140 --> 05:02:26.700

James Pearce: there's actually one other hand, raised.

1304

05:02:29.970 --> 05:02:30.960

James Pearce: Oh hold on a second.

1305

05:02:35.130 --> 05:02:37.560

James Pearce: William you can be a new yourself.

1306

05:02:39.270 --> 05:02:43.800

William Abrams: Thanks just a question on sort of the nuts and bolts of this.

1307

05:02:45.390 --> 05:02:50.880

William Abrams: One of my concerns is sort of the accessibility of the information.

1308

05:02:52.050 --> 05:03:09.330

William Abrams: From from parties and wanted to you know if this is in word format, it might not be certainly searchable or filter bubble, I know a lot of the information is qualitative However, you know, trying to understand.

1309

05:03:10.770 --> 05:03:20.640

William Abrams: relative to other utilities what one utility is is doing, you know I think if there's some way to put this information into table format.

1310

05:03:22.020 --> 05:03:24.480

William Abrams: So that that it can be more accessible.

1311

05:03:25.590 --> 05:03:27.000

William Abrams: would be a suggestion.

1312

05:03:28.230 --> 05:03:37.590

William Abrams: And not sure if that's going to be the responsibility of the utilities to make that in the more accessible format or.

1313

05:03:38.550 --> 05:03:54.180

William Abrams: or who would sort of take on that responsibility, but certainly sort of having a data dump in in Microsoft word where parties need to go and filter around and try to search for a particular pieces of information might be a difficult way to manage the process.

1314

05:03:54.450 --> 05:04:09.720

Angela Anderson: so well, I appreciate you asking that question, it is as currently planned, it is actually tabular or even sometimes it's checkbox, so we are trying to make this as streamlined and as consistent as possible.

1315

05:04:11.460 --> 05:04:18.360

Angela Anderson: With not allow I mean if the utilities, the vision is it a few charities want to provide some narrative they can do that at the end.

1316

05:04:18.690 --> 05:04:29.070

Angela Anderson: But that it's a template and they need to fill it out exactly the way we're asking for the data and then one can compare one utility the next you can compare the utility year over year.

1317

05:04:30.270 --> 05:04:35.130

Angela Anderson: Great so it would be that it would be searchable and that it's a basically a cookie cutter.

1318

05:04:36.420 --> 05:04:37.230

William Abrams: Very good, thank you.

1319

05:04:37.440 --> 05:04:38.010

me.

1320

05:04:41.040 --> 05:04:41.730

Angela Anderson: Okay next one.

1321

05:04:42.300 --> 05:04:42.840

Angela Anderson: Angela.

1322

05:04:43.260 --> 05:04:46.320

Mark Bennet: i'm sorry weren't one of the things this is mark so before you move on.

1323

05:04:46.560 --> 05:04:47.190

Mark Bennet: So I guess.

1324

05:04:47.310 --> 05:04:58.860

Mark Bennet: You know we're we're looking at 450 1.5 and the language there, as you know, an officer performing policymaking functions and.

1325

05:05:00.240 --> 05:05:09.060

Mark Bennet: You know employed by the utility subject to the approval of the board of directors, not all officers perform those policymaking functions.

1326

05:05:10.230 --> 05:05:18.840

Mark Bennet: And it seems like you're expanding that that these definition to potentially those positions that.

1327

05:05:19.950 --> 05:05:24.000

Mark Bennet: You know, do not perform policymaking functions and so.

1328

05:05:24.150 --> 05:05:24.930

Angela Anderson: I met.

1329

05:05:25.650 --> 05:05:27.360

Mark Bennet: behind that one a little bit more.

1330

05:05:27.600 --> 05:05:31.590

Angela Anderson: know the intent right now is not to expand the definition.

1331

05:05:33.030 --> 05:05:38.190

Angela Anderson: i'm not sure exactly what the definition of policymaking function is precisely.

1332

05:05:41.430 --> 05:05:51.480

Angela Anderson: But i'm seeing a variation we're seeing a variation in what's being filed right now that just doesn't make a lot of sense.

1333

05:05:55.050 --> 05:06:17.040

Mark Bennet: To me and others have definitions about policymakers and so are we trying to craft another you know kind of approach to that or are we still you know kind of following you know the stated rules with respect to that because that's that's how we've interpreted this thus far in our recording.

1334

05:06:18.990 --> 05:06:21.660

Adrian Ownby: If it's okay Angela i'd like to jump in.

1335

05:06:22.110 --> 05:06:22.830

Adrian Ownby: Here real quick.

1336

05:06:23.670 --> 05:06:25.530

Adrian Ownby: So I think this goes back to what.

1337

05:06:27.060 --> 05:06:34.050

Adrian Ownby: What i'd suggest to this as a potential guidance change which was that she would tell us who is in this and who isn't in this.

1338

05:06:34.590 --> 05:06:45.240

Adrian Ownby: And why they're not in this if they are is a you know BP does not have a policy making rolled and that would be your reason why they wouldn't be in.

1339

05:06:45.990 --> 05:06:58.680

Adrian Ownby: we're not per se expanding the definition or just asking for clarity about who's in and who's out and on what basis, people are in and out of the executive compensation structure.

1340

05:07:01.140 --> 05:07:01.620

Mark Bennet: Okay.

1341

05:07:02.880 --> 05:07:03.510

Mark Bennet: Thank you.

1342

05:07:05.160 --> 05:07:09.090

Angela Anderson: And these are also things that you guys can put in the comments to this proceeding.

1343

05:07:12.450 --> 05:07:14.250

Adrian Ownby: Oh yeah just as a reminder.

1344

05:07:14.280 --> 05:07:17.280

Adrian Ownby: So i'll take this opportunity since she's opened the door there.

1345

05:07:18.240 --> 05:07:31.200

Adrian Ownby: You know, we have a docket open for this it's 2022 dash etc, you can find it on our website and we do hope and expect that people will be submitting comments.

1346

05:07:33.420 --> 05:07:37.590

Adrian Ownby: And items to the docket over the next two weeks thanks.

1347

05:07:38.190 --> 05:07:41.490

Angela Anderson: Okay, so this next slide this is information that.

1348

05:07:44.250 --> 05:07:51.960

Angela Anderson: really is readily available, and we could it could be pulled probably out of your proxy statements and Oh, he is could figure it out, but.

1349

05:07:52.290 --> 05:08:03.090

Angela Anderson: We just would like to have it in one location so it's less confusing so it's the you know what the minimum target and maximum associated payout levels are for the use of performance levels.

1350

05:08:04.080 --> 05:08:17.130

Angela Anderson: How your interpret interpolating between performance levels we assume a straight line but don't actually know that for sure, and they used to performance modifier is, whether they be company modifier or individual performance modifier.

1351

05:08:18.330 --> 05:08:23.400

Angela Anderson: If you're using any triggers like the earnings per share to our Aaron a bonus at all, and then.

1352

05:08:24.120 --> 05:08:42.180

Angela Anderson: You know just a little discussion of any significant changes, you might have made from the prayer so this we view as kind of fairly standard information that wouldn't be too controversial, so the next one, this is arising because of different ways the utilities are handling it.

1353

05:08:43.410 --> 05:08:51.690

Angela Anderson: We would like to see the use of discretion broken up into various categories, so we better understand what's going on.

1354

05:08:52.650 --> 05:09:01.170

Angela Anderson: When a safety target is missed, and so you don't get 100% or you get you know none that's one thing and we'd like to know that.

1355

05:09:01.500 --> 05:09:18.300

Angela Anderson: If management or the board adjusts an individual target for some reason for like one metric or metric category, we want to understand that if management or the Board is adjusting individual employee compensation like there's a you know.

1356

05:09:19.620 --> 05:09:26.850

Angela Anderson: So, and so did such a great job we've increased their compensation by 20% that that year, and they happen to be part of the.

1357

05:09:28.470 --> 05:09:39.150

Angela Anderson: executive group we would want to know that, and then I think it's also very important that we have the information showing us where the compensation committee is exercising its broader discretion.

1358

05:09:40.200 --> 05:09:53.010

Angela Anderson: Do a safety incident and we want these if they're going upwards or if they're going downwards, so if you're increasing or decreasing, we want to know but it's really hard right now to kind of wind through what each utility is reporting.

1359

05:09:56.760 --> 05:10:04.590

Angela Anderson: The last on this slide is more detailed metric definitions and calculations I you know some.

1360

05:10:05.100 --> 05:10:14.340

Angela Anderson: We get some detail on because they're usually like they're OSHA and there's already seen her definition or he is a definition so it's pretty straightforward.

1361

05:10:14.820 --> 05:10:27.060

Angela Anderson: But in terms of others, you know, we need more definition to understanding to really be able to think about the metric and understand you know how it's being calculated what it's doing what it really is.

1362

05:10:33.090 --> 05:10:36.780

Angela Anderson: So um any comments on.

1363

05:10:39.930 --> 05:10:40.680

Angela Anderson: This.

1364

05:10:42.210 --> 05:10:43.230

Angela Anderson: or questions.

1365

05:10:48.900 --> 05:10:50.580

Adrian Ownby: I do think we have a.

1366

05:10:53.730 --> 05:10:58.680

Adrian Ownby: comment from Chris lions JESSICA, you want to go ahead and read that question.

1367

05:10:59.910 --> 05:11:19.860

Jessica McHale: or yeah it was mostly just a comment about section 451 Point five says, please check if section four or five 1.5 is relevant Oh, he is is regulation of executive compensation that definition appears to relate solely to bonuses paid to public utilities that cease to pay debts.

1368

05:11:21.450 --> 05:11:39.780

Adrian Ownby: And I would say that the answer, that is, it is because it's specifically referenced in the Statute that's why we go back to it it's the definition of executive officer that's referenced so that's the one that we use.

1369

05:11:41.550 --> 05:11:47.670

Angela Anderson: yeah it's in both I think it's referenced in both 839 E4 and in e6.

1370

05:11:47.730 --> 05:11:50.190

Adrian Ownby: Yes, reference for both yeah.

1371

05:11:50.700 --> 05:11:53.760

James Pearce: Will like to make comment again, will you should be a little mute yourself.

1372

05:11:55.920 --> 05:12:10.980

William Abrams: Thanks just a clarifying question and I apologize if this was already covered, but just trying to understand definitely generally what it means by a missed safety target I know it seems self explanatory but.

1373

05:12:12.540 --> 05:12:19.320

William Abrams: You know I just didn't know if that was you know for a particular margin, or if it was clear.

1374

05:12:19.980 --> 05:12:33.840

William Abrams: What the targets were and making sure that those are quantifiable, whenever possible, and as specific as possible so that we're comparing apples to apples, if you could just sort of comment on how that was going to be defined.

1375

05:12:34.380 --> 05:12:45.750

Angela Anderson: Yes, so all the safety metrics to the best of my knowledge, right now, have been quantified by the electric corporations, so if you're dark rate target is one.

1376

05:12:46.440 --> 05:12:55.500

Angela Anderson: And that's where you earn your hundred percent that you don't you get a dart rate that's not one, and so you get less than 100% that's what we want to see.

1377

05:12:56.700 --> 05:13:03.270

Angela Anderson: We want to be able to tell whether it's just you're missing a target and so your safety performance or you know let's say it's it's.

1378

05:13:04.920 --> 05:13:10.590

Angela Anderson: near near hit reporting or let's pick an easier, one that like you know someone might have the.

1379

05:13:12.180 --> 05:13:14.790

Angela Anderson: target that bear valley has four.

1380

05:13:15.990 --> 05:13:27.060

Angela Anderson: jumps safety briefings if they miss that we will, and so their safety score is lower that's different than if you know somebody died and.

1381

05:13:28.260 --> 05:13:36.120

Angela Anderson: The compensation committee says, you know what we're going to cut the safety metric group by half so we're trying to differentiate between those.

1382

05:13:36.780 --> 05:13:42.360

William Abrams: That that's helpful, you know I just I guess part of it is just a concern you know.

1383

05:13:43.440 --> 05:13:55.740

William Abrams: Given that example right what what one utility might consider a briefing and what another utility might consider a briefing like might be completely different.

1384

05:13:56.610 --> 05:14:05.880

William Abrams: and also how you quantify that so you know if I call somebody up on the phone and talk to them, you know I might consider that a briefing where.

1385

05:14:06.450 --> 05:14:27.990

William Abrams: It might be something you know more formalized in different places, so you know I think for these purposes, particularly because we're talking about compensation, we may need to look at the actual metrics themselves to see if they are specific enough, and whether they are going to be.

1386

05:14:29.760 --> 05:14:34.080

William Abrams: You know, quantifiable in a way that's going to be helpful because i'm.

1387

05:14:34.890 --> 05:14:50.580

Angela Anderson: A mess for this well is done at each end of the utilities are already the electric corporations are already doing this when they do their compensation calculations so we're not comparing apples and apples, right now, this is looking just at a utility itself.

1388

05:14:52.650 --> 05:15:04.110

Angela Anderson: So it would be based on their own definition and their own targets and their own actual performance, which is already tracked and we probably could dig in and find it.

1389

05:15:04.620 --> 05:15:14.580

Angela Anderson: But it would just be nice to not have to so we would know hey you know you didn't hit your numbers so that's why you're not getting this level versus.

1390

05:15:15.570 --> 05:15:29.280

Angela Anderson: You know, we we decided to adjust something downward or we you know thought you had a banner year and customer operations, so we increase the customer operations metrics up you know arbitrarily, for you know.

1391

05:15:29.670 --> 05:15:40.110

Angela Anderson: Whatever good reason by 10% we just are trying to get where that happens, but this is already going on in the utilities compensation programs right now.

1392

05:15:42.120 --> 05:15:50.820

William Abrams: Okay, I understand that so is that does that mean that the office of energy infrastructure safety is not going to be.

1393

05:15:52.410 --> 05:15:53.880

Angela Anderson: You know.

1394

05:15:53.880 --> 05:15:55.920

Angela Anderson: requiring that.

1395

05:15:56.640 --> 05:15:58.260

William Abrams: You know what they're reporting.

1396

05:16:00.330 --> 05:16:11.100

William Abrams: is consistent with you know I think it's just going to be very hard to look at that data, even without sort of comparing across utilities.

1397

05:16:11.550 --> 05:16:23.730

William Abrams: To really understand again you're I think your briefing example is you know sort of case in point, you know, yes, we held five briefings and we meet you know, and yes, they met their target.

1398

05:16:24.630 --> 05:16:35.070

William Abrams: You, so I guess you're not going to you won't care if those are you know, a telephone call to one person or a briefing for thousands of employees.

1399

05:16:35.400 --> 05:16:48.060

Angela Anderson: No it's not intended to say that that would be really where you're getting into the definition of the metric and how it's calculated what what this first group is trying to understand is.

1400

05:16:49.170 --> 05:16:50.130

Angela Anderson: So.

1401

05:16:51.390 --> 05:17:05.340

Angela Anderson: Is it one year, the entire short term incentive program was wiped out by the compensation committee at pg&e for all of the safety incidents.

1402

05:17:07.290 --> 05:17:19.470

Angela Anderson: If pg&e had done a little bit of that, but then they also missed other measures, and they were trying to say look our compensation committee is doing this great job we want to be able to know what the.

1403

05:17:19.860 --> 05:17:30.390

Angela Anderson: What the reason for adjustments are to assess whether we just so we know if they're doing what they should be doing or if i'm not articulating this very well, I apologize.

1404

05:17:31.800 --> 05:17:49.620

Angela Anderson: If we're missing all of our safety metrics at a utility and then the utility turns around and decides to give all the employees have you know, a 20% increase to their to their bonus the executives we wouldn't be able to see that because that's a problem.

1405

05:17:51.000 --> 05:17:52.380

William Abrams: yeah I guess my my.

1406

05:17:52.620 --> 05:17:55.710

Angela Anderson: Just a different issue than delving into.

1407

05:17:55.890 --> 05:18:07.740

Angela Anderson: This is trying to understand the functioning of people making adjustments to compensation, what you're talking about really is more in when we're reading the metrics and saying well okay that you know is.

1408

05:18:09.870 --> 05:18:16.620

Angela Anderson: really bad metric definition anyone could achieve that you know try harder kind of thing.

1409

05:18:16.800 --> 05:18:32.940

William Abrams: yeah yeah I guess that's part of it, but you know and i'll leave it here and i'll leave it for comments later, but you know, to me, if something is going to be motorable that and measurable right where you're going to be able to go in and understand the things that you just mentioned.

1410

05:18:35.100 --> 05:18:46.110

William Abrams: there's going to need to be some consistency, for you to even to be able to look at it and sort of know what it is, but you know I just you know, maybe.

1411

05:18:46.620 --> 05:18:50.130

William Abrams: there's you know more conversation i'm just concerned that.

1412

05:18:51.390 --> 05:19:07.770

William Abrams: That you get a whole bunch of information and not be able to you know really monitor anything or come to any conclusions on anything because, even within a particular utility it's so loosely.

1413

05:19:09.480 --> 05:19:12.810

William Abrams: defined and described that it just leaves.

1414

05:19:13.950 --> 05:19:17.910

William Abrams: You know, a lack of direction in terms of what to do with it.

1415

05:19:18.690 --> 05:19:21.540

Angela Anderson: Can you just can you put that in the comments in the docket will.

1416

05:19:23.520 --> 05:19:25.710

William Abrams: yeah I will I will yeah.

1417

05:19:25.860 --> 05:19:26.220

William Abrams: I.

1418

05:19:26.460 --> 05:19:27.720

William Abrams: i'll do my best to do that.

1419

05:19:27.720 --> 05:19:28.170

William Abrams: Thank you.

1420

05:19:28.440 --> 05:19:31.200

Adrian Ownby: yeah I also just want to chime in here before we go on.

1421

05:19:32.490 --> 05:19:33.780

Adrian Ownby: You know this is a.

1422

05:19:35.010 --> 05:19:41.880

Adrian Ownby: Potentially long term editor to process where what we do in 2022.

1423

05:19:43.020 --> 05:19:47.160

Adrian Ownby: Maybe just the first step in.

1424

05:19:48.270 --> 05:19:52.980

Adrian Ownby: A multi phase journey and it's possible that the the.

1425

05:19:55.530 --> 05:20:01.260

Adrian Ownby: guidelines will be to really dive into the kinds of things we're talking about.

1426

05:20:02.310 --> 05:20:06.750

Adrian Ownby: But right now we're we're not proposing the potential measure.

1427

05:20:08.190 --> 05:20:12.420

Adrian Ownby: Potential guideline changes aren't really contemplating necessarily some of that.

1428

05:20:14.430 --> 05:20:16.200

Angela Anderson: Okay, can we go to the next one.

1429

05:20:19.740 --> 05:20:20.610

Angela Anderson: So.

1430

05:20:22.230 --> 05:20:23.970

Angela Anderson: I think we missed one or did I miss.

1431

05:20:27.030 --> 05:20:28.800

Angela Anderson: nope okay sorry about that.

1432

05:20:31.410 --> 05:20:46.470

Angela Anderson: My pages got out of order, so we would like to see metrics classified and sub classified consistently based on classifications and.

1433

05:20:47.460 --> 05:20:57.570

Angela Anderson: So classifications, that we would provide through discussion, just so that you know, not everything is all over the place, being reported differently by the utilities.

1434

05:20:59.940 --> 05:21:15.540

Angela Anderson: And you know most utilities use a fairly standard set of groupings, so I think that we could come to an agreement on what some of those groupings are and where to put them, and so this would be.

1435

05:21:16.110 --> 05:21:23.970

Angela Anderson: get to some questions like is reliability, going to be classified as safety or is reliability, going to be classified as reliability.

1436

05:21:25.740 --> 05:21:37.260

Angela Anderson: If an index has safety as a component like with a nuclear power plant, where does that go our safety expenditures expenditures and costs or financial or are they safety.

1437

05:21:37.740 --> 05:21:50.730

Angela Anderson: And then also some classification, so we can see, you know these are being considered employee safety, these are the public safety ones, just to give a greater consistency to how they're being reported.

1438

05:21:53.100 --> 05:22:03.360

Angela Anderson: We would like to see prior year targets and actual performance in each filing and current your targets very clearly specified.

1439

05:22:04.680 --> 05:22:10.830

Angela Anderson: And we would also like historical performance information that ultimately could be used for trending.

1440

05:22:11.130 --> 05:22:27.090

Angela Anderson: And some of this may be able to be pulled from some of the data responses already to some of the other parties and some of it may be necessary, but we want to be able to you know kind of create forms history, ultimately, for the electric corporations to see if this is helping.

1441

05:22:31.230 --> 05:22:32.850

Angela Anderson: Any comments on that slide.

1442

05:22:38.910 --> 05:22:40.140

Angela Anderson: Okay next slide.

1443

05:22:44.490 --> 05:22:53.400

Angela Anderson: So here's where things get a little you know more, I would guess the movie more discussion and debate of involved.

1444

05:22:53.400 --> 05:22:57.000

Brian Chen: enjoy sorry this is Brian from SME can we go back one slide.

1445

05:22:59.430 --> 05:23:09.570

Brian Chen: I did have a question for the reporting of this information is this for kind of internal we is purposes, or is this for public consumption.

1446

05:23:11.760 --> 05:23:13.650

Brian Chen: Are you reporting this internally or publicly.

1447

05:23:14.700 --> 05:23:19.290

Angela Anderson: Well, I assumed you would be reporting it in the same way that you're reporting it now.

1448

05:23:30.990 --> 05:23:37.470

Angela Anderson: I think if there are things that are that you think might be confidential, maybe give that some thought and flag it in the.

1449

05:23:37.470 --> 05:23:38.370

comments.

1450

05:23:39.720 --> 05:23:52.800

Adrian Ownby: I was going to suggest if if I mean i'm hoping that in your comments you'll note, where you believe that there are confidentiality issues and reporting the things that we're asking you to report to us.

1451

05:23:53.850 --> 05:23:55.410

Adrian Ownby: So please do flag those.

1452

05:23:56.040 --> 05:24:02.250

Angela Anderson: Okay yeah and and Brian, the reality is I don't think that the electric corporations have.

1453

05:24:03.210 --> 05:24:17.580

Angela Anderson: You know 15 different compensation plans floating around out there, so ultimately a lot of it, you know it's for different executives, but your actual performance is reported in your proxy statements.

1454

05:24:18.120 --> 05:24:27.240

Angela Anderson: So you know if my if your target was four and you got 3.2 that's usually reported in a proxy statement because it's the same measure is being used across the board.

1455

05:24:29.400 --> 05:24:32.910

Angela Anderson: But if there's something confidential, please let us know what you think it might be.

1456

05:24:34.830 --> 05:24:35.100

Brian Chen: Okay.

1457

05:24:35.370 --> 05:24:35.610

Angela Anderson: Thank you.

1458

05:24:38.820 --> 05:24:39.990

Angela Anderson: Okay next slide.

1459

05:24:41.880 --> 05:24:54.990

Angela Anderson: So this is where we're probably going to get more pushback and there's going to be more discussion we are going to start developing some additional requirements on the short term metrics in terms of.

1460

05:24:57.360 --> 05:25:07.170

Angela Anderson: targets and weightings and you know, right now, whether that has to be for safety or all metrics on both things.

1461

05:25:07.740 --> 05:25:24.780

Angela Anderson: Some of the utilities consistently report metric level weightings and targets and some doubt, and we really like them to be quantitative we would prefer them to be quantitative I understand that for some of you that's not your model.

1462

05:25:26.490 --> 05:25:50.040

Angela Anderson: But I will say that there's a in 2021 fw Cook, which is a big compensation consultant producer report on annual incentive programs, and it says that 83% of the 250 largest s&p 500 firms use a formulaic annual incentive plan with predefined metrics and weights.

1463

05:25:51.450 --> 05:26:03.270

Angela Anderson: Our benchmark survey would indicate those numbers are even higher, so people that have subjectivity and groupings without specific definition, are in the minority.

1464

05:26:07.410 --> 05:26:09.990

Angela Anderson: So that's going to be something that you know.

1465

05:26:11.100 --> 05:26:17.790

Angela Anderson: We will be driving towards and not everyone might like that, but we think it's important at this point.

1466

05:26:18.840 --> 05:26:29.820

Angela Anderson: We may go to category and individual metric waiting requirements so, for example, safety might have to be a minimum of 20% 25% of short term and no metrics less than 5% Those are just numbers.

1467

05:26:30.120 --> 05:26:41.730

Angela Anderson: That we picked for illustrative purposes, but it's consistent with the concept that one 2% is really not helping anyone and and we are sensitive and understand that.

1468

05:26:42.420 --> 05:26:57.450

Angela Anderson: For a dual YouTube dual commodity utility it's it's a little bit more challenging you can't have no gas measures or you know the obvious is going to happen and we are trying to create that problem or drive that.

1469

05:27:00.300 --> 05:27:05.940

Angela Anderson: But little teeny tiny metrics that are like one and 2% are just they're just difficult.

1470

05:27:07.980 --> 05:27:19.830

Angela Anderson: We may come up with allowed metric categories or a lot metrics we may start to specify the types of metrics everything is very outcome based right now, but that means is you know already happened.

1471

05:27:21.030 --> 05:27:24.270

Angela Anderson: So these are things that we're thinking of right now.

1472

05:27:26.010 --> 05:27:30.270

Angela Anderson: Next slide just see if we have more yeah okay.

1473

05:27:31.830 --> 05:27:34.110

Angela Anderson: did anyone can you go back a slide sorry.

1474

05:27:36.090 --> 05:27:41.670

Angela Anderson: James i'm doing this off the slides themselves off the screen does anyone have any comments on that.

1475

05:27:45.660 --> 05:27:46.590

Angela Anderson: or questions.

1476

05:27:52.470 --> 05:27:54.030

Angela Anderson: Okay next slide.

1477

05:27:59.850 --> 05:28:01.950

Angela Anderson: So long term incentives.

1478

05:28:04.920 --> 05:28:21.690

Angela Anderson: This this is kind of an interesting one, so the question of whether restricted stock units are at risk, compensation and performance base seems to vary depending on who you ask.

1479

05:28:23.520 --> 05:28:36.480

Angela Anderson: So some utilities, will consider restricted stock units and base salary to not be risk at risk compensation.

1480

05:28:38.220 --> 05:28:50.550

Angela Anderson: So that means PS us would be risk, you know at risk compensation, the annual incentive would be at risk compensation, but restricted stock units are not at risk compensation.

1481

05:28:53.550 --> 05:28:55.620

Angela Anderson: The other question is.

1482

05:28:57.540 --> 05:29:10.410

Angela Anderson: You know, is is pg&e eligible to include them, I mean, these are very commonly used in the industry because they do have some residual value.

1483

05:29:11.790 --> 05:29:21.960

Angela Anderson: And right now pg&e doesn't use them at all So these are just you know things to think about stock options which are used by Edison are not typical.

1484

05:29:25.680 --> 05:29:31.620

Angela Anderson: But you know I don't necessarily know that I have a position on that at the moment john light.

1485

05:29:34.680 --> 05:29:42.540

Angela Anderson: Some of the potential changes to 8389 he six may have implications for some of the.

1486

05:29:44.400 --> 05:29:57.060

Angela Anderson: Grants in terms of the three year hold requirement, because not everything currently is being held for three years, some things are vesting rapidly and then must safety be included.

1487

05:29:58.860 --> 05:30:03.510

Angela Anderson: So these are some things that we're just you know thinking about and mulling over.

1488

05:30:04.050 --> 05:30:15.960

Angela Anderson: And then getting into the discussion on you know, should there be restrictions if we're seeing modifier is increasing compensation in ways that we're not comfortable with Oh, he is not comfortable what.

1489

05:30:16.800 --> 05:30:18.720

Angela Anderson: Should there be restrictions on that.

1490

05:30:19.230 --> 05:30:28.470

Angela Anderson: And then maybe some of them ACR nine requirements modified versions of them would should be required of all of the electrical corporations.

1491

05:30:28.710 --> 05:30:39.810

Angela Anderson: pg&e I gather would still have to be compliant with all of them as written, but we may want to start, including some modified versions of those so that's something for everyone to think about and.

1492

05:30:41.280 --> 05:30:42.270

Angela Anderson: kind of ponder.

1493

05:30:45.720 --> 05:30:48.600

Angela Anderson: And one more slide I think we have on that.

1494

05:30:49.740 --> 05:30:55.470

Angela Anderson: Okay, and then ultimately the intent, I think, was to try to start linking up with the welfare mitigation plan metrics.

1495

05:30:55.830 --> 05:31:11.580

Angela Anderson: And the safety and operational metrics and I know, there was a recent decision on the track one maybe interact to on the middle of this month, so you know how do we start to bring those things closer together from a design or.

1496

05:31:12.870 --> 05:31:23.580

Angela Anderson: Some other standpoint and then you know other design changes or structural changes that we want to consider in terms of going forward how we look at metrics how we look at this process and how we look at compensation.

1497

05:31:26.040 --> 05:31:33.180

Angela Anderson: So I know that's a lot to consider, and you know, I think that when you guys are commenting if.

1498

05:31:34.530 --> 05:31:38.250

Angela Anderson: You if you know, there are some things that could never be done in.

1499

05:31:40.080 --> 05:31:48.540

Angela Anderson: For example, because it's too far along in the process, or it would be such a substantial change unit flying that land, let us know why.

1500

05:31:50.550 --> 05:31:53.100

Angela Anderson: If you think it's a horrible idea tell us why.

1501

05:32:01.860 --> 05:32:03.750

Angela Anderson: So, moving forward.

1502

05:32:05.970 --> 05:32:08.640

Angela Anderson: To the next one, so here is.

1503

05:32:10.170 --> 05:32:20.670

Angela Anderson: The draft 2020 timeline, so we will try to get guidance issued for public comment in November with the final guidance, at the end of the year or at the beginning of.

1504

05:32:22.560 --> 05:32:32.730

Angela Anderson: We would request the electric corporations filings be provided the beginning of March, in order to eliminate what we had last year, where the utilities numbers.

1505

05:32:33.300 --> 05:32:38.100

Angela Anderson: The numbers aren't final so they don't so you're getting so the utilities are providing.

1506

05:32:38.700 --> 05:32:44.580

Angela Anderson: filings without targets for some areas because the compensation committee hasn't had a chance to meet and approve.

1507

05:32:45.270 --> 05:33:00.900

Angela Anderson: We also hope this will streamline the review process because we're not getting in partial filings we're looking at four months for discovery requests for information and Oh, he is feedback and then ultimately the final approval or denial on.

1508

05:33:02.730 --> 05:33:24.240

Angela Anderson: The utility filings and I think that four month period gives time to address some of the concerns raised by turning count advocates and if we're off on that, let us know but we're trying to make sure there's time for everybody to have a chance to review them ask the questions respond.

1509

05:33:25.890 --> 05:33:29.700

Angela Anderson: thoroughly and thoughtfully which I think are covered on the next slide.

1510

05:33:31.770 --> 05:33:40.110

Angela Anderson: So parties would be given three weeks to review the filings and issue of the initial information request letter corporations have two weeks to respond.

1511

05:33:40.710 --> 05:33:51.570

Angela Anderson: and, hopefully, some of the questions will be mitigated by the structured standard filing template information or question you responded to thoroughly and fully.

1512

05:33:54.120 --> 05:33:57.000

Angela Anderson: And then parties would have another two weeks following that.

1513

05:33:58.020 --> 05:34:02.940

Angela Anderson: Following a complete set the information requests cycle to issue any follow up request, and then we will.

1514

05:34:04.560 --> 05:34:07.680

Angela Anderson: work forward from there next slide.

1515

05:34:10.230 --> 05:34:27.090

Angela Anderson: The electric corporations would get two weeks, again, and then the party sort of four weeks after that final double session of data request to provide their comments, so if there's any challenges in this timeline Is anyone sees it please just flag, those in the comments.

1516

05:34:28.260 --> 05:34:28.620

Angela Anderson: So.

1517

05:34:31.140 --> 05:34:31.560

Angela Anderson: mark.

1518

05:34:32.160 --> 05:34:33.180

Mark Bennet: yeah Angela.

1519

05:34:33.840 --> 05:34:37.740

Mark Bennet: Your I think I think we do have some concerns with the timing.

1520

05:34:39.090 --> 05:34:42.240

Mark Bennet: Of this, for you know the process.

1521

05:34:43.650 --> 05:34:44.370

Angela Anderson: Fire away.

1522

05:34:45.240 --> 05:34:56.910

Mark Bennet: So I you know just we're we're already so far into that that planning as we've kind of said, and when our presentation and some of the.

1523

05:34:57.870 --> 05:35:13.830

Mark Bennet: Some of the ideas that you that you've presented here just would may present some challenges for us so just wanted to make, I just want to make that comment will certainly follow up in in written comments as well, but we're just looking at this getting a little bit concerned about.

1524

05:35:15.390 --> 05:35:16.710

Mark Bennet: The timing and the deadline.

1525

05:35:17.460 --> 05:35:28.830

Angela Anderson: And mark I expected that that would be the case, we all expected that would be the case and we don't see this as l happening at once, some of this is going to be happening, you know 2023 and think about it further in the future.

1526

05:35:29.280 --> 05:35:35.910

Angela Anderson: I think the template and the more the more organized structure of the filing certainly can be accomplished.

1527

05:35:37.890 --> 05:35:48.990

Angela Anderson: Because that's that's really just providing the information in the way we're asking for it by the time you're providing it, you will know your actual performance and your targets for the prior year.

1528

05:35:50.670 --> 05:35:58.740

Angela Anderson: And you'll know what your targets are for the for the year going forward, so I think a lot of the information we're asking you to provide in the template.

1529

05:35:59.040 --> 05:36:06.780

Angela Anderson: is really not that difficult, but if that is something that is a problem, let me, let us know that because we we right now think that's doable.

1530

05:36:08.250 --> 05:36:13.170

Angela Anderson: getting into something where we're saying anything putting metrics in buckets is not that you know.

1531

05:36:13.590 --> 05:36:26.730

Angela Anderson: If you can't fit it in a bucket and we can you know discuss, why not later, but we'll try to give guidance on what buckets we want to see things in just for consistency of reporting something where we were to say to you now all of a sudden, you can't have.

1532

05:36:28.380 --> 05:36:36.810

Angela Anderson: PS us or you need to change all these metrics out to be something else that obviously cannot happen for next year, we know that.

1533

05:36:37.830 --> 05:36:41.070

Mark Bennet: Okay nope appreciate that comment yeah.

1534

05:36:41.130 --> 05:36:48.300

Angela Anderson: Very much something that you know I mean if you're there's something you want to make sure we are aware of you just make sure we know it, and I know that.

1535

05:36:48.570 --> 05:37:00.570

Angela Anderson: You know I don't know where in the l tip cycle you guys are so that, if there were anything significant related to that I don't know what your timing is on that in terms of you know that that ship may have already sailed I don't know.

1536

05:37:02.190 --> 05:37:02.850

Angela Anderson: Yes.

1537

05:37:03.780 --> 05:37:06.510

Mark Bennet: Okay well we'll do thank you thanks for the clarification.

1538

05:37:07.230 --> 05:37:09.150

Angela Anderson: Sure, so.

1539

05:37:10.230 --> 05:37:21.180

Angela Anderson: Now our objective for 2023 is to get all of this to align with the way the compensation process works internally.

1540

05:37:22.440 --> 05:37:40.710

Angela Anderson: So what i've tried to show here is just you know rough guide rough draft of the schedule, so if Oh yes, oh, he is issues, the 2023 draft guidance in January, February, while you guys are the corporations are finalizing the actual that works out perfectly.

1541

05:37:42.330 --> 05:37:48.690

Angela Anderson: Assuming you got a heads up on, you know what the guidance was going to be you file in.

1542

05:37:49.920 --> 05:38:01.290

Angela Anderson: 2022 and then everybody can be commenting on the draft, this is all happening this year next year workshops, if needed, and then final.

1543

05:38:03.120 --> 05:38:15.330

Angela Anderson: Guidance which predates the cycle that the utilities are going through to do their compensation so you're going to start to have a heads up at the beginning of next year on what we're thinking for 23.

1544

05:38:16.200 --> 05:38:23.730

Angela Anderson: And then hopefully that finalized in in advance in order i'm started pointing to my slides so.

1545

05:38:24.150 --> 05:38:34.530

Angela Anderson: have to have that finalized when you guys start really walking into develop your metrics get the board approval review them with everyone, and then you know you finish up the performance period.

1546

05:38:34.800 --> 05:38:46.710

Angela Anderson: So that's the intent is to really push this whole thing earlier in the year, so it can be done thoughtfully and coincide with the natural internal cycle for compensation.

1547

05:38:50.340 --> 05:38:52.500

Angela Anderson: And then hopefully everybody will be so much happier.

1548

05:38:54.150 --> 05:38:55.830

Angela Anderson: So next slide please.

1549

05:38:56.850 --> 05:39:06.810

Angela Anderson: So what more stars doing next so we're going to get the report on the research, you know final draft and finished up and published will get.

1550

05:39:08.220 --> 05:39:15.780

Angela Anderson: All of these presentations Oh, he is in North star will get them up on the in the docket and then we're going to start doing some draft.

1551

05:39:16.380 --> 05:39:30.660

Angela Anderson: Work on the draft guidance which we've already started right now and then work on the final we are starting to compile a trend performance data that we have available for the utilities and we're doing a deeper dive into the metrics so some of you, depending on.

1552

05:39:32.070 --> 05:39:37.980

Angela Anderson: Where we are in that process have already been getting data requests and you know how do you calculate those why you're doing it this way.

1553

05:39:39.540 --> 05:39:45.240

Angela Anderson: we're going to review the welfare mitigation plan and the songs metrics to try to figure out how to maybe integrate them.

1554

05:39:45.540 --> 05:40:02.760

Angela Anderson: and start thinking about the balance between the metric erupts and what happens when you hit performance in some areas, and not in others, and then begin on 2023 guidance modifications for public comment, working with Oh, he is on that early all of that, with Oh, he is.

1555

05:40:04.650 --> 05:40:14.640

Angela Anderson: And then there's an appendix just of all the regulations which I put in there, in case I needed it, which I think is the next section, but it's just there for everyone's benefit mostly.

1556

05:40:19.290 --> 05:40:21.450

Angela Anderson: So, and I think i'm early on this one.

1557

05:40:24.000 --> 05:40:26.970

Adrian Ownby: Yes, your PIC you finished about.

1558

05:40:28.560 --> 05:40:30.330

Adrian Ownby: Well, only about five minutes early.

1559

05:40:31.980 --> 05:40:32.070

Adrian Ownby: We.

1560

05:40:32.460 --> 05:40:35.760

Adrian Ownby: I think we originally set aside 75 minutes for.

1561

05:40:35.970 --> 05:40:37.500

Angela Anderson: still five minutes in the whole day.

1562

05:40:38.760 --> 05:40:39.960

Adrian Ownby: No, you that you're fine.

1563

05:40:41.040 --> 05:40:45.810

Adrian Ownby: But I do think it's now time for a public public comment period so.

1564

05:40:47.760 --> 05:40:51.270

Angela Anderson: And these are these all going to be recorded or do I have to write them all down.

1565

05:40:52.110 --> 05:40:56.370

Adrian Ownby: it's all going to be recorded and will also have a transcript of that from.

1566

05:40:57.540 --> 05:41:04.290

Adrian Ownby: zoom to zoom transcript so it's not an actual transcriber but thank you.

1567

05:41:09.540 --> 05:41:14.490

Adrian Ownby: So do we have any I think we have a hand up among the attendees so I don't think we have any.

1568

05:41:14.490 --> 05:41:15.300

James Pearce: yeah we do have.

1569

05:41:16.470 --> 05:41:21.390

James Pearce: Chris parks if you'd like to make your comment now.

1570

05:41:23.700 --> 05:41:31.920

Chris Parkes: Great actually I did have a moment so Angela I appreciate the information that you just provided I did actually have a couple of questions.

1571

05:41:33.270 --> 05:41:42.030

Chris Parkes: On the previous presentation on a couple of slides, is it possible to go back to those I can tell you what the slide numbers are.

1572

05:41:43.980 --> 05:41:44.730

Angela Anderson: James can do it.

1573

05:41:44.850 --> 05:41:45.360

yep.

1574

05:41:46.530 --> 05:41:53.430

Chris Parkes: One of them is slide let's see 35.

1575

05:41:56.580 --> 05:41:58.110

Chris Parkes: i'm trying to see where this.

1576

05:41:58.170 --> 05:42:00.240

James Pearce: Are you talking about the previous presentation.

1577

05:42:00.240 --> 05:42:02.010

Adrian Ownby: yeah it's presentation, where the right.

1578

05:42:02.700 --> 05:42:03.330

Adrian Ownby: before the break.

1579

05:42:03.900 --> 05:42:05.670

James Pearce: Give me a second Thank you.

1580

05:42:08.100 --> 05:42:13.680

Chris Parkes: In fact, actually, maybe the first one, I could ask about would be slide 18 from before the break that present.

1581

05:42:21.630 --> 05:42:45.570

Chris Parkes: Oh perfect Thank you so one other questions that I had been asking earlier was had to do it on the utilities, do they report all server and stock option bonuses hiring bonuses retention bonuses non qualified retirement compensation, and I think Angela you had explained that.

1582

05:42:47.580 --> 05:42:53.940

Chris Parkes: That they don't provide I think the granular detail but looking at this slide what I was curious at.

1583

05:42:55.350 --> 05:43:09.600

Chris Parkes: From this slide is are those items included in in these bar graphs or they excluded or i'm just curious can can I tie those those kind of things into this bar graph slide.

1584

05:43:09.900 --> 05:43:18.990

Angela Anderson: You cannot, they are not reported in this bar graph and I don't think that they were required to report them in the in the guidance.

1585

05:43:21.900 --> 05:43:31.800

Angela Anderson: You can find some of that and proxy statements for the named executive officers, but I don't think they have to put it in the filings.

1586

05:43:33.060 --> 05:43:37.380

Angela Anderson: And one of the things we will want to make sure we are doing is.

1587

05:43:37.380 --> 05:43:39.120

Angela Anderson: clarified what counts as a.

1588

05:43:39.120 --> 05:43:42.600

Angela Anderson: perk and what counts is ancillary compensation.

1589

05:43:44.160 --> 05:43:55.920

Angela Anderson: And then we can start winding from there, but I think the plan would be to try to get those basically added to this bar graph going forward, am I right Adrian.

1590

05:43:57.540 --> 05:43:58.140

yeah exactly.

1591

05:43:59.610 --> 05:44:03.780

Chris Parkes: yeah so i'm around this subject, I have a couple other questions but.

1592

05:44:05.160 --> 05:44:18.600

Chris Parkes: So I understand the presentations well i'm digesting I would say the presentations from the utilities earlier and I appreciate the detail that they provided, but what.

1593

05:44:19.920 --> 05:44:26.070

Chris Parkes: difficult to digest is putting this all in context, so if there's.

1594

05:44:28.560 --> 05:44:37.410

Chris Parkes: Anything that is not included in these bar graphs it doesn't it makes it difficult to say okay Well, this is a percentage of.

1595

05:44:37.920 --> 05:44:57.030

Chris Parkes: increase or decrease in a performance measure in terms of how it relates to this component, but it doesn't put it in the context of all compensation and so to be able to have that context with the extremely valuable so that.

1596

05:44:58.350 --> 05:45:12.450

Chris Parkes: We don't just have some percentage that might be somewhat difficult to to understand how does this fit into the big picture, but if we had the big picture Okay, this is the overall compensation what's add included, but.

1597

05:45:13.140 --> 05:45:18.840

Chris Parkes: would be useful to understand the big picture, I think that would that would be extremely valuable.

1598

05:45:20.400 --> 05:45:23.220

Chris Parkes: And then, if we were to go to the other slide.

1599

05:45:25.530 --> 05:45:29.070

Chris Parkes: That I was mentioning, let me just check it I think it's like.

1600

05:45:30.090 --> 05:45:32.610

Chris Parkes: 35 in this presentation.

1601

05:45:36.150 --> 05:45:48.510

Chris Parkes: Okay, so and i'm a little so i'm going to focus on on just just because of this example here pg&e is on the lower left and it shows mostly blue.

1602

05:45:50.160 --> 05:46:05.910

Chris Parkes: i'm a little more familiar with pg&e because of things that were filed in the bankruptcy, but this one with seem to indicate that, if I understand it right, what about like stock options, like, I know, there was a news article that talked about.

1603

05:46:07.890 --> 05:46:20.070

Chris Parkes: One of the previous CEO knows that was their interim to during the bankruptcy period and there was there was an article that talked about substantial stock options.

1604

05:46:21.900 --> 05:46:34.650

Chris Parkes: That had to do with stock price and and yet when I look at this i'm not I would have i'm interpreting this as as to say that stock options is not a significant factor in.

1605

05:46:35.820 --> 05:46:43.980

Chris Parkes: In pg&e long pants in there, but i'm just curious is that because i'm just curious why, why would that not show up here.

1606

05:46:45.600 --> 05:46:48.000

Chris Parkes: In this lower left graphic.

1607

05:46:49.110 --> 05:47:13.890

Angela Anderson: So right now PG knees at the summit PG nice challenges, I think, are going to be point in time, challenges, but my guess is that stock options that may be or shares of stock that are granted as part of a separate employment arrangement may not be reflected in this exhibit.

1608

05:47:15.600 --> 05:47:15.900

Chris Parkes: Okay.

1609

05:47:16.650 --> 05:47:28.860

Angela Anderson: it's it's a little challenging unwinding peach I was trying to do it because of all of the because of the bankruptcy and also because of the you know change in personnel over time.

1610

05:47:30.120 --> 05:47:30.420

Chris Parkes: yeah.

1611

05:47:31.620 --> 05:47:34.560

Chris Parkes: And I can I can understand that so i'm.

1612

05:47:35.640 --> 05:47:52.290

Chris Parkes: To to help with that kind of understanding i'm curious, is there any reason why you know, is for one way we're trying to figure out how did these percentages and how did these incentives work in the in the upcoming compensation plan.

1613

05:47:53.370 --> 05:47:59.430

Chris Parkes: And how does that work in terms of guidance, but look what I think would be really informative with me.

1614

05:47:59.760 --> 05:48:10.950

Chris Parkes: A number of these incentive programs have been around for years, maybe they've been changed, you know the the performance measures and and the and the, and the vehicles use for that have.

1615

05:48:11.820 --> 05:48:27.480

Chris Parkes: evolved with utilities, but what would be really informative with me to go back in time and this be able to put dollars on these amounts because right now, it gets percentages, without any context, at least that's that's the thing I struggle with.

1616

05:48:28.620 --> 05:48:36.690

Chris Parkes: And so, to be able to say Okay, you know, this is a total compensation, including everything stock stock options so on.

1617

05:48:37.530 --> 05:48:42.060

Chris Parkes: And then be able to go back in time last year, this is what the payout was.

1618

05:48:42.570 --> 05:48:50.070

Chris Parkes: Based upon the formulas, and this was how it was determined and then the previous year, so i'm curious if there would be any.

1619

05:48:50.520 --> 05:49:07.110

Chris Parkes: If that would be a problem for utilities to be able to provide that information, because that would be that would kind of see how this actually works, you know, rather than kind of see how it's predicting how it's going to use but seeing how it's already been used and applied.

1620

05:49:08.640 --> 05:49:18.720

Angela Anderson: Well, and I understand what you're you're looking for Chris and it is difficult because at the you know everything is is done on a.

1621

05:49:19.140 --> 05:49:28.800

Angela Anderson: forward looking basis, these are all targets and they're targeted the way it works, you know you set your short term incentive as a target percent of base salary everything triggers off base.

1622

05:49:29.160 --> 05:49:32.520

Angela Anderson: And then you set your long term as a percent of base salary.

1623

05:49:33.210 --> 05:49:45.780

Angela Anderson: The short term is a little easier to follow because it's only a year, but the long term is more problematic because you have to wait three years and I know that there have been years in the past where pg&e had.

1624

05:49:46.350 --> 05:49:53.580

Angela Anderson: Relative shareholder return total shareholder return on a relative basis in their long term program and I don't think it paid out anything.

1625

05:49:55.290 --> 05:50:03.210

Angela Anderson: So this is showing that, right now, they are using for going forward they're using thing performance share unit so.

1626

05:50:03.690 --> 05:50:14.820

Angela Anderson: And non financial both, although this chart doesn't show that, but we have not done the analysis and I don't know that anyone has asked us to do the analysis of trying to.

1627

05:50:15.720 --> 05:50:23.640

Angela Anderson: unwind that out don was working on some of that for pg&e just so we understood it, but I don't think she's completed that yet.

1628

05:50:25.110 --> 05:50:29.580

Angela Anderson: And I don't know if dawn wants to know if she's still around there.

1629

05:50:31.470 --> 05:50:42.030

Angela Anderson: But we were trying to understand the mechanics of that for PG to see how this actually plays out in real life, as you go through, but she has to go backwards in time to do that.

1630

05:50:42.540 --> 05:50:47.820

Adrian Ownby: yeah I do want to sort of speak to something that Chris talked about which is.

1631

05:50:48.960 --> 05:50:59.250

Adrian Ownby: um it's our job basically to talk about and to review and to understand and and and sort of VET and approve.

1632

05:51:00.630 --> 05:51:11.970

Adrian Ownby: or push for changes in the structure of the executive compensation plans and we're probably never going to be asking for dollar amounts.

1633

05:51:12.450 --> 05:51:33.750

Adrian Ownby: that people are actually going to get paid we'll talk in terms of percentages and what with a mix of incentives are but we're not going to be interested or trying to ascertain what any of these people are actually getting paid in terms of dollar amount.

1634

05:51:34.350 --> 05:51:37.170

John Ellerman: There, this is john element there's a concept.

1635

05:51:38.460 --> 05:51:48.270

John Ellerman: available, and I would your questioner, I would advise him to look into something that's referred to as realizable pay.

1636

05:51:48.870 --> 05:51:56.910

John Ellerman: or realized pay there there's a little bit of difference, but what those two concepts talk about is.

1637

05:51:57.540 --> 05:52:14.280

John Ellerman: You look at the grant on long term incentives and you go back and typically these are done over a five year period, and you could estimate what the executive, whatever if in fact he had exercises stock options.

1638

05:52:15.900 --> 05:52:26.130

John Ellerman: When he was vested that the performance shares would have been earned when vested and to look at what the share price was or whatever the performance metric happened to be.

1639

05:52:26.580 --> 05:52:33.420

John Ellerman: But that can be done so you can there there's quite a bit of study, you will see some companies actually have in their.

1640

05:52:34.530 --> 05:52:54.180

John Ellerman: proxy statements for their CEO alone, a realizable pay chart and they'll show that, in comparison to what was the value at the date of grant so two stacks of large charts right next to one another it's an interesting concept.

1641

05:52:56.430 --> 05:52:56.910

James Pearce: Can.

1642

05:52:57.630 --> 05:52:58.740

Adrian Ownby: Speak to this time.

1643

05:52:59.190 --> 05:53:04.440

Dawn Francis: I just wanted to add that a lot of time with the I was looking at it at pg&e.

1644

05:53:04.980 --> 05:53:17.400

Dawn Francis: And one of the obstacles I ran with is that there was a lot of turnover over the last five years of the executives, so all those promised long term incentives were either never recouped never.

1645

05:53:18.240 --> 05:53:21.570

Dawn Francis: Finding somebody who was even there for three years as a major effort.

1646

05:53:22.290 --> 05:53:35.490

Dawn Francis: And what I did find were in the proxy statements so it's it's very difficult to go and do it on you'd have to do it on a person by person basis and what's reported in the proxy statements and the timeline has a lot of holes in it.

1647

05:53:39.480 --> 05:53:41.880

James Pearce: I think Slater has his hand raised really.

1648

05:53:41.940 --> 05:53:44.340

Adrian Ownby: Tell me yeah he's here for a while.

1649

05:53:46.470 --> 05:53:47.910

James Pearce: Keith you should be able to meet yourself.

1650

05:53:48.240 --> 05:53:51.330

Keith Switzer: yeah i'm a few now can you hear me okay.

1651

05:53:52.170 --> 05:53:52.500

yeah.

1652

05:53:53.610 --> 05:54:01.560

Keith Switzer: I realized bear Valley, is not the main focus here, but I just didn't want to comment, a little bit more a comment than a question.

1653

05:54:02.940 --> 05:54:14.220

Keith Switzer: Bear Valley, is included in this workshop, because we have we're the only small utility that requested to be in the wildfire fund, which required review of our executive COMP.

1654

05:54:14.970 --> 05:54:26.100

Keith Switzer: My concern is that we're being looped into a group that's really, really much bigger than us, and then we have no real peers in what you're doing.

1655

05:54:26.970 --> 05:54:30.030

Keith Switzer: I looked at the peer group that you had in your study Angela and.

1656

05:54:30.300 --> 05:54:37.710

Keith Switzer: there's really nobody the size of bear Valley, I mean, as I said in my in my presentation we only have 45 employees.

1657

05:54:39.030 --> 05:54:59.160

Keith Switzer: The President of the company his ttc is under $500,000 and you know we're kind of being evaluating his package with the same microscope that you're looking at packages that are multimillion dollar packages and I just I just would caution that they.

1658

05:55:00.300 --> 05:55:05.160

Keith Switzer: that there should be some consideration of size in this in these guidelines.

1659

05:55:06.300 --> 05:55:21.660

Keith Switzer: it's it, it was very difficult to develop a plan as it was for 2021 we had to actually make the promoted President take a pay cut in order to get his base salary in a workable level within ttc.

1660

05:55:22.170 --> 05:55:35.490

Keith Switzer: So I just I don't see that size factored into any of this and I would just I would I would request that you make some consideration or take a look at that, as you prepare the new guidelines.

1661

05:55:37.620 --> 05:55:38.520

Angela Anderson: Thank you Keith.

1662

05:55:40.050 --> 05:55:41.400

Angela Anderson: And I we understand.

1663

05:55:45.270 --> 05:55:47.490

Adrian Ownby: I think, Paul was the other person who had.

1664

05:55:48.510 --> 05:55:50.160

Adrian Ownby: His hand up as an attendee.

1665

05:55:51.270 --> 05:55:54.270

James Pearce: yeah Paul, you should be able to unmute yourself now hold on a second.

1666

05:55:59.100 --> 05:56:03.570

Paul Marconi: All right, yeah on the pickup was enjoyable but that's.

1667

05:56:07.200 --> 05:56:08.880

Paul Marconi: more of a process question.

1668

05:56:10.740 --> 05:56:12.480

Paul Marconi: You have a pretty ambitious.

1669

05:56:13.140 --> 05:56:35.730

Paul Marconi: plan to make changes and they seem to be reasonable, but the question would be why cram into 2022 when, if you shoot the guidance in May next year, you know it all goes smoothly there's something really broken that it weren't scamming in into 2022.

1670

05:56:37.500 --> 05:56:39.900

Adrian Ownby: I think it's more of a philosophy thing it's.

1671

05:56:41.190 --> 05:56:43.620

Adrian Ownby: I think what we're asking for what we're.

1672

05:56:44.790 --> 05:56:48.390

Adrian Ownby: Considering, I think, and likely to ask for 2022.

1673

05:56:49.470 --> 05:56:54.570

Adrian Ownby: is simply for some more consistency and some granularity.

1674

05:56:55.890 --> 05:57:00.960

Adrian Ownby: And what we're asking for increased transparency, a lot of the information.

1675

05:57:02.100 --> 05:57:08.250

Adrian Ownby: should be readily available and we're not we're not planning on asking for.

1676

05:57:09.660 --> 05:57:24.570

Adrian Ownby: I think anything really substantial in so we think that it's it's doable This is just I mean when Angela talks about the template she's just talking about how you present the information to us right.

1677

05:57:25.740 --> 05:57:33.000

Adrian Ownby: And having that be in a consistent way so that we can start to compare across utilities and across across years.

1678

05:57:34.320 --> 05:57:37.680

Adrian Ownby: 2023 is intended to be, perhaps a little bit more.

1679

05:57:38.730 --> 05:57:53.400

Adrian Ownby: Substantive in terms of the changes things that would cause the utilities to debunk if we try to introduce those and November or December of this year, basically Angela do you have anything you want to add on that.

1680

05:57:54.150 --> 05:58:00.300

Angela Anderson: No, I would agree, I that it's really the template is the focus for now and then we'll work forward.

1681

05:58:00.720 --> 05:58:12.120

Angela Anderson: With the more significant, because we need to get your comments back on them and we're not anticipating that some of these things can be done, all of a sudden, you know if we send you guidance to the beginning of the year.

1682

05:58:13.470 --> 05:58:27.930

Paul Marconi: Okay yeah I understand it's recording that's doable if we're changing metrics are prescribing certain standards across utilities, of what metrics are supposed to use that could become pretty challenging for us.

1683

05:58:29.430 --> 05:58:38.940

Angela Anderson: And we just might ask you to put them in certain buckets and that would be it we're not planning right at this moment, you know I certainly wasn't to ask you change them.

1684

05:58:41.070 --> 05:58:41.850

Paul Marconi: For Thank you.

1685

05:58:43.230 --> 05:58:45.300

James Pearce: For the next hundred days is will again.

1686

05:58:46.380 --> 05:58:52.890

James Pearce: Will you will you should be able to meet yourself oops hold on a second people keep moving around hold on.

1687

05:58:57.720 --> 05:58:59.400

James Pearce: we'll go ahead and unmute yourself, thank you.

1688

05:59:00.060 --> 05:59:11.190

William Abrams: Right thanks I appreciate the logistical challenges of trying to coordinate a workshop via zoom so no worries I do want to follow up and I guess, this is in.

1689

05:59:11.790 --> 05:59:23.580

William Abrams: A little bit different from Mr Marconi in terms of his comments you know my comments are really why we aren't further along so part of my question is because you know.

1690

05:59:25.020 --> 05:59:34.950

William Abrams: After the fires in 2017 I engaged at the public utilities Commission, one of the the early proceedings that I participated in was.

1691

05:59:36.390 --> 05:59:43.950

William Abrams: You know the safety culture oh II and other proceedings where we had you know subject matter experts Ken feinberg.

1692

05:59:44.520 --> 05:59:56.610

William Abrams: industry experts academic experts all talking about how do we align executive compensation with safety performance and you know, since that time and.

1693

05:59:57.600 --> 06:00:14.880

William Abrams: we've had a number of different proceedings comments from all sorts of parties about how to go about this and you know I guess I there's a little bit of frustration for me, because you know I see the the need to really be.

1694

06:00:16.350 --> 06:00:24.330

William Abrams: To get after this to make sure that we have aligned interests in terms of safety executive compensation investor compensation and I just.

1695

06:00:24.840 --> 06:00:34.800

William Abrams: worry that you know we've been at this from you know at least i've been involved in it from to try to get a handle on it now we're talking about templates.

1696

06:00:35.430 --> 06:00:45.180

William Abrams: So I guess i'm just concerned that there's not as much urgency around this as as maybe they're there could be, and so, if there could be just comments about how you're leveraging.

1697

06:00:45.600 --> 06:00:55.080

William Abrams: All that great information that we've had over the past few years from all sorts of experts, about how to get this done and how to make this.

1698

06:00:56.970 --> 06:01:05.310

William Abrams: Progress and then my I guess my second question, other than sort of how you're using that information going forward.

1699

06:01:05.820 --> 06:01:12.120

William Abrams: Is you know again around the procedural perspective here, I was disappointed to know that turn wasn't going to be.

1700

06:01:12.660 --> 06:01:21.720

William Abrams: involved in in this conversation I think there are a valuable voice, and we need to be encouraging more participation from from different parties.

1701

06:01:21.990 --> 06:01:32.910

William Abrams: And so i'm new to sort of the transition from the public utilities Commission where I have been heavily engaged to now trying to understand how to engage.

1702

06:01:34.080 --> 06:01:44.400

William Abrams: With within this body, and so, if you could also talk to what sort of procedural guidance, you can provide to parties like me who would just start trying to learn.

1703

06:01:45.510 --> 06:01:51.390

William Abrams: The rules of the road here in terms of how to engage So if you could comment on those pieces I would appreciate it.

1704

06:01:53.370 --> 06:01:58.140

Adrian Ownby: Okay well i'm not going to speak to what has happened in the.

1705

06:01:58.140 --> 06:02:08.010

Adrian Ownby: past, to be honest with you, I joined the office of energy infrastructure safety really at the start of July.

1706

06:02:08.940 --> 06:02:22.530

Adrian Ownby: And this was one of the assignments, that was a key assignment that I was given when I joined, and I think we've actually made pretty significant progress in those three months to to get here to and to get the workshop up and running.

1707

06:02:25.380 --> 06:02:27.420

Adrian Ownby: That regard regarding turn.

1708

06:02:29.730 --> 06:02:39.090

Adrian Ownby: You know I heard yesterday that they were not going to be able to attend and participate, and I was.

1709

06:02:40.200 --> 06:02:43.920

Adrian Ownby: You know not particularly happy about that either.

1710

06:02:45.600 --> 06:02:55.980

Adrian Ownby: Having reviewed, many of the executive compensation submissions this year I found in their comments and I found them to be noteworthy.

1711

06:02:57.240 --> 06:03:04.620

Adrian Ownby: But I don't think there's anything that the office of energy infrastructure safety can directly do about that and.

1712

06:03:06.270 --> 06:03:22.740

Adrian Ownby: If you want to understand the process of participating and and you know, being an entertainer I would suggest reaching out to turn and talk to them about the issues that they encountered there.

1713

06:03:24.450 --> 06:03:26.190

Adrian Ownby: And that's, all I can suggest on that.

1714

06:03:28.260 --> 06:03:30.990

Adrian Ownby: I don't have anything else to add I don't think.

1715

06:03:36.600 --> 06:03:37.140

Adrian Ownby: and

1716

06:03:38.730 --> 06:03:39.810

Adrian Ownby: Kevin pollak point.

1717

06:03:39.990 --> 06:03:50.640

William Abrams: yeah sorry just just to follow up on that, if I can I certainly am not looking to dredge up history, but I just I do think it's important right that we don't start from.

1718

06:03:51.660 --> 06:04:01.890

William Abrams: And i'm not suggesting that this was done, but you know, I think that you know we're not starting from something like a blank piece of paper to try to you know noodle this out and so.

1719

06:04:02.400 --> 06:04:13.680

William Abrams: For parties to understand what pieces of information have been used up to this point because you know I could copy and paste my comments from earlier proceedings and fly them in this one.

1720

06:04:14.850 --> 06:04:18.840

William Abrams: But you know we probably would say we time and.

1721

06:04:20.100 --> 06:04:31.620

William Abrams: everybody's time if if I knew that those comments and and again, not just for me, but from certain please subject matter matter experts that know a lot more about this than me.

1722

06:04:32.280 --> 06:04:42.330

William Abrams: That those were incorporated, then I would know Okay, these are they've already been looked at, and so this isn't you know this is picking up from those pieces.

1723

06:04:42.810 --> 06:04:59.670

William Abrams: Or do I need to go back and regurgitate you know things that have come prior it would just be helpful for progress right and which is, I know what we're all trying to make and then Procedurally, I guess, I appreciate Turning to other parties for procedural guidance, but is there an internal.

1724

06:05:00.810 --> 06:05:09.450

William Abrams: body, where you can get procedural guidance like there is at the public utilities commission to understand the that procedural guidance.

1725

06:05:10.950 --> 06:05:17.610

Adrian Ownby: yeah I think I have to get back to you on that, as far as I know, i'll have to have to get back to you on that.

1726

06:05:19.260 --> 06:05:21.840

Adrian Ownby: You know, if you do if you want.

1727

06:05:22.860 --> 06:05:25.980

Adrian Ownby: Go ahead and put that in the Q amp a.

1728

06:05:27.510 --> 06:05:32.550

Adrian Ownby: file server and it'll go with your other question and we will have to get back to you on that well.

1729

06:05:34.560 --> 06:05:42.240

Angela Anderson: as well if you can just also in the comments, if you could put those proceedings that you're referring to in there.

1730

06:05:43.560 --> 06:05:43.980

Angela Anderson: That would help.

1731

06:05:44.640 --> 06:06:02.490

Adrian Ownby: yeah yeah i'm familiar with the comments and the responses for the 2021 executive compensation submissions and so all of that, you know, has gone into our thinking in terms of.

1732

06:06:04.860 --> 06:06:10.740

Adrian Ownby: What we're proposing for 2022 and will impact that and 2023.

1733

06:06:11.940 --> 06:06:12.990

Adrian Ownby: But earlier than that.

1734

06:06:14.100 --> 06:06:15.570

Adrian Ownby: i'm not so familiar with that.

1735

06:06:22.860 --> 06:06:26.640

James Pearce: There are a number of questions or two questions from the Q amp a, but we do have another hand raised.

1736

06:06:27.180 --> 06:06:32.340

Adrian Ownby: which we do let's let's go ahead and go through the to type in Q amp a questions first.

1737

06:06:33.960 --> 06:06:34.830

James Pearce: JESSICA, I believe.

1738

06:06:34.860 --> 06:06:36.810

Adrian Ownby: yeah I think JESSICA was going to help with her.

1739

06:06:37.860 --> 06:06:49.440

Jessica McHale: Sure yeah The first question is from Carolina contrast asking if North star seeds any opportunity to consider discussions on performance based rate making for utilities that have.

1740

06:06:49.800 --> 06:06:56.820

Jessica McHale: Safety components, with the intent of incense incentivizing safety at the utility as a whole, including utility returns.

1741

06:07:00.510 --> 06:07:04.050

Angela Anderson: So carolyn I don't actually know who you're with.

1742

06:07:08.910 --> 06:07:09.990

Angela Anderson: organizationally.

1743

06:07:16.110 --> 06:07:17.280

Adrian Ownby: Safety policy division.

1744

06:07:19.410 --> 06:07:21.810

Adrian Ownby: At the CPC Okay, thank you.

1745

06:07:23.040 --> 06:07:23.610

Angela Anderson: So.

1746

06:07:25.530 --> 06:07:39.240

Angela Anderson: Carolina if we actually recommended that in the past in our first review of pgp safety culture we made that recommendation to the Commission.

1747

06:07:50.400 --> 06:07:51.690

Jessica McHale: Great thanks Angela.

1748

06:07:53.160 --> 06:08:02.460

Jessica McHale: And then the next question is from a Wade green acre asking we anticipate to would we anticipate the template at the same time as the November guidance for 2022.

1749

06:08:04.560 --> 06:08:10.500

Adrian Ownby: Yes, as far as I know, that's the intent is to have the template be part of the guy and we go.

1750

06:08:11.970 --> 06:08:16.080

Adrian Ownby: To certainly the final games If not, it should be in the draft as well.

1751

06:08:18.540 --> 06:08:24.180

Adrian Ownby: fact I think i'm committed, it will be because it's such an important key part of the dragons.

1752

06:08:27.450 --> 06:08:29.880

James Pearce: and Chris Burke says Henry so Chris.

1753

06:08:31.320 --> 06:08:32.580

James Pearce: You should be able to meet yourself.

1754

06:08:34.500 --> 06:08:42.360

Chris Parkes: you hear me perfect good I had one or maybe Robinson sdg&e if he's still on was.

1755

06:08:43.500 --> 06:08:50.220

Chris Parkes: You mentioned some metrics and you also included near miss and there miss metric and I was just curious is that one where.

1756

06:08:51.960 --> 06:08:54.810

Chris Parkes: The larger than for the better the performance.

1757

06:08:57.030 --> 06:09:00.930

reporting, I just want to see if I got that Patrick right.

1758

06:09:05.100 --> 06:09:08.310

Debbie Robinson: I don't have that definition in front of me i'll have to get back to you on that.

1759

06:09:09.480 --> 06:09:12.000

Chris Parkes: Okay, all right thanks and then.

1760

06:09:13.110 --> 06:09:13.890

Chris Parkes: And I appreciate.

1761

06:09:15.840 --> 06:09:25.350

Chris Parkes: The someone will take a look at the the presentations that the chilis provided and also when when we can get.

1762

06:09:26.400 --> 06:09:27.360

Chris Parkes: A copy of this.

1763

06:09:28.470 --> 06:09:33.240

Chris Parkes: Of the north star record, both before I forget, I wanted to ask.

1764

06:09:34.470 --> 06:09:36.240

Chris Parkes: let's see i'm sorry this.

1765

06:09:39.750 --> 06:09:40.170

Chris Parkes: When.

1766

06:09:44.280 --> 06:09:48.150

Chris Parkes: Is it is it Teller sin i'm sorry, is it elder sister allison.

1767

06:09:49.740 --> 06:09:50.220

Adrian Ownby: allison.

1768

06:09:51.870 --> 06:09:54.750

Chris Parkes: mentioned realizable pay and realize pay.

1769

06:09:55.230 --> 06:09:56.280

Angela Anderson: Is there a.

1770

06:09:56.640 --> 06:09:59.670

Chris Parkes: reference to the warning example or a model.

1771

06:10:01.500 --> 06:10:03.300

Chris Parkes: That we could learn more about.

1772

06:10:04.230 --> 06:10:07.110

John Ellerman: Sure, I think, if you Google it.

1773

06:10:09.300 --> 06:10:10.410

John Ellerman: It may come up.

1774

06:10:12.390 --> 06:10:13.590

John Ellerman: Another way is to.

1775

06:10:13.590 --> 06:10:14.370

Chris Parkes: Look in.

1776

06:10:14.760 --> 06:10:16.140

John Ellerman: A proxy statement.

1777

06:10:18.480 --> 06:10:21.450

John Ellerman: One of my clients is Murphy oil Corporation.

1778

06:10:21.930 --> 06:10:31.200

John Ellerman: And I know that they have included a realize will pay analysis for their CEO and it's in their products, so, if you look at the.

1779

06:10:32.730 --> 06:10:35.340

John Ellerman: proxy state for Murphy oil.

1780

06:10:36.630 --> 06:10:38.220

John Ellerman: You can see a good example there.

1781

06:10:39.810 --> 06:10:40.200

got it.

1782

06:10:42.360 --> 06:10:43.350

Chris Parkes: very useful.

1783

06:10:44.520 --> 06:10:47.130

Chris Parkes: Even without knowing you know.

1784

06:10:48.930 --> 06:10:55.560

Chris Parkes: To be able to understand how these other components weigh in on on compensation so.

1785

06:10:57.150 --> 06:10:57.870

stock value.

1786

06:10:59.190 --> 06:11:06.480

Chris Parkes: For my bros Doc Dr whatever to be able to understand how how those.

1787

06:11:07.560 --> 06:11:16.020

Chris Parkes: relate to the other parts so i'll take over there and and then and then.

1788

06:11:18.300 --> 06:11:22.470

Chris Parkes: Once we get the there are some other questions I know will have on.

1789

06:11:24.930 --> 06:11:31.830

Chris Parkes: Our presentation, which have a lot of good information that there's a there's a lot of times that we may.

1790

06:11:34.200 --> 06:11:36.060

Chris Parkes: Look, to reach out to answer questions.

1791

06:11:51.780 --> 06:11:53.010

Adrian Ownby: you're fading out.

1792

06:11:56.220 --> 06:12:00.120

Chris Parkes: So anyway, I don't have anything else, I can add Thank you.

1793

06:12:03.180 --> 06:12:05.490

John Ellerman: Chris I want to make a comment.

1794

06:12:06.540 --> 06:12:13.830

John Ellerman: back to you on a point that you just raised, and that is this whole issue of perquisites and other compensation.

1795

06:12:17.070 --> 06:12:24.900

John Ellerman: Are you contemplating and I guess, this is a question for Angela are you contemplating including some estimate of.

1796

06:12:25.650 --> 06:12:37.650

John Ellerman: supplemental executive retirement plan compensation annually to be included in your analysis and are you considering that a perk or you consider that to be alternative compensation.

1797

06:12:40.110 --> 06:12:45.540

Chris Parkes: Okay, so I don't know if you can, if I can you hear me OK now i'm speaking a little more okay.

1798

06:12:46.860 --> 06:12:54.660

Chris Parkes: So part of the reason for bringing that up is just to understand how that there's a lot.

1799

06:12:56.190 --> 06:12:59.430

Chris Parkes: I know that if we were to go back in time to.

1800

06:13:00.930 --> 06:13:09.930

Chris Parkes: San Bruno where there was it was like a game changer and a step change for risk assessment Ethics Commission, there was a news article.

1801

06:13:09.930 --> 06:13:25.170

Chris Parkes: about the CEO at the time, leaving with a retirement package of something like $35 million and I don't know whether I don't know what the compensation packages are I don't know what the.

1802

06:13:26.370 --> 06:13:33.450

Chris Parkes: What the other compensation packages are they're all part of the executive compensation, it may not go into this.

1803

06:13:33.990 --> 06:13:53.730

Chris Parkes: executive compensation review, but it does seem like you know if I wonder if if those wouldn't somehow relate to overall compensation that would be that should be considered in terms of an executive compensation, and you know for.

1804

06:13:54.780 --> 06:14:05.220

Chris Parkes: For this docket so it's more about I don't it's more about what I don't know i'm just i'm just interested in learning about what I don't know at this point.

1805

06:14:06.900 --> 06:14:12.600

John Ellerman: Chris you're raising a really good point, especially with respect to supplemental.

1806

06:14:13.950 --> 06:14:21.840

John Ellerman: executive retirement plans, there is in fact a column in the summary compensation table that's included.

1807

06:14:22.290 --> 06:14:45.720

John Ellerman: In the proxy statement that reports, the annual change in the accrued present value of the supplemental benefit that's reported each year, sometimes that number can be quite substantial i've seen that number be as high as four or $5 million just for one year's change in the serp value.

1808

06:14:47.130 --> 06:14:54.690

John Ellerman: And i'm using the acronym search for supplemental retirement plan I think it's something that you all want to track and monitor.

1809

06:14:56.220 --> 06:15:05.430

John Ellerman: It is a very important part of of compensation, and especially since supplemental retirement plans are not performance based.

1810

06:15:06.570 --> 06:15:07.920

John Ellerman: They are simply.

1811

06:15:09.720 --> 06:15:14.130

John Ellerman: plans that are put in place for highly paid executives to.

1812

06:15:16.770 --> 06:15:21.570

John Ellerman: Award what is viewed as a competitive retirement benefit.

1813

06:15:23.550 --> 06:15:38.070

John Ellerman: In recent years, the value of serps has gone down because there has been a lot of pressure from institutional investors and from other authorities about the.

1814

06:15:38.280 --> 06:16:01.020

John Ellerman: egregious amounts reported in certain benefits, like the example that was just talked about with the with the executive, leaving with a $35 million retirement package today, most of those supplemental retirement plans are simply nothing more than taking into account the.

1815

06:16:02.940 --> 06:16:08.730

John Ellerman: and removing the tax limitations from the tax code, so that all compensation heard.

1816

06:16:09.780 --> 06:16:17.220

John Ellerman: It either base salary and or bonus can be included in the retirement plan calculation.

1817

06:16:18.420 --> 06:16:22.800

John Ellerman: And I think it's an important point, and something that you all would want to monitor.

1818

06:16:39.330 --> 06:16:45.150

Adrian Ownby: Any additional Q amp a I think we do from Caroline just JESSICA, you want to go ahead and read.

1819

06:16:46.110 --> 06:16:49.050

Jessica McHale: yeah that's right we have another follow up question from Carolina.

1820

06:16:50.100 --> 06:17:04.140

Jessica McHale: So she's just wondering if North star could expand a little bit more on the recommendation of performance based rate making considering what they are learning or what they have learned now on executive compensation a California, the California utilities.

1821

06:17:05.280 --> 06:17:08.580

Jessica McHale: And then, a comment that that recommendation is for many years ago.

1822

06:17:17.940 --> 06:17:21.720

Angela Anderson: All right, I was trying to figure out how some the serps normally classified.

1823

06:17:23.820 --> 06:17:35.490

Angela Anderson: So we made that recommendation because of it was it was made many years ago it was driven by what largely as the same concern that Chris parks raised about.

1824

06:17:36.120 --> 06:17:55.680

Angela Anderson: Peter derbies compensation after when he left pg&e so it really didn't get any traction at the at the Commission we'd also have recommended like a non punitive reporting system and some consistent metrics those got a little bit more traction at the Commission, I have not given it.

1825

06:17:57.240 --> 06:17:59.640

Angela Anderson: consideration and.

1826

06:18:01.410 --> 06:18:16.710

Angela Anderson: This forum, yet, but i'll think on it and it's it's you know but it's complicated because it gets into the whole break making issue, and you know I would say your stroke, we are not right, making experts, but will think on it, some more.

1827

06:18:24.150 --> 06:18:31.830

Adrian Ownby: Okay, well, it looks like we don't have any additional questions at this point.

1828

06:18:33.330 --> 06:18:41.160

Adrian Ownby: We can give it a few moments here anybody has any questions that they'd like to raise raise your hand, please.

1829

06:18:42.750 --> 06:18:43.980

Adrian Ownby: Otherwise, I think we can.

1830

06:18:45.300 --> 06:18:49.500

Adrian Ownby: end the workshop here very soon anyone.

1831

06:18:53.550 --> 06:18:56.760

Adrian Ownby: Okay, it looks like maybe another Q amp a.

1832

06:18:57.810 --> 06:18:59.280

Adrian Ownby: Ah, OK.

1833

06:19:07.020 --> 06:19:11.550

Adrian Ownby: OK, thank you brilliant and we will will definitely look at that Thank you.

1834

06:19:14.040 --> 06:19:14.790

Adrian Ownby: I don't make a note.

1835

06:19:15.180 --> 06:19:16.320

Angela Anderson: i'm just going to take a picture.

1836

06:19:17.310 --> 06:19:18.900

Adrian Ownby: yeah i'm going to copy and paste.

1837

06:19:20.940 --> 06:19:21.720

James Pearce: Just remember.

1838

06:19:21.750 --> 06:19:23.880

Adrian Ownby: i've got i've got I know you.

1839

06:19:23.910 --> 06:19:27.690

James Pearce: you've got a generator I can generate reports at the end of the meeting so.

1840

06:19:28.560 --> 06:19:29.040

Adrian Ownby: appreciate.

1841

06:19:29.070 --> 06:19:35.100

Angela Anderson: It will, if I had an answer to that question you posed earlier, I would not be doing what i'm doing right now.

1842

06:19:35.400 --> 06:19:39.090

Angela Anderson: yeah about pg&e stock and everything else.

1843

06:19:39.180 --> 06:19:39.570

yeah.

1844

06:19:41.160 --> 06:19:43.530

Adrian Ownby: I think we'll follow up on that see.

1845

06:19:43.890 --> 06:19:45.420

Adrian Ownby: Your response to that as well.

1846

06:19:49.680 --> 06:19:50.520

Adrian Ownby: But for thoughtful question.

1847

06:19:57.060 --> 06:20:02.400

Adrian Ownby: I do think we'll go ahead and say that was answered live and we're done with that.

1848

06:20:03.630 --> 06:20:09.510

Adrian Ownby: One last time I guess anybody have any other questions or comments say like.

1849

06:20:14.550 --> 06:20:27.960

Adrian Ownby: Okay, well then, I guess we'll go ahead and end the workshop a little early, I think I need to connect with Angela and john I think i'll send you guys a team invite shortly.

1850

06:20:29.850 --> 06:20:37.380

Adrian Ownby: And I do probably need to reach out to the utilities to about your presentations as well and.

1851

06:20:39.330 --> 06:20:49.050

Adrian Ownby: Accessibility issues that we need to address okay if that's the case, thank you guys it looks like we're done for today and I appreciate everybody who.

1852

06:20:49.800 --> 06:21:02.220

Adrian Ownby: attended and came and asked questions and participated and want to thank john and Angela and all of the utility representatives who can make presentations as well.

1853

06:21:03.360 --> 06:21:06.960

Adrian Ownby: yeah Thank you all very much you have a good day take care.

1854

06:21:08.010 --> 06:21:09.030

Angela Anderson: Thanks everyone.